

萬勵達
WAN LEADER

萬勵達國際有限公司

WAN LEADER INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8482

SHARE OFFER

Sole Sponsor



華邦融資有限公司
Huabang Corporate Finance Limited

Joint Bookrunners and Joint Lead Managers



華邦證券有限公司
Huabang Securities Limited



中國金洋證券
CHINA GOLDJOY SECURITIES

Joint Lead Managers



金猴證券
HKMonkey.com



訊匯證券有限公司
SINCERE SECURITIES LIMITED

IMPORTANT

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



萬勵達
WAN LEADER

WAN LEADER INTERNATIONAL LIMITED

萬勵達國際有限公司

(Incorporated in the Cayman Islands with limited liability)

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

Number of Offer Shares : 252,000,000 Offer Shares (subject to the Offer Size Adjustment Option)
Number of Public Offer Shares : 25,200,000 Shares (subject to reallocation)
Number of Placing Shares : 226,800,000 Shares (subject to reallocation and the Offer Size Adjustment Option)
Offer Price : Not more than HK\$0.35 per Offer Share and expected to be not less than HK\$0.25 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value : HK\$0.01 per Share
Stock code : 8482

Sole Sponsor



華邦融資有限公司
Huabang Corporate Finance Limited

Joint Bookrunners and Joint Lead Managers



華邦證券有限公司
Huabang Securities Limited



中國金洋證券
CHINA GOLDJOY SECURITIES

Joint Lead Managers



金猴證券
HKMonkey.com



訊匯證券有限公司
SINCERE SECURITIES LIMITED

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

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies in Hong Kong" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). Neither the Securities and Futures Commission nor the Registrar of Companies in Hong Kong takes any responsibility as to the contents of this prospectus or any of the other documents referred to above.

Prospective investors should consider carefully all the information set out in this prospectus and the Application Forms, in particular, should consider and evaluate the matters discussed in the section headed "Risk Factors" in this prospectus before making any investment decision in relation to our Company.

The Offer Price will not be more than HK\$0.35 per Offer Share and is expected to be not less than HK\$0.25 per Offer Share unless otherwise announced. Huabang Securities Limited (for itself and on behalf of China Goldjoy Securities Limited and the Underwriters) may, with the consent of our Company, reduce the indicative Offer Price range stated in this prospectus at any time on or prior to the Price Determination Date, which is expected to be on or around Thursday, 30 August 2018, or such other date as may be agreed between our Company and Huabang Securities Limited (for itself and on behalf of China Goldjoy Securities Limited and the Underwriters). In such case, our Company will, as soon as practicable following the decision to make such reduction, publish the notice of such change on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.wanleader.com not later than the Price Determination Date. Further details are set out in the sections headed "Structure and Conditions of the Share Offer" and "How to Apply for the Public Offer Shares" in this prospectus.

The final Offer Price is expected to be determined by the Price Determination Agreement to be entered into between our Company and Huabang Securities Limited (for itself and on behalf of China Goldjoy Securities Limited and the Underwriters) on the Price Determination Date. If, for any reason, our Company and Huabang Securities Limited (for itself and on behalf of China Goldjoy Securities Limited and the Underwriters) are unable to reach any agreement on the Offer Price by the Price Determination Date, the Share Offer will not become unconditional and will lapse immediately. Applicants for the Public Offer Shares are required to pay, on application, the maximum Offer Price of HK\$0.35 for each Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$0.35 per Offer Share.

Prior to making an investment decision, prospective investors of the Offer Shares should note that Huabang Securities Limited (for itself and on behalf of China Goldjoy Securities Limited and the Underwriters) has the right, in its sole and absolute discretion, to terminate the obligations of the Underwriters under the Underwriting Agreements upon the occurrence of any of the events set out in the section headed "Underwriting" in this prospectus, at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date. Should Huabang Securities Limited (for itself and on behalf of China Goldjoy Securities Limited and the Underwriters) terminate the obligations of the Underwriters under the Underwriting Agreements in accordance with its terms, the Share Offer will not become unconditional and will lapse immediately.

24 August 2018

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange.

Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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

EXPECTED TIMETABLE

2018⁽¹⁾

Latest time to complete electronic applications under the **HK eIPO White**

Form service through the designated website at **www.hkeipo.hk**⁽²⁾ . . . 11:30 a.m. on Wednesday,
29 August, 2018

Application lists open⁽³⁾ 11:45 a.m. on Wednesday,
29 August, 2018

Latest time to lodge **WHITE** and **YELLOW** Application Forms and
to give **electronic application instruction** to HKSCC⁽⁴⁾ 12:00 noon on Wednesday,
29 August, 2018

Latest time to complete payment of **HK eIPO White Form** applications
by effecting internet banking transfer(s) or PPS payment transfer(s). . 12:00 noon on Wednesday,
29 August, 2018

Application lists close⁽³⁾ 12:00 noon on Wednesday,
29 August, 2018

Expected Price Determination Date⁽⁵⁾ Thursday,
30 August, 2018

Announcement of the final Offer Price, the level of indication of interest
in the Placing, the level of applications in the Public Offer, the basis of
allocation of the Public Offer Shares to be published (a) on the website of
our Company at **www.wanleader.com** and (b) the website of the Stock Exchange at
www.hkexnews.hk on or before Tuesday,
4 September, 2018

Results of allocations in the Public Offer (with successful applicants’
identification document numbers, where applicable) to be available
through a variety of channels Tuesday,
4 September, 2018

Results of allocations in the Public Offer will be available at
www.tricor.com.hk/ipo/result with a “search by ID number/Business
Registration Number” function from Tuesday,
4 September, 2018

Despatch/Collection of share certificates in respect of wholly or partially
successful applications pursuant to the Public Offer on or about⁽⁶⁾⁽⁷⁾ Tuesday,
4 September, 2018

Despatch/Collection of **HK eIPO White Form** e-Auto Refund payment
instructions/refund cheques in respect of wholly successful applications if
the final Offer Price is less than the price payable on application
(if applicable) and wholly or partially unsuccessful applications pursuant to
the Public Offer on or about⁽⁷⁾⁽⁸⁾ Tuesday,
4 September, 2018

Dealings in the Shares on GEM to commence at 9:00 a.m. on Wednesday,
5 September, 2018

EXPECTED TIMETABLE

Notes:

1. All times and dates refer to Hong Kong times and dates.
2. You will not be permitted to submit your application through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application money) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a “black” rainstorm warning signal or a tropical cyclone warning signal number 8 or above is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 29 August 2018, the application lists will not open on that day. For further information please refer to the section headed “How to Apply for the Public Offer Shares – 10. Effect of bad weather on the opening of the application lists” in this prospectus.
4. Applicants who apply by giving electronic application instructions to HKSCC should refer to the section headed “How to Apply for the Public Offer Shares – 6. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
5. The Price Determination Date is scheduled on Thursday, 30 August 2018 (or such later date as agreed between our Company and Huabang Securities Limited (for itself and on behalf of China Goldjoy Securities Limited and the Underwriters)). If Huabang Securities Limited (for itself and on behalf of China Goldjoy Securities Limited and the Underwriters) and our Company are unable to reach an agreement on the Offer Price on the Price Determination Date, or such later date or time as may be agreed between our Company and Huabang Securities Limited (for itself and on behalf of China Goldjoy Securities Limited and the Underwriters), the Share Offer will not become unconditional and will lapse.
6. Share certificates for the Offer Shares are expected to be issued on or about Tuesday, 4 September 2018 but will only become valid certificates of title provided that the Share Offer becomes unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms before 8:00 a.m. on the Listing Date. Investors who trade the 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. Applicants who have applied on **WHITE** Application Forms or through **HK eIPO White Form** service for 1,000,000 or more Public Offer Shares under the Public Offer may collect their refund cheques and share certificates (if applicable) in person from our Hong Kong Branch Share Registrar, from 9:00 a.m. to 1:00 p.m. on Tuesday, 4 September 2018. Applicants being individuals who are eligible for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who are eligible for personal collection must attend by their authorised representatives bearing a letter of authorisation from their corporation stamped with the corporation’s chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, identification and documents (where applicable) acceptable to our Hong Kong Branch Share Registrar.

Applicants who apply with **YELLOW** Application Forms for 1,000,000 or more Public Offer Shares under the Public Offer may collect their refund cheques (where relevant) in person but may not collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Uncollected share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post and at the own risk of the applicants shortly after the expiry of the time for collection at the date of despatch of refund cheque as described in the section headed “How to Apply for the Public Offer Shares – 14. Despatch/Collection of Share Certificates and Refund Monies” in this prospectus.
8. e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful application and also in respect of successful applications in the event that the final Offer Price is less than the price per Offer Share payable on application. Part of your Hong Kong identity card number/passport number or if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

Investors may obtain a printed copy of this prospectus, free of charge, during normal business hours from any of the designated branches of the receiving bank and the designated offices of the Sole Sponsor as set out in the section headed “How to Apply for the Public Offer Shares” in this prospectus. An electronic version of this prospectus (which is identical to the printed prospectus) can be accessed and downloaded from the websites of our Company at **www.wanleader.com** and the Stock Exchange at **www.hkexnews.hk**.

EXPECTED TIMETABLE

Distribution of this prospectus into any jurisdiction other than Hong Kong may be restricted by law. Persons who come into possession of this prospectus (including agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.

For details of the structure of the Share Offer, including the conditions of the Share Offer, and the procedures for application for the Offer Shares, please refer to the sections headed “Structure and Conditions of the Share Offer” and “How to Apply for the Public Offer Shares” in this prospectus, respectively.

If the Share Offer does not become unconditional or is terminated in accordance with its terms, the Share Offer will not proceed. In such case, our Company will make an announcement as soon as practicable thereafter.

CONTENTS

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

CHARACTERISTICS OF GEM	i
EXPECTED TIMETABLE	ii
CONTENTS	v
SUMMARY	1
DEFINITIONS	15
GLOSSARY	24
FORWARD-LOOKING STATEMENTS	26
RISK FACTORS	27
INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER	38
DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER	42
CORPORATE INFORMATION	46
INDUSTRY OVERVIEW	48
REGULATORY OVERVIEW	61
HISTORY, REORGANISATION AND GROUP STRUCTURE	68
BUSINESS	81
FINANCIAL INFORMATION	135
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS	176
SHARE CAPITAL	182
SUBSTANTIAL SHAREHOLDERS	184
DIRECTORS AND SENIOR MANAGEMENT	185
FUTURE PLANS AND USE OF PROCEEDS	200
UNDERWRITING	207

CONTENTS

STRUCTURE AND CONDITIONS OF THE SHARE OFFER	214
HOW TO APPLY FOR THE PUBLIC OFFER SHARES	219
APPENDIX I – ACCOUNTANTS’ REPORT.	I-1
APPENDIX II – UNAUDITED PRO FORMA FINANCIAL INFORMATION ...	II-1
APPENDIX III – SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW	III-1
APPENDIX IV – STATUTORY AND GENERAL INFORMATION	IV-1
APPENDIX V – DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION	V-1

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus and therefore does not contain all the information which may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this section are defined in the sections headed “Definitions” and “Glossary” in this prospectus.

BUSINESS OVERVIEW

We provide logistics services in Hong Kong to customers located in Hong Kong, Taiwan and the PRC with the cargo destinations covering U.S., Europe and other regions. We operate our business through four main operating subsidiaries, namely, Union Air, Orient Zen, Fu Yo and Fu Cheng.

Our services principally involve (a) the provision of freight forwarding and related logistics services through purchasing cargo space from airlines’ GSAs, shipping liners and other freight forwarders, and after that, either sell it to direct shippers or respective freight forwarders which act on behalf of their shipper customers, and eventually deliver the goods to their destinations; and (b) the provision of warehousing and related value-added services (consisting of labelling services and packaging services). Unlike large multi-national operators, we fall under the category of mid-size market players in Hong Kong. Freight forwarding service providers of our size usually prefer to focus on particular specialised functions along the supply chain instead of providing a wide range of comprehensive logistic services. As such, our Group targets the provision of freight forwarding and related logistics services to direct shippers via Union Air; the provision of air freight forwarding and related logistics services to other air freight forwarders via Orient Zen; and the provision of warehousing and related value-added services via Fu Yo.

With reference to the industry nature, freight forwarders rely on one another for the provision of freight forwarding services, and intermediaries like our Group are unlikely to be disintermediated. We believe the growth drivers of our business include (i) our close connections with airlines’ GSAs and shipping liners via Union Air and other freight forwarders via Orient Zen for stable supply of cargo space; (ii) the reliable business relationships between Union Air and direct shippers for stable cargo space demand; (iii) our ancillary after-sales service support, in particular, our round-the-clock customer services throughout the year and our on time delivery; (iv) our ability to provide a wide range of comprehensive logistics services such as warehousing, repackaging, palletising and supply chain management; and (v) our ability to adopt flexible arrangements for our customers.

We manage to maintain our market competitiveness through close collaborations and business relationships with our customers, and our freight forwarding services and warehousing services allow us to enlarge our clientele and give our Group more competitive advantages over other local service providers, especially those only offer limited range of freight forwarding and related logistics services.

For FY2016, FY2017 and FY2018, our revenue attributable to our freight forwarding and related logistics business amounted to approximately HK\$68.2 million, HK\$53.8 million and HK\$170.4 million, respectively, while our revenue attributable to our warehousing and related value-added business amounted to approximately HK\$8.0 million, HK\$25.5 million and HK\$27.5 million, respectively. For FY2016, FY2017 and FY2018, our total net profit amounted to approximately HK\$6.3 million, HK\$11.5 million and HK\$11.0 million, respectively. During the Track Record Period, there was no material change in our business focus.

SUMMARY

COMPETITIVE LANDSCAPE

According to the F&S Report, the logistics industry in Hong Kong is highly fragmented and competitive. In general, there are approximately 20 - 30 tier-one logistics market players, which are leading logistic groups with full coverage of land, air, and sea freight transport. Most players in tier-one have a revenue size ranging from approximately HK\$1.5 billion to HK\$3.0 billion. There are approximately 500-800 tier-two players, which are generally local and regional players with network covering specific geographic locations or categories of goods. They provide basic value-added services as key revenue stream. These market players have a revenue size ranging from HK\$50 million to HK\$150 million.

The warehousing and storage service market has recorded a market size of approximately HK\$8.8 billion in 2017. The warehousing market in Hong Kong is highly fragmented with over 1,500 warehousing service providers, in which approximately 500 are standalone warehousing and storage operators. The average warehousing service provider has a market share of less than 0.1%. Warehousing service is very often offered by logistics, freight forwarding and courier service providers as an integral part of their supply chain.

It is estimated that our Group has captured a market share of 0.16% of the overall air and sea freight forwarding industry, and a market share of 0.29% of the warehousing service industry in Hong Kong in 2017 in terms of revenue. For details of the market we operate in and the competition we face, please refer to the section headed “Industry Overview – Competitive landscape of freight transport and warehousing market in Hong Kong” in this prospectus.

OUR SERVICES

Freight forwarding and related logistics services

We offer air freight forwarding and sea freight forwarding services, and a majority of the cargo space we sell are for goods being exported from Hong Kong to various destinations over the world, mainly in U.S. and Europe.

Our Directors have been leading our Group to maintain a harmonious and stable relationship with our suppliers. We generate profit and maintain our gross profit margins by (a) acquiring cargo space from our suppliers at competitive prices, part of which under block space arrangements; (b) consolidating our cargo space; (c) co-loading with other freight forwarders; and (d) selling our cargo space to customers on a cost-plus basis. Our Directors are of the view that the higher the degree of utilisation of our available cargo space, the more we maximise our profit.

For FY2016, FY2017 and FY2018, the gross profit attributable to our freight forwarding and related logistics services amounted to approximately HK\$13.2 million, HK\$14.3 million and HK\$33.4 million, respectively, with a gross profit margin of approximately 19.4%, 26.6% and 19.6%, respectively.

Warehousing and related value-added services

We strategically offer warehousing and related value-added services supplemental to our freight forwarding and related logistics services at our HLC Warehouse located in Kwai Chung, Hong Kong in order to compete against other market players and in response to the rising demand from our customers. The services we offer include warehousing, repackaging and labelling, palletising, supply chain management, and local delivery services within Hong Kong. We integrate such warehousing and related value-added services into our core freight forwarding and related logistics services to increase of competitiveness and better facilitate the needs of our customers. Our HLC Warehouse is equipped with floor with dust-proof and anti-static material, 24-hour electronic monitoring system, 24-hour temperature and humidity control systems; and relatively high ceiling, in order to provide the most suitable solution to our customers. Our HLC Warehouse consists also extra parking slots provided for the more efficient loading of cargos. Our Directors believe that with further expansion in size and facilities of our warehouses, we will be able to enhance the warehousing and related valued-added services we provide.

SUMMARY

For FY2016, FY2017 and FY2018, the gross profit attributable to our warehousing and related value-added services amounted to approximately HK\$1.0 million, HK\$8.0 million and HK\$9.2 million, respectively, with a gross profit margin of approximately 12.7%, 31.5% and 33.6%, respectively.

For further details, please refer to the section headed “Business – Our services” in this prospectus.

COMPETITIVE STRENGTHS

We believe we have the following competitive strengths that will continue to drive our future success:

- the logistics services we offer to accommodate our customers’ various logistics needs;
- our emphasis on quality and reliable services with reputation in the industry;
- our management and staff are with extensive experience and in-depth knowledge;
- our diversified customer base; and
- our close and continuous business relationship with our suppliers.

CUSTOMERS AND SUPPLIERS

Customers

During the Track Record Period, we had maintained business relationship with approximately 223 customers.

The distribution of the type of our customers for each of our service segment during the Track Record Period was as follows:

	FY2016				FY2017				FY2018			
	Direct shipper customers		Other freight forwarders		Direct shipper customers		Other freight forwarders		Direct shipper customers		Other freight forwarders	
	<i>Number of customers</i>	<i>%</i>	<i>Number of customers</i>	<i>%</i>	<i>Number of customers</i>	<i>%</i>	<i>Number of customers</i>	<i>%</i>	<i>Number of customers</i>	<i>%</i>	<i>Number of customers</i>	<i>%</i>
Freight forwarding and related logistics services	47	73.4	17 ^(Note 1)	26.6	52	73.3	19 ^(Note 2)	26.7	54	44.3%	68 ^(Note 3)	55.7%
Warehousing and related value-added services	1	6.3	15 ^(Note 1)	93.7	1	3.3	29 ^(Note 2)	96.7	13	37.1%	22 ^(Note 3)	62.9%

Notes:

1. One of our customers engages us in the provision of both freight forwarding and related logistics services and warehousing and related value-added services.
2. Three of our customers engages us in the provision of both freight forwarding and related logistics services and warehousing and related value-added services.
3. Eight of our customers engages us in the provision of both freight forwarding and related logistics services and warehousing and related value-added services.

SUMMARY

Our five largest customers during the Track Record Period include both direct shipper customers and other freight forwarders which act on behalf of their shipper customers. We have maintained business relationship with our five largest customers for around three years on average and with Customer A as our largest customer since our incorporation.

For FY2016, FY2017 and FY2018, our revenue from rendering of services attributable to our largest customer amounted to approximately HK\$30.8 million, HK\$24.9 million and HK\$50.1 million, respectively, representing 40.4%, 31.3% and 25.3% of the total revenue of our Group from rendering of services, respectively; while our revenue from rendering of services attributable to our five largest customers amounted to approximately HK\$62.5 million, HK\$56.8 million and HK\$127.3 million, respectively, representing 81.9%, 71.5% and 64.3% of the total revenue of our Group from rendering of services, respectively.

For FY2016, FY2017 and FY2018, our revenue attributable to services provided to direct shipper customers amounted to approximately HK\$22.6 million, HK\$29.8 million and HK\$33.0 million, respectively, representing 29.7%, 37.5% and 16.7% of our total revenue of the respective year. Our revenue attributable to services provided to other freight forwarders amounted to approximately HK\$53.7 million, HK\$49.5 million and HK\$164.9 million, respectively, representing 70.3%, 62.5% and 83.3% of our total revenue of the respective year.

For further details of the customers of our Group, please refer to the section headed “Business – Customers” in this prospectus.

Suppliers

We had maintained close and continuing business relationship with our suppliers. Our five largest suppliers during the Track Record Period in terms of cost of services are airlines’ GSAs, shipping liners and other freight forwarders. We have maintained business relationship with our five largest suppliers for around four years on average.

For FY2016, FY2017 and FY2018, our purchases attributable to our largest supplier amounted to approximately HK\$16.1 million, HK\$7.7 million and HK\$19.0 million, respectively, representing 26.0%, 13.5% and 12.2% of the total cost of services of our Group respectively; while our purchases attributable to our five largest suppliers amounted to approximately HK\$40.1 million, HK\$25.2 million and HK\$61.0 million, respectively, representing 64.7%, 44.1% and 39.3% of the total cost of services of our Group, respectively.

For further details of our five largest suppliers, please refer to the section headed “Business – Suppliers” in this prospectus.

BUSINESS STRATEGIES

- Further developing our existing portfolio of cargo routes from Hong Kong to U.S., Europe and other regions to boost sales performance and enhance market share in the logistics industry.
- Expanding our existing cargo arrangement and seeking to enter formal agreements with our suppliers.
- Expanding our warehouses and upgrading our information technology system.
- Acquiring our own trucking fleet and related supporting staff to enhance our related logistics services and save our operating costs in the long run.
- Enhancing our sales and marketing effort to maintain stable business relationship with our customers.
- Retaining and recruiting experienced, motivated and well-trained employees.

SUMMARY

PRICING POLICY

Our Group provides quotations to our clients according to the complications and degree of service of their requests. Our pricing to clients is primarily based on our internal guideline to charge on a cost-plus basis. The cost-plus basis primarily takes into account a variety of factors, including labour cost and material costs, availability of cargo space, market condition, destination of shipment, shipping slot fee, terminal fee, trucking cost, number of containers to be or being transported, reputation of the customer within the industry, and past relationship and future business opportunity with clients.

Our Group has drawn up and put in place an internal guideline for guidance and reference by the relevant teams and personnel. Such price is subject to review by our Directors from time to time with due regard to any changes or movements in the relevant prices in the logistics business and demand for services in the context of the industry.

For further details, please refer to the section headed “Business – Sales and marketing – Pricing policy” in this prospectus.

KEY OPERATIONAL AND FINANCIAL DATA

The tables below set forth the key operational and financial data of our Group. For a detailed analysis of these key operational and financial data, please refer to the section headed “Financial Information” in this prospectus.

Breakdown of our revenue

	FY2016		FY2017		FY2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Air freight forwarding and related logistics services						
Direct shippers	14,235	18.7	6,896	8.7	10,821	5.5
Other freight forwarders	39,710	52.1	31,990	40.3	142,014	71.7
Sea freight forwarding and related logistics services						
Direct shippers	8,153	10.7	8,157	10.3	6,232	3.1
Other freight forwarders	6,113	8.0	6,744	8.5	11,372	5.8
Warehousing and related value-added services						
Direct shippers	226	0.2	14,707	18.6	15,915	8.0
Other freight forwarders	7,818	10.3	10,822	13.6	11,588	5.9
Total	76,255	100.0	79,316	100.0	197,942	100.0

Breakdown of our cost of services

	FY2016		FY2017		FY2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Air freight forwarding and related logistics services						
Sub-contracting charges	45,223	73.0	27,578	48.4	124,863	80.4
Sea freight forwarding and related logistics services						
Direct booking charges	9,748	15.7	11,901	20.9	12,148	7.8
Warehousing and related value-added services						
Sub-contracting charges	3,675	5.9	9,366	16.4	7,307	4.7
Employee benefits expenses	1,069	1.7	1,064	1.9	2,297	1.5
Rental	1,110	1.8	3,907	6.9	4,024	2.6
Depreciation	477	0.8	503	0.9	503	0.3
Utilities	28	0.0	263	0.4	249	0.2
Others	661	1.1	2,393	4.2	3,894	2.5
	61,991	100.0	56,975	100.0	155,285	100.0

SUMMARY

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

	FY2016 HK\$'000	FY2017 HK\$'000	FY2018 HK\$'000
Revenue	76,255	79,316	197,942
Cost of services	(61,991)	(56,975)	(155,285)
Gross profit	14,264	22,341	42,657
Bank interest income	–	–	3
Marketing expenses	(1,236)	(425)	(3,137)
Administrative and operating expenses	(5,442)	(8,140)	(15,736)
Other expenses	–	–	(8,663)
Finance costs	(23)	(84)	(149)
Profit before taxation	7,563	13,692	14,975
Income tax expenses	(1,235)	(2,211)	(3,984)
Total profit and other comprehensive income for the year	<u>6,328</u>	<u>11,481</u>	<u>10,991</u>
Attributable to:			
Equity holders of the Company	6,328	11,481	10,333
Non-controlling interest	<u>–</u>	<u>–</u>	<u>658</u>

Selected information from the combined statements of financial position

	As at 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Non-current assets	<u>3,416</u>	<u>6,196</u>	<u>3,493</u>
Current assets	<u>16,822</u>	<u>55,804</u>	<u>51,535</u>
Current liabilities	<u>11,591</u>	<u>33,700</u>	<u>26,867</u>
Net current assets	<u>5,231</u>	<u>22,104</u>	<u>24,668</u>
Non-current liabilities	<u>264</u>	<u>1,199</u>	<u>555</u>
Total equity	<u>8,383</u>	<u>27,101</u>	<u>27,606</u>

SUMMARY

Selected information from the combined statements of cash flows

	FY2016 HK\$'000	FY2017 HK\$'000	FY2018 HK\$'000
Operating cash flows before movements in working capital	8,296	14,595	17,463
Net cash generated from operating activities	2,126	11,524	5,895
Net cash used in investing activities	(3,359)	(6,689)	(3,455)
Net cash generated from/(used in) financing activities	447	24	(2,174)
Net (decrease)/increase in cash and cash equivalents	(786)	4,859	266
Cash and cash equivalents at beginning of the year	2,705	1,919	6,778
Cash and cash equivalents at end of the year	1,919	6,778	7,044

Key financial ratios

	As at 31 March 2016	FY2017/ As at 31 March 2017	FY2018/ As at 31 March 2018
Gross profit margin ^(Note 1)	18.7%	28.2%	21.6%
Net profit margin ^(Note 2)	8.3%	14.5%	5.6%
Current ratio ^(Note 3)	1.45 times	1.66 times	1.92 times
Return on assets ^(Note 4)	31.3%	18.5%	20.0%
Return on equity ^(Note 5)	75.5%	42.4%	39.8%
Gearing ratio ^(Note 6)	44.1%	59.8%	7.4%

Notes:

- Gross profit margin is calculated by the gross profit divided by the revenue for the respective year and multiplied by 100%.
- Net profit margin is calculated by the profit for the year divided by the revenue for the respective year and multiplied by 100%.
- Current ratio is calculated based on the current assets divided by current liabilities.
- Return on assets is calculated by the total profit and other comprehensive income for the year divided by total assets multiplied by 100%.
- Return on equity is calculated by the total profit and other comprehensive income for the year divided by total equity multiplied by 100%.
- Gearing ratio is the current debt (including bank borrowings, obligations under finance leases, and amount due to Directors) divided by total equity and multiplied by 100%.

SUMMARY

Trade receivables and trade payables turnover days

Trade receivables

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Within 30 days	5,008	12,872	14,176
31-60 days	4,108	9,442	14,383
61-90 days	3,019	3,445	6,899
Over 90 days	1,872	437	3,145
	<u>14,007</u>	<u>26,196</u>	<u>38,603</u>
	FY2016	FY2017	FY2018
Trade receivables turnover days ^(Note)	<u>70 days</u>	<u>93 days</u>	<u>60 days</u>

Trade payables

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Within 30 days	2,647	8,797	9,524
31-60 days	2,051	5,389	8,358
61-90 days	907	1,273	1,749
Over 90 days	18	11	22
	<u>5,623</u>	<u>15,470</u>	<u>19,653</u>
	FY2016	FY2017	FY2018
Trade payables turnover days ^(Note)	<u>54 days</u>	<u>68 days</u>	<u>41 days</u>

Note: Trade receivables/trade payables turnover days for FY2016, FY2017 and FY2018 are calculated by the average trade receivables/trade payables divided by the total revenues/cost of services for the year and (i) multiplied by 365 days for FY2016, FY2017 and FY2018. Average trade receivables/trade payables are calculated as the average of the beginning and ending trade receivables/trade payables balances for the respective periods.

For further discussion on our financial performance during the Track Record Period, please refer to the section headed “Financial Information” in this prospectus.

MATERIAL FLUCTUATIONS IN KEY FINANCIAL STATEMENT ITEMS

Revenue

For FY2016 and FY2017, our revenue increased from approximately HK\$76.3 million for FY2016 to approximately HK\$79.3 million for FY2017, representing an increase of approximately HK\$3.0 million or 3.9%, in particular, the revenue contributable to our warehousing and related value-added services increased from approximately HK\$8.0 million for FY2016 to approximately HK\$25.5 million for FY2017, representing an increase of approximately HK\$17.5 million or 218.8%. Such increase was mainly due to (i) a significant increase in our customer base in FY2017; and (ii) our successful securement of a two-year service agreement with our major customer, Customer E.

SUMMARY

The revenue contributable to our air freight forwarding and related logistics services decreased from approximately HK\$53.9 million for FY2016 to approximately HK\$38.9 million for FY2017, representing a decrease of approximately HK\$15.0 million or 27.9%. Such decrease was mainly due to (i) a large-scale reorganisation of one of our largest customers, Customer A, in which some of our contact points left this customer during their internal reorganisation and we suffered a loss of business from them; and (ii) a reduction in market demand for personal computers, of which were the major product type of Customer B, being one of our major customers, by then reduced needs for our shipping services.

For FY2017 and FY2018, our revenue increased from approximately HK\$79.3 million for FY2017 to approximately HK\$197.9 million for FY2018, representing an increase of approximately HK\$118.6 million or 149.6%. In particular, the revenue contributable to our air freight forwarding and related logistics services increased from approximately HK\$38.9 million for FY2017 to approximately HK\$152.8 million for FY2018, representing an increase of approximately HK\$113.9 million or 293.0%. Such increase was contributable to the acquisition of Orient Zen, our subsidiary which focuses on the provision of air freight forwarding and related logistics services to other freight forwarders, on 31 March 2017. Eliminating the revenue contributed by Orient Zen, the revenue contributable to Union Air for air freight forwarding and related logistics services for FY2018 amounted to approximately HK\$54.5 million, representing an increase of approximately HK\$15.6 million or 40.1% as compared to FY2017. The revenue contributable to our sea freight forwarding and related logistics services for FY2018 amounted to approximately HK\$17.6 million, representing an increase of approximately HK\$2.7 million or 18.1% as compared to FY2017. Such increase in our freight forwarding and related logistics services business was mainly attributable to (i) the increase in sales volume from existing customers; (ii) our expansion in cargo route destinations; and (iii) the increased number of customers as a result of our sales and marketing efforts.

The revenue contributable to our warehousing and related value-added service for FY2018 amounted to approximately HK\$27.5 million, representing an increase of approximately HK\$2.0 million or 7.7% as compared to FY2017 due to the increase in price we charged our current customers and the increase in sales volume of our existing warehouse customers.

Cost of services

For FY2016 and FY2017, the cost of services decreased from approximately HK\$62.0 million for FY2016 to approximately HK\$57.0 million for FY2017, representing a decrease of 8.1%, or approximately HK\$5.0 million, primarily due to the decrease in sub-contracting charges incurred under air freight forwarding and related logistics services; partially offset by the increase in direct booking charges incurred under sea freight forwarding and related logistics services and warehousing and related value-added services. In particular, costs incurred in the provision of warehousing and related value-added services increased by approximately HK\$10.5 million, or 150.0%, from approximately HK\$7.0 million for FY2016 to approximately HK\$17.5 million for FY2017. Such increase was due to (i) an increase in rental; (ii) an increase in warehouse utilities; and (iii) an increase in x-ray charges and the purchase of warehousing material.

For FY2017 and FY2018, the cost of services increased from approximately HK\$57.0 million for FY2017 to approximately HK\$155.3 million for FY2018, representing an increase of approximately HK\$98.3 million, or 172.5%. Such increase was primarily due to the increase in sub-contracting charges incurred under air freight forwarding and related logistics services and the cost incurred in the provision of warehousing and related value-added services.

Gross profit and gross profit margin

For FY2016 and FY2017, our gross profit increased from approximately HK\$14.3 million for FY2016 to approximately HK\$22.3 million for FY2017, representing an increase of approximately HK\$8.0 million or 55.9%. Our gross profit margin increased from approximately 18.7% for FY2016 to approximately 28.2% for FY2017. The increase was primarily due to (i) an increase in the pricing we charged our air freight forwarding customers and (ii) an increase in revenue in warehousing and related value-added business; partially offset by (iii) an increase in price charged by our sea freight forwarding suppliers.

SUMMARY

Regarding our warehousing and related value-added services, our gross profit increased from approximately HK\$1.0 million for FY2016 to approximately HK\$8.0 million for FY2017, representing an increase of approximately HK\$7.0 million or 700.0%. Apart from the increased gross profit, the gross profit margin increased from approximately 12.7% for FY2016 to approximately 31.5% for FY2017. Due to the nature of warehousing business, the cost is not directly proportionate to the revenue since certain elements, including but not limited to rent and utilities cost, remain largely unchanged regardless of our sales amount. As such, while there is no material change in our cost structure, and since our commencement of warehousing business in May 2015, we have been able to secure more customers and fully utilise our warehousing facilities. In particular, we signed a two-year service agreement in March 2016 with Customer E, which brought along an increase in revenue, and thus, both our gross profit and gross profit margin increased.

For FY2017 and FY2018, our gross profit increased from approximately HK\$22.3 million for FY2017 to approximately HK\$42.7 million for FY2018; the increase was primarily due to (i) the acquisition of Orient Zen which brought in revenue of approximately HK\$98.3 million and (ii) increase in revenue in all business segments of the Group. While our profit margin decreased from approximately 28.2% for FY2017 to approximately 21.6% for FY2018, primarily due to (i) some new cargo routes taken up by Union Air have a lower profit margin than our previous businesses; and (ii) the nature of the business model of our newly acquired subsidiary, Orient Zen, of which the profit margin is lower than the other operating subsidiaries of our Group.

For details of the fluctuations in items in our financial statement, please refer to the section headed “Financial Information – Period to period comparison of results of operations” in this prospectus.

SHARE OFFER STATISTICS

	Based on Offer Price of HK\$0.25 per Share	Based on Offer Price of HK\$0.35 per Share
Market capitalisation of Shares <i>(Note 1)</i>	HK\$210 million	HK\$294 million
Unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company per Share <i>(Note 2)</i>	HK\$0.09	HK\$0.12

Notes:

1. The calculation of the market capitalisation of Shares is based on 840,000,000 Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue. It does not take into account of any Share which may be allotted and issued upon the exercise of any option that may be granted under the Share Option Scheme, or any Share which may be issued or repurchased pursuant to our Company's general mandate.
2. The unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company per Share have been prepared with reference to certain estimation and adjustment. Please refer to Appendix II to this prospectus for further details.

RISK FACTORS

There are certain risks involved in our Group's operations, many of which are beyond our Group's control. Material risks we face include:

- We may be unable to cost-effectively obtain cargo space to facilitate our customers' needs while maintaining our profitability; and shall we fail to sell our cargo space, we may not be able to recover our cost and will have to absorb the loss.

SUMMARY

- We rely on the leadership and contributions of our key management personnel for the overall corporate development and business strategies, as well as business plans implementation.
- We rely on our business partners including airlines' GSAs, shipping liners and other freight forwarders for the supply of cargo space and delivery service providers by subcontracting all our warehouse goods delivery work to them, where the service quality of our business partners may affect our reputation.
- We may be unable to maintain gross profit margin and net profit margin due to fierce market competition, global and local economic conditions and fluctuating market demand.

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

LITIGATION AND CLAIMS

During the Track Record Period and up to the Latest Practicable Date, we (i) lost an appeal against an unsafe and insecure conviction and (ii) settled an employee's compensation claim, both arising from one fatal accident which occurred on 16 May 2016 at our Previous Warehouses. At the material time, the individual concerned was employed as a warehouse worker responsible for logistics operation at our Previous Warehouses and the worker was assigned to load the goods into a lorry with which the employee fell down from a tall lift platform being about 1.2 m above ground after a false step which resulted to the death of the employee.

Our Directors confirm that our Group has insurance coverage for its liabilities resulting from the aforementioned incident and notice of such incident has been given to the insurers as at the Latest Practicable Date and therefore are of the view that such claim as disclosed above has no material and adverse impact on the operational or financial position or business of our Group. The employee's compensation claim was caused during usual and ordinary course of our business and have not caused disruption to our Group's business or have an adverse impact on our Group to obtain any licenses or permits for our operation.

For details of the outstanding and potential claims against our Group, please refer to the paragraph headed "Business – Litigation and claims" in this prospectus.

SHAREHOLDER INFORMATION

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into consideration any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and any option which may be granted under the Share Option Scheme), Mr. Thomas Loy through Ho Tat and Mr. HM Loy through Yo Tat will hold 50.16% and 7.12% of the issued share capital of our Company, respectively. For the purpose of the GEM Listing Rules, Mr. Thomas Loy, Mr. HM Loy, Ho Tat and Yo Tat are a group of Controlling Shareholders pursuant to the Acting in Concert Confirmation. Our Directors are not aware of any other persons who will, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into consideration any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and any option which may be granted under the Share Option Scheme), have interests or short positions in the 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 who will be directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group.

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

SUMMARY

For further details, please refer to the section headed “Relationship with Controlling Shareholders” in this prospectus.

DIVIDEND

In July 2017, Union Air declared dividends of HK\$175 per share amounting to HK\$17,500,000 to the individual shareholder. Also in July 2017, Orient Zen declared dividends of HK\$7.9 per share amounting to HK\$15,800,000 to its shareholders, of which, HK\$11,534,000 attributable to Ever Metro and HK\$4,266,000 attributable to the non-controlling interest. The amounts were settled through crediting to the current account with Mr. HM Loy by order of the shareholders of Orient Zen. No dividend was paid or declared by our Company since its incorporation.

The declaration and payment of future dividends will be subject to the decision of the Board and the approval of our Shareholders, as well as any applicable laws. Currently, we do not have any predetermined dividend distribution ratio and dividend policy.

USE OF PROCEEDS

Our Directors believe that the listing of our Shares on GEM will enhance our corporate profile and the net proceeds from the Share Offer will strengthen our financial position and will enable us to implement our business plans set out in the section headed “Future Plans and Use of Proceeds – Implementation plan” in this prospectus.

We estimate that the aggregate net proceeds of the Share Offer (after deducting underwriting fees and estimated expenses payable by us in connection with the Share Offer) based on the Offer Price of HK\$0.30 per Offer Share will be approximately HK\$50.9 million. We currently intend to apply such net proceeds in the following manner:

Our Directors presently intend to apply the aforesaid net proceeds as follows:

- (i) approximately 33.8% of the total estimated net proceeds, or approximately HK\$17.2 million, will be used to expand our warehouses;
- (ii) approximately 36.9% of the total estimated net proceeds, or approximately HK\$18.8 million, will be used to attract and retain talented and experienced personnel;
- (iii) approximately 20.0% of the total estimated net proceeds, or approximately HK\$10.2 million, will be used to develop our trucking fleet;
- (iv) approximately 6.1% of the total estimated net proceeds, or approximately HK\$3.1 million, will be used to further enhance our information technology systems; and
- (v) approximately 3.2% of the total estimated net proceeds, or approximately HK\$1.6 million, will be used as general working capital.

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

LISTING EXPENSES

Our total expenses for the Listing are estimated to be approximately HK\$24.6 million, of which approximately HK\$8.3 million was recorded in our Group’s profit and loss accounts for FY2018 and HK\$5.5 million will be recorded in our Group’s profit and loss accounts for FY2019, and the remaining estimated Listing expenses in the amount of approximately HK\$10.8 million will be deducted from equity upon the Listing. Accordingly, the financial results of our Group for FY2019 are expected to be significantly affected by the estimated expenses in relation to the Listing as it is expected that there will be a significant decrease in net profit for FY2019. Such Listing expenses are current estimates for reference only and the final amount to be charged to the profit and loss accounts of our Group for FY2019 and the amount to be deducted from our Group’s capital is subject to changes.

SUMMARY

REASONS FOR THE LISTING

Our Directors believe that the Share Offer will enhance our corporate profile and assist us in reinforcing our brand awareness and market reputation of our Group, and provide our Group with additional working capital to facilitate the implementation of our business strategies set out in the section headed “Future Plans and Use of Proceeds – Reasons for the Listing” in this prospectus.

RECENT DEVELOPMENTS

We continued to focus on strengthening our market position in the logistics industry in Hong Kong. As far as we are aware, our industry remained relatively stable after the Track Record Period. There was no material adverse change in the general economic and market conditions in the industry in which we operate that had affected or would affect our business operations or financial condition materially and adversely.

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have continued to focus on developing our business of freight forwarding and related logistics services and warehousing and related value-added services in Hong Kong.

Since the tenancy agreements of our Previous Warehouses both expired on 14 August 2018 and the capacity of our warehouses were close to saturation with a utilisation rate of 122.6% in average for FY2018, we decided to relocate to a larger warehouse to cope with our business expansion. On 3 July 2018, we entered into a tenancy for HLC Warehouse and HLC Office at a monthly rent of approximately HK\$517,000 for three years until 2 July 2021. Our HLC Office and HLC Warehouse, located also in Kwai Chung, Hong Kong near the Kwai Chung Container Terminal, have a gross floor area of approximately 5,503 and 33,856 sq.ft., respectively. They are important in meeting our future operation and enhancing our corporate image and our standard of management.

Since most of our equipment is mobile equipment such as forklifts and packaging equipment, which were relatively easy to relocate, only a few of our equipment required transportation services for relocation purpose. The costs and time of relocation from Previous Warehouses and office premises to our HLC Warehouse and HLC Office were efficiently controlled and that normal operation of our warehousing and value-added business was not disrupted. In addition, the majority of our top customers and suppliers have already been notified of our relocation, and have further confirmed that such relocation plan will not affect our continuous business relationship.

During the Track Record Period and up to the Latest Practicable Date, our Directors have been actively seeking new business opportunities with our existing and potential customers and suppliers. Amongst which, we have signed four letters of intent, which are not legally binding and may not materialise, respectively with Customer A/Supplier H, Customer H, Customer J and an existing supplier, Supplier A, being a freight forwarder in Hong Kong, for our warehousing and related value-added services with a minimum purchase. The letters of intent signed with the above customers are valid for one year with effective from February 2018. Pursuant to the above letters of intent, it is proposed that, upon the expansion of our warehouses with sufficient capacity, these customers will altogether assign a daily cargo volume of 21 containers for our Group to handle (equivalent to approximately HK\$5.3 million recognisable revenue per month in nominal value). As our HLC Warehouse does not have enough capacity to handle these large amount of cargos, the abovementioned customers will not assign the cargos to us until our further expansion of warehouse with the use of proceeds. As at the Latest Practicable Date, based on the latest listing timetable, we expect that the revenue be recognised from these letters of intent to be approximately HK\$26.5 million for FY2019.

Save for the future plans listed in the section headed “Future Plans and Use of Proceeds – Implementation plan”, our cost structure has remained unchanged since 31 March 2018. Furthermore, our Directors consider that our Group’s financial performance for FY2019 will be significantly affected by the increase in listing expenses. The one-off listing expenses of approximately HK\$8.3

SUMMARY

million was recorded in our Group's profit and loss accounts for FY2018. For FY2019, approximately HK\$5.5 million of the one-off listing expenses will be charged to the combined statement of profit or loss and other comprehensive income upon Listing, and amongst which, approximately HK\$2.6 million will be charged to the combined statement of profit or loss and other comprehensive income up to the date of this prospectus. Subsequent to the Track Record Period, on 13 June 2018, we obtained a new banking facility with an aggregate amount of approximately HK\$1.7 million to be utilised as general working capital. The new banking facility is secured by (i) personal guarantees from Mr. Thomas Loy and Mr. HM Loy and (ii) corporate guarantee from Union Air. The relevant bank will release the above guarantees and replace them with corporate guarantee provided by our Company upon the Listing.

NO MATERIAL ADVERSE CHANGE

Save for the total expenses for the Listing mentioned above, our Directors have 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 2018 (being the date to which the latest audited combined financial statements of our Group were prepared), and there is no event since 31 March 2018 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus. As far as we are aware, there was no material change in the general conditions in the logistics industry that we operate in that had affected or would affect our business operations or financial conditions materially and adversely.

DEFINITIONS

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

“Accountants’ Report”	the accountants’ report of our Group for the Track Record Period as set out in Appendix I to this prospectus
“acting in concert”	having the meaning as ascribed thereto in the Takeovers Code
“Acting in Concert Confirmation”	the deed of confirmation dated 1 November 2017 executed by Mr. Thomas Loy and Mr. HM Loy, amended and supplemented on 15 May 2018 and superseded on 14 June 2018, in relation to their confirmation of the existence of certain acting in concert arrangements. For details, please refer to the section headed “Relationship with Controlling Shareholders – Controlling Shareholders” in this prospectus
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s), GREEN Application Form(s), or where the context so requires, any of them, relating to the Public Offer
“Articles” or “Articles of Association”	the articles of association of our Company conditionally adopted on 14 August 2018, which will take effect on the Listing Date, a summary of which is set out in Appendix III to this prospectus, and as amended from time to time
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	our board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
“BVI”	British Virgin Islands
“Capitalisation Issue”	the issue of 587,990,000 Shares to be made upon capitalisation of the amount of HK\$5,879,900 standing to the credit of the share premium account of our Company as referred to in the paragraph headed “A. Further information about our Group – 4. Written resolutions of the Shareholders” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant(s)”	person(s) admitted to participate in CCASS as direct clearing participant(s) or general clearing participant(s)
“CCASS Custodian Participant(s)”	person(s) admitted to participate in CCASS as custodian participant(s)

DEFINITIONS

“CCASS Investor Participant(s)”	person(s) admitted to participate in CCASS as investor participant(s) who may be individual(s) or joint individuals or corporation(s)
“CCASS Participant(s)”	CCASS Clearing Participant(s), CCASS Custodian Participant(s) or CCASS Investor Participant(s)
“CG Code”	the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Wan Leader International Limited (萬勵達國際有限公司), an exempted company incorporated in the Cayman Islands under the Companies Law with limited liability on 10 August 2017 and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 10 October 2017, except where the context otherwise requires, all of its subsidiaries, or where the context refers to the time before it became the holding company thereof, our Company’s present subsidiaries
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules. In the context of our Company before Listing, Controlling Shareholder(s) refers to Mr. Thomas Loy and Ho Tat. Upon Listing and pursuant to the Acting in Concert Confirmation, Mr. Thomas Loy, Ho Tat, Mr. HM Loy and Yo Tat will become a group of Controlling Shareholders of our Company. Mr. Thomas Loy undertakes to fulfill the lock-up requirements under Rule 13.16A of the GEM Listing Rules, while Mr. HM Loy voluntarily undertakes the lock-up requirements under Rule 13.16A of the GEM Listing Rules
“core connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules

DEFINITIONS

“Deed of Indemnity”	the deed of indemnity dated 14 August 2018 executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries), pursuant to which our Controlling Shareholders have given certain tax and other indemnities in favour of our Company (on our own behalf and as trustee for each of our subsidiaries), further particulars of which are set out in the paragraph headed “E. Other information – 1. Tax and other indemnity” in Appendix IV to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 14 August 2018 executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries from time to time), regarding certain non-competition undertakings as more particularly set out in the section headed “Relationship with Controlling Shareholders – Deed of non-competition” in this prospectus
“Director(s)” or “our Directors”	director(s) of our Company
“Double River”	Double River Limited, a company incorporated in BVI with limited liability on 5 August 2010 and is wholly-owned by Mr. KWAN Hoi Wang (關開宏), an Independent Third Party
“Employment Compensation Ordinance”	the Employee’s Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“EU”	The European Union
“Ever Metro”	Ever Metro International Limited (永城國際有限公司), a company incorporated in BVI with limited liability on 27 February 2017, a direct wholly-owned subsidiary of our Company
“Frost & Sullivan”	Frost & Sullivan Limited, an independent market research agency
“F&S Report”	the market research report commissioned by us and prepared by Frost & Sullivan
“Fu Cheng”	Fu Cheng Logistics Co. Limited (富城物流有限公司), a company incorporated under the laws of Hong Kong with limited liability on 6 July 2016, and an indirect wholly-owned subsidiary of our Company
“Fu Yo”	Fu Yo Warehouse Logistics Company Limited (富友倉庫物流有限公司), a company incorporated under the laws of Hong Kong with limited liability on 21 May 2015, and an indirect wholly-owned subsidiary of our Company
“FY2016”	the financial year ended 31 March 2016
“FY2017”	the financial year ended 31 March 2017

DEFINITIONS

“FY2018”	the financial year ended 31 March 2018
“FY2019”	the financial year ending 31 March 2019
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
“ Green Application Form(s)”	the application form(s) to be completed by the HK eIPO WHITE Form Service Provider
“Group”, “we”, “our” or “us” “our Group”	our Company and our subsidiaries or, where the context so requires in respect of the period before our Company became the holding company of our existing subsidiaries, our existing subsidiaries
“HK\$” or “HKD” “Hong Kong Dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS(s)”	the Hong Kong Financial Reporting Standard(s) (including the Hong Kong Accounting Standards, amendments and interpretations) issued by HKICPA
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Ho Tat”	Ho Tat Limited (豪達有限公司), being one of the Controlling Shareholders of our Company, a company incorporated in the BVI with limited liability on 10 August 2017 and is wholly owned by Mr. Thomas Loy
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, the branch share registrar and transfer office of our Company in Hong Kong
“Independent Third Party(ies)”	individual(s) or company(ies) who is/are not connected person(s) of our Company
“Joint Bookrunners”	Huabang Securities Limited and China Goldjoy Securities Limited
“Joint Lead Managers”	Huabang Securities Limited, China Goldjoy Securities Limited, HK Monkey Securities Limited and Sincere Securities Limited

DEFINITIONS

“Latest Practicable Date”	15 August 2018, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information in this prospectus prior to its publication
“Listing”	the listing of our Shares on GEM
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date on which dealings in our Shares first commence on GEM
“Memorandum”	the memorandum of association of our Company conditionally adopted on 14 August 2018, which will take effect on the Listing Date, a summary of which is set out in Appendix III to this prospectus, as amended from time to time
“Mr. HM Loy”	Mr. LOY Hak Moon (呂克滿) is an executive Director. Pursuant to the Acting in Concert Confirmation, Mr. LOY Hak Moon will become one of the Controlling Shareholders upon Listing and the Share Offer becoming unconditional. Details of the shareholding of our Company are set forth in the sections headed “Relationship with Controlling Shareholders” and paragraph headed “C. Further information about Directors and Substantial Shareholders – 1. Disclosure of interest” in Appendix IV to this prospectus. Mr. Loy Hak Moon will voluntarily undertake the lock-up requirements under Rule 13.16A of the GEM Listing Rules
“Mr. Thomas Loy”	Mr. LOY Hak Yu Thomas (呂克宜), being an executive Director and one of the Controlling Shareholders of our Company
“Offer Price”	the final price per Offer Share in Hong Kong dollar (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$0.35 per Offer Share and not less than HK\$0.25 per Offer Share at which the Offer Shares are to be subscribed pursuant to the Public Offer, to be determined as described under the section headed “Structure and Conditions of the Share Offer – Pricing and allocation” in this prospectus
“Offer Share(s)”	the Public Offer Shares and the Placing Shares
“Offer Size Adjustment Option”	the option expected to be granted by the Company to the Placing Underwriters, exercisable by Huabang Securities Limited on or before Monday, 3 September 2018 at their sole and absolute discretion under the Placing Underwriting Agreement to require the Company to issue up to an additional 37,800,000 Shares, representing 15.0% of the number of the initial Offer Shares, at the Offer Price, details of which are described in the section headed “Structure and Conditions of the Share Offer” in this prospectus

DEFINITIONS

“Orient Zen”	Orient Zen Logistics Services Limited (東禪物流有限公司), a company incorporated under the laws of Hong Kong with limited liability on 10 March 2008, and an indirect wholly-owned subsidiary of our Company
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters on behalf of our Company together with, where relevant, any additional Offer Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option for cash at the Offer Price, subject to the terms and conditions as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Shares”	the 226,800,000 Offer Shares initially being offered by us for subscription at the Offer Price under the Placing subject to reallocation and the exercise of the Offer Size Adjustment Option, as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Underwriter(s)”	the underwriters of the Placing, who are expected to enter into the Placing Underwriting Agreements 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, among others, our Company and the Placing Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“PRC” or “China”	the People’s Republic of China (中華人民共和國) which, for the purpose of this prospectus and for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Pre-IPO Investors”	collectively, Double River, Prime View, Upperhand and Sunny King
“Previous Warehouses” or “Fu Yo’s Warehouse”	our previous warehouses leased by Fu Yo which are located at (i) 3/F, Chuan Kei Factory Building, Nos. 15-23 Kin Hong Street, Kwai Chung, New Territories and Sections A&B; and (ii) 5/F, Chuan Kei Factory Building, Nos. 15-23 Kin Hong Street, Kwai Chung, New Territories
“Price Determination Agreement”	the agreement to be entered into between our Company and Huabang Securities Limited (for itself and on behalf of China Goldjoy Securities Limited and the Underwriters) on or around the Price Determination Date to determine and record the Offer Price
“Price Determination Date”	the date, expected to be on or around Thursday, 30 August 2018, or such other date as may be agreed between our Company and Huabang Securities Limited (for itself and on behalf of China Goldjoy Securities Limited and the Underwriters), on which the Offer Price is determined by entering into the Price Determination Agreement

DEFINITIONS

“Prime View”	Prime View Enterprises Limited, a company incorporated in Republic of Seychelles with limited liability on 29 September 2014 and is wholly owned by Mr. IP Wai Lung (葉偉龍), an Independent Third Party
“Public Offer”	the offer of the Offer Shares for subscription by the public in Hong Kong at the Offer Price on the terms and conditions described in this prospectus and the Application Forms, as further described in the section headed “Structure and Conditions of the Share Offer” in this prospectus and the related Application Forms
“Public Offer Shares”	25,200,000 Offer 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” in this prospectus
“Public Offer Underwriter(s)”	the underwriters of the Public Offer whose names are set forth in the section headed “Underwriting – The Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the conditional public offer underwriting agreement dated 20 August 2018 relating to the Public Offer entered into by, among others, our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the corporate reorganisation of our Group in the preparation for the Listing, details of which are set out in the section headed “History, Reorganisation and Group Structure – Reorganisation” in this prospectus
“Repurchase Mandate”	the general unconditional mandate granted to our Directors by the Shareholders in relation to the repurchase of our Shares, further information on which is set forth in the paragraph headed “A. Further information about our Group” in Appendix IV to this prospectus
“Seychelles”	the Republic of Seychelles
“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) with nominal value of HK\$0.01 in the share capital of our Company
“Share Offer”	the Public Offer and the Placing

DEFINITIONS

“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 14 August 2018, the principal terms of which are set out in the paragraph headed “D. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of the Share(s)
“Sponsor” and “Sole Sponsor”	Huabang Corporate Finance Limited, being the sole sponsor to the Listing and a corporation licensed under the SFO to carry on type 6 (advising on corporate finance) regulated activity as defined in the SFO
“sq.ft.”	square feet
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules and, for the purpose of this prospectus, please refers to our Shareholders disclosed in the section headed “Substantial Shareholders” in this prospectus or, where the context so requires, any one of them
“Sunny King”	Sunny King Investment Limited (帝恩投資有限公司), a company incorporated in Hong Kong with limited liability on 3 October 2017 and is wholly owned by Ms. DING Haiyan (丁海燕), an Independent Third Party
“Takeovers Code”	the Code on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	FY2016, FY2017 and FY2018
“TWD” or “NT\$”	New Taiwan dollar, the lawful currency of Taiwan
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“Union Air”	Union Air Cargo Limited (亨達貨運有限公司), a company incorporated under the laws of Hong Kong with limited liability on 31 March 2014, and an indirect wholly-owned subsidiary of our Company
“Upperhand”	Upperhand Holdings Limited, a company incorporated in BVI with limited liability on 27 May 2011 and is wholly owned by Mr. Gregory Joseph HANSEN, an Independent Third Party

DEFINITIONS

“U.S.” or “US”	the United States of America
“US\$” or “USD”	United States dollars, the lawful currency of U.S.
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“ White Application Form(s)”	the form(s) of application for the Offer Shares for use by the public who require such Hong Kong Offer Shares to be issued in an applicant’s own name
“ Yellow Application Form(s)”	the form(s) of application for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be deposited directly into CCASS
“Yo Tat”	Yo Tat Limited (友達有限公司), which will become one of the Controlling Shareholders of our Company upon the Share Offer becoming unconditional pursuant to Acting in Concert Confirmation, a company incorporated in BVI with limited liability on 10 August 2017 and is wholly owned by Mr. HM Loy
“%”	percent

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

GLOSSARY

This glossary contains explanations of certain terms used in this prospectus in connection with our Group and our business. Some of these terms may not correspond to standard industry definitions.

“airway bill”	a non-negotiable document that applies to shipment by air freight, serving as a contract between the shipper and the air freight carrier, a receipt by the carrier for goods shipped, and a non-negotiable document of title to the goods which evidences the contract between the shipper and the carrier for carriage of goods over routes of the carrier
“bill of lading”	a document that applies to shipment by sea freight, serving as a contract between the shipper and the sea freight carrier, a receipt by the carrier for goods shipped, and a document of title to the goods which evidences the contract between the shipper and the carrier for carriage of goods over routes of the carrier
“block space arrangement(s)”	arrangement that the marketing carrier purchases seats from the operating carrier and sells these under its own code, under which unsold seats can be returned to the operating carrier without penalty
“CAGR”	compound annual growth rate
“cargo manifest”	a document in which all the items loaded in plane or ship are listed for official and administrative purposes
“carrier”	the individual or organisation who transports passengers or goods for a profit
“cbm”	cubic meter
“co-loading”	the practice of combining consignments from more than one shipper having the same destination in one unit load
“consignee”	one to whom a consignment is made, i.e. the person named in the bill of lading to whom or to whose order the bill promises delivery
“consignment(s)”	goods or property sent by the aid of a common carrier from one person in one place to another person in another place
“consolidation”	the process by which a number of consignments of goods of different weights, volumes and sizes are grouped together into a single consignment for carriage in order to maximise utilisation of cargo space on an aircraft or a vessel

GLOSSARY

“freight forwarder(s)”	one(s) who assemble(s) and consolidate(s) shipments and perform(s) or provides for break-bulk and distribution operations of shipments. A freight forwarder may act as a principal who assumes responsibility for the transportation from the place of receipt to the place of delivery by issuing its own house bill of lading to individual shippers whose goods it is consolidating, or as an agent, who is entrusted by shippers and consignees to handle transportation of goods or related business in the names of the shippers and consignees
“GDP”	gross domestic product
“GSA(s)”	general sales agent(s) appointed by an airline which typically exclusively or non-exclusively authorises such general sales agent to represent the airline in a region or territory where that airline does not have a principal place of business or representative office in relation to that airline’s particular segment of business, e.g. air cargo space or passengers tickets, and where the term refers to the business undertaken by such an agent, it stands for general sales agency
“IT”	information technology
“kg”	kilogram
“m”	metres
“m ² ”	square metres
“NAV”	net asset value
“pallet”	a flat transport structure that serves as the structural foundation of a unit load which allows handling and storage efficiencies
“palletisation”	a process by which goods are bundled together on a pallet in order to facilitate mechanical handling of stacked good
“shipper”	a person or firm (usually the seller) named in the shipping documents as the party responsible for initiating a shipment to a consignee (usually the buyer) named in the shipping documents
“unit load”	individual items or items in shipping containers combined into single units
“unit load device”	a container of standard size and dimension which allows a large quantity of cargo to be bundled into a single standard unit for loading on to an aircraft

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements which are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business strategies;
- our plans of operation and business prospects;
- our capital expenditure plans;
- our business operations and financial prospects, including development plans for our business and future cash flows;
- our dividend policy and other dividend distribution plans;
- changes to the regulatory environment and general outlook in the industry and markets in which our Group operates;
- the regulatory environment of our industry in general;
- our Group's ability to reduce costs;
- the future development in our industry;
- the global and domestic economy;
- our Group's ability to hire and retain talented employees;
- the actions and developments of our competitors and our Group's ability to compete under these actions and developments;
- the risks identified under the section headed "Risk Factors" in this prospectus;
- capital market developments; and
- other factors beyond our control.

The words "aim", "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "seek", "will", "would" and similar expressions, as they relate to our Group, 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.

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

RISK FACTORS

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

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

RISKS RELATING TO OUR BUSINESS

We may be unable to obtain exact amount of cargo space to facilitate our customers' needs

During the Track Record Period, we obtained cargo space from airlines' GSAs through block space arrangements and shipping liners and other freight forwarders through direct booking respectively. For block space arrangements, our cost attributable to the purchase of cargo space sourced from our airlines' GSAs were approximately HK\$45.2 million, HK\$27.6 million and HK\$124.9 million, representing 73.0%, 48.4% and 80.4% of our total cost of sales for FY2016, FY2017 and FY2018, respectively. For direct booking, our cost attributable to the purchase of cargo space sourced from our shipping liners and other freight forwarders were approximately HK\$9.7 million, HK\$11.9 million and HK\$12.1 million, representing 15.7%, 20.9% and 7.8% of our total cost of sales for FY2016, FY2017 and FY2018, respectively.

Under these block space arrangements and direct booking, we may lay down pre-orders for certain cargo space at a fixed price. Shall we wish to increase to the pre-ordered cargo space, such cargo space will be subject to the latest market price, be it higher or lower than the previously agreed fixed price and there is no guarantee that we will be awarded such additional cargo space. Since we are not required to make any committed purchase under such arrangements, we may receive verbal warning from these airlines' GSAs if our actual purchase is lower than our pre-order. Further, if the prevailing market rates of air cargo space we source fall below the pre-determined rates under the block space arrangements, we may have to offer cargo space to our customers at rates lower than the pre-determined rates, otherwise our customers may turn to other freight forwarders which are able to offer cargo space at a lower price. Therefore, we may not be able to pass on the increase in purchase costs to our customers.

During the Track Record Period, we have provided cargo space to customers at a rate lower than the respective cost. In such situation, the loss recorded was approximately HK\$0.7 million. As a result, we may not be able to maximise our profit or even suffer loss which will in turn have negative impact on our financial performance.

Further, since almost all cargo space offered by our suppliers is on a first-come-first-served basis, with no formal agreement for guaranteed supply of cargo space from our suppliers other than those purchased under block space arrangement, there can be no assurance that we will be able to source cargo space within our customers' expected timeframe cost-effectively. We cannot guarantee that it will not happen in the future and if we cannot obtain sufficient cargo space from our suppliers to meet our customers' demand, in particular during peak seasons, our reputation within the industry could be ruined.

RISK FACTORS

We rely on key management personnel

Our success is attributable to the leadership and contributions of our key management personnel, who are collectively responsible for the overall corporate development and business strategies of our Group as well as implementing business plans and driving our growth. As such, the experience and contribution of our management are crucial to the success and continuous growth of our Group.

Upon Listing, our Board will consist of six Directors, comprising three executive Directors, namely Mr. Thomas Loy, Mr. HM Loy and Mr. Lo Wing Sang and three independent non-executive Directors, namely Mr. Ng Kam Tsun, Dr. Wu Ka Chee Davy and Dr. Chow Ho Wan Owen. Our Board is responsible and has general powers for the management and conduct of our Group's business. Both Mr. Thomas Loy and Mr. HM Loy have over 25 years of experience in the logistics industry, and have obtained valuable knowledge in the overall development of sales and operations management and procedures in the industry. Please refer to the section headed "Directors and Senior Management" in this prospectus for further details.

If any of our departing staff or key management personnel joins our competitors or forms a competing company, we may lose our customers and know-how. The results of operations and business performance may be materially and adversely affected if we cannot retain their service and suitable replacement cannot be found on reasonable terms in a timely and viable manner.

We rely on our business partner including airlines' GSAs, shipping liners, other freight forwarders and local delivery service providers

We maintain business relationship with airlines' GSAs, shipping liners and other freight forwarders. And we also engage subcontractors for Hong Kong local and overseas delivery services on an as-needed basis since it is a more cost-effective arrangement. There is no assurance that our business partners and other service providers will at all times perform at a satisfactory level. It may happen that the labels noting the destinations of the cargo fall off and that the airlines or shipping liners mistakenly deliver the cargo to other destinations. Similarly, in case there is any error or delay due to various reasons, including but not limited to weather condition, air traffic control and human negligence, the goods may not be delivered to the assigned destination within the expected schedule and condition.

We cannot assure that the service quality of our business partners will always meet our or our customers' standards or requirements. There may be occasions where our business partners are not able to deliver goods on time or there may be instances where goods are damaged during transfer. If our business partners are unable to meet our customers' standards and requirements and we are unable to find suitable alternatives promptly, our reputation within the industry and therefore our business, sales performance and results of operations could be adversely affected.

We may be unable to sustain overall growth in revenue, gross profit margin and net profit margin

During Track Record Period, we have experienced an increase in revenue of approximately 3.9% from FY2016 to FY2017 and 149.6% from FY2017 to FY2018. We recorded gross profit margins of approximately 18.7%, 28.2% and 21.6%; and net profit margin of approximately 8.3%, 14.5% and 5.6% during the Track Record Period. Air freight forwarding and related services constituted 70.8%, 49.0% and 77.2% of our total income in the Track Record Period, respectively. Such business is largely affected by factors such as market competition, global and local economic conditions, market demands for our services, the fuel prices and other costs of sales. Given the logistics industry is highly sensitive to these factors, it is probable that we may suffer a low or even negative net profit margin due to a decrease in turnover and/or gross profit should the global economy be adversely affected. As such, there is no assurance that we will be profitable or be able to maintain positive gross profit margins or net profit margins in the future.

RISK FACTORS

Our expansion has, and will continue to, put pressure on our managerial, financial, operational and other resources. We may need to enhance financial, risk and operational controls and recruit and train additional staff to keep pace with our expansion and to implement further planned expansion. We cannot assure that we will be able to manage our future expansion and thus maintain our overall growth in revenue and net profit effectively. If we are unable to effectively manage our expanding operations and costs, our business, financial condition and results of operations could be adversely affected.

Our business is highly dependent on information technology

We rely on information technology to maintain our electronic systems and database in the course of our business operations. Our suppliers' and customers' information, flight and shipping schedules, and information on our customers' goods at our warehouses are electronically recorded in our systems. If we are unable to promptly recover our systems and database at times of failure, our reputation, business and operations could be adversely affected.

We target to expand our warehouses and upgrade our information technology systems which includes systems for anti-theft, anti-fire as well as business operations. Please refer to the section headed "Business" in this prospectus for details of our information technology systems. The ability to maintain effective information management depends, in part, upon the success of changing to a new system, the ability to make timely and cost-effective enhancements and additions to the technology underpinning our operational platform and to introduce new technological products and services that meet customer demands. There is no assurance that we will be able to successfully keep up with technological improvements in order to meet our customers' needs or that the technology developed by others will not render our service less competitive or attractive. In addition, hardware or software failure relating to information technology systems could significantly disrupt customer workflows and cause economic losses for which we could be held liable, which could damage our reputation. We are also subject to hacking or other attacks on our information technology systems.

There is no assurance that we can successfully block and prevent all hacking or other attacks. As a result, failure to meet customers' information technology demand or to protect against technological disruptions of our operations could materially and adversely affect our business, financial condition and results of operations.

Our customers are not committed to purchase cargo space from us and we may not be able to maintain a stable source of revenue

Our customers generally book cargo space with us on an as-needed basis. Except for a two-year service agreement with one major customer for the provision of logistics services, we do not have any long term committed purchase of cargo space contracts with our customers. Therefore, our revenue is susceptible to fluctuations in the demand for cargo space from our customers, which could be affected by regional and/or global political and economic conditions. We have to rely on our customers to make continuous purchases of cargo space from us to maintain a stable source of revenue. In the absence of long-term agreements, the number of bookings from our customers may vary from period to period due to seasonality factors. We cannot assure that the actual bookings from our customers will be consistent with our forecasts and this may lead to uncertainty and potential volatility with respect to our profitability from time to time.

In any event the demand of customers differs from our available cargo space, we obtain cargo space on specific routes at favourable price from other freight forwarders, or we on-sell cargo space which we cannot fully utilise. Although we consolidate the cargo space we purchase from our suppliers in order to maximise our profit, we cannot assure that we are always able to consolidate all the excess cargo space we have purchased on every occasion. During the Track Record Period and as at the Latest Practicable Date, there were no instances where we were unable to fully utilise the cargo space we have obtained from our suppliers. We however cannot assure that there will not be instances where, for example, due to (a) departure timetable of the aircraft or vessel; (b) popularity

RISK FACTORS

of the route; or (c) seasonality factors, we are unable to fully consolidate all the excess cargo space we have purchased from our suppliers. If these circumstances arise, we may have to bear the costs of all the excess cargo space we have purchased and our business and results of operations could be adversely affected.

We offer warehousing and related value-added services to our customers as part of our logistics services. Upon expiration of the tenancy agreements of our Previous Warehouses on 14 August 2018, we have relocated to our HLC Warehouse located also in Kwai Chung Hong Kong with total gross floor area of approximately 33,856 sq.ft.. In light of the market demand, we intend to further expand our warehouse, together with an improved information technology system, following the Listing. Please refer to the sections headed “Business – Business strategies and future plans” and “Future Plans and Use of Proceeds – Implementation plan” in this prospectus for further details. Changes in the economic conditions in the specific industry sectors or any decision by our customers to terminate or not to renew their contracts may lead to excess warehouse capacity. If we are unable to use or sell the excess warehouse capacity on hand, we may incur losses which could materially and adversely affect the business, financial condition and results of operations.

Our profitability may reduce due to increase in fuel prices or shortage of fuel supply

We intend to acquire our own trucking fleet and hire our own truck drivers with the net proceeds of the Share Offer. Since our services will then involve trucking of cargos to various locations designated by our customers with the use of our own truck fleet, an increase in fuel prices may increase our direct costs. If we are unable to have corresponding increase in our price, our profitability may be adversely affected. In addition, the cost of fuel can fluctuate significantly and is subject to many economic and political factors that are beyond our control, in the absence of hedging system against the fluctuation in fuel prices, in case there is increase in fuel prices or shortage of fuel supply, our revenue stream and profitability will be adversely affected.

We may fail to identify referral shipments which carry goods of dangerous or illicit nature

Overseas freight forwarders may pass referral businesses or subcontract local sub-parts of their shipments to us whereby we have no control over, and no comprehension of the customers’ nature or the goods they carry other than as declared in relevant declaration forms. Even if we perform background checks on new customers and file police reports for any unclaimed and/or suspicious cargo, and we undergo random verification and x-ray inspections in accordance with statutory requirement, there is no assurance that the implementation of such measures will successfully prevent the transporting of any illegal or dangerous goods. Should these referred shipments carry goods of illicit or dangerous nature and we fail to identify their nature, these goods may end up being impounded by customs, or give rise to any unexpected accidents, where we may be subject to investigations for breaking local laws and be fined by authorities. In such event, our reputation, business and results of operations may be materially and adversely affected.

We operate in an industry with increasing labour cost and labour shortage

As at the Latest Practicable Date, we had a total of 41 employees. We intend to hire 24 truck drivers for the operation of our own trucking fleet upon the Listing. According to the F&S report, for the logistics industry, the shortage of labour is driving players to hire skilled labours with higher salary in order for the companies to sustain its competency within the market. Since we are engaged in a labour intensive industry and there is no assurance that we will not experience any shortage of labour for our services or that the costs of labour will not continue to increase in the future. If we fail to retain our existing labour and/or recruit sufficient staff at the expected rate in a timely manner, we may not be able to shift the extra costs to our customers due to their bargaining power or competitive pricing pressures among our competitors. As such, the increasing labour costs and labour shortage may negatively affect our business, expansion plans, prospects, financial conditions, and results of operations.

We are subject to risks of being involved in legal proceedings not covered by insurance

Our business carry the inherent risks of accidents, which could result in property loss as well as bodily injuries or loss of lives. As a result, we cannot be exempted from the risk of being

RISK FACTORS

involved in legal proceedings. As of the Latest Practicable Date, there were a settled appeal against unsafe and insecure conviction and a settled employee's compensation claim, both arising from a fatal accident occurred on 16 May 2016 at our Previous Warehouses. The penalty imposed for the unsafe and insecure convictions in the sum of HK\$20,000 and the employee's compensation of approximately HK\$0.9 million have been fully reimbursed by our insurance.

If we are involved in other litigations, and that we are unsuccessful in defending any legal proceeding, or are unsuccessful in settling any legal proceeding on commercially reasonable terms, and the damages which we may be liable to pay in respect of such legal proceeding are not covered by our insurance policies, our business, financial condition and results of operations could be materially and adversely affected. In addition, our management's attention could be diverted from the operation of our business in order to pursue and defend the legal proceedings in which we are involved, which could also affect our business.

Our business is susceptible to disruptions in the business activities of our suppliers of cargo space

We rely on our suppliers for the provision of cargo space for our direct shippers and freight forwarder customers. Disruptions in the business activities of our suppliers may have negative impacts on our business. Such disruptions include: (a) suspension or cancellation of flight lines due to technical failures and extreme weather conditions, especially when we rely on one airline supplier for a particular destination; (b) labour strikes due to disagreements between labour and management; (c) massive occurrence of political and industrial actions at transportations hubs or destination ports; (d) wars and terrorists attacks; (e) serious financial difficulties faced by our suppliers during their course of business operations; and (f) the willingness of suppliers to offer cargo space at favourable price. In the event of occurrence of the above, we may have to arrange for alternative supplies of cargo space from other suppliers for our customers within a tight time constraint.

We price our services on a cost-plus basis, by reference to the type and value of consignments, freight rates, future business opportunity and volume of cargo space ordered, etc.. The inability to pass on to our customers any significant increases in freight cost could therefore materially and adversely affect our business, financial condition and results of operations.

If we are unable to source cargo space on alternative routes for our customers, our customers may switch to our competitors. Further if there is any detrimental change to our business relationship with our major suppliers, our reputation, business, financial condition and results of operations could be adversely affected.

Our revenue is subject to the market trends

There is no specific and obvious seasonality factor during a year. Factors such as the impact of festive and trendy items and discount promotions on the demand for export goods however affect the business of the logistics industry which may lead to high demand of our services in certain periods during the year. If we cannot capture such change of market demand and arrange our cargo space with our suppliers flexibly, we may not be able to fulfill such customers' needs. As such, our business, financial performance and results of operations could be adversely affected.

We cannot assure that the insurance policies we have taken out are always able to cover all losses we sustain during the course of our business operations

We have taken out insurance policies with coverage over claims for cargo loss or damage and legal liability arising from shipment delay and misdirection and other related legal liabilities that are in line with market practice. We have also taken out office comprehensive insurance policy against loss and damage to our offices contents and stock, business interruption and public liability and other insurance policies required to be maintained by law in the course of our business. However, we cannot assure that the insurance policies we have taken out are always able to cover all losses we

RISK FACTORS

sustain during the course of our business operations as it is not always possible to accurately predict and quantify how much loss we will suffer from potential claims. In the case of an uninsured loss or a loss in excess of insured limits, including those caused by natural disasters and other events beyond our control, we may be required to pay for losses, damages and liabilities out of our own funds. If we face legal claims from parties that may not be adequately covered by the insurance policies we have taken out, our business, operations and financial condition could be adversely affected.

As we lease a number of properties for our business operations, we are exposed to risks in relation to unpredictable and increasing rental costs

As at the Latest Practicable Date, we have entered into lease agreements for four properties from third-party landlords for our business operations in Hong Kong. Also, as a result of our relocation to our HLC Warehouse, higher rental costs are incurred by our Group. Together with the general rising trend in rentals in Hong Kong, our landlords could increase the rent or impose more stringent payment terms when renewing our leases, which could in turn adversely affect our profitability and results of operations. If we find the terms of the proposed renewal leases unacceptable, we would consider relocating our warehouse or office to other sites and we will incur relocation costs and in turn adversely affect our financial condition.

We may suffer losses from credit exposures and counterparty risks

As at 31 March 2016, 31 March 2017 and 31 March 2018, we recorded trade receivables of approximately HK\$14.0 million, HK\$26.2 million and HK\$38.6 million, respectively, of which approximately HK\$13.2 million, HK\$16.0 million and HK\$29.2 million had been past due but not impaired. During the Track Record Period, the trade receivables turnover days are approximately 70 days, 93 days and 60 days, respectively. We generally grant our customers a credit period of between 0 and 90 days from the invoice date. Our business is subject to risks that customers or counterparties may delay or fail to perform their contractual obligations. In FY2018, a customer of us had defaulted the payment of its trade receivables. As the trade receivables was considered to be highly irrecoverable, as at 31 March 2018, a provision for impairment loss of approximately HK\$360,000 has been recognised. There is no assurance that we will not experience any material difficulty in debt collections or potential default by customers in the future. While our account and finance department monitors material overdue payments closely, there is also no assurance that we will be able to collect overdue payments. Any material non-payment or non-performance by customers or counterparties could adversely affect our financial position, results of operations and cash flows.

As at 31 March 2016, 31 March 2017 and 31 March 2018, we recorded trade payables of approximately HK\$5.6 million, HK\$15.5 million and HK\$19.7 million, respectively. During the Track Record Period, the trade payables turnover days are approximately 54 days, 68 days and 41 days respectively. Further, our suppliers generally grant us a credit period of between 0 and 90 days. As the trade receivable turnover days are longer than the trade payable turnover days, we may experience a potential risk of mismatch in our cashflow. There is no assurance that we will not experience any significant cash flow mismatch in the future. Further, there can be no assurance that our cash flow management measures will function properly or at all. If we fail to properly manage the possible cash flow mismatch, we may suffer losses from credit exposures which may materially and adversely affect our financial position, results of operations and cash flow.

Our business is susceptible to economic downturns and disruptions in the business activities of our direct shippers caused by conditions beyond our control

Our customers are direct shippers and other freight forwarders. For FY2016, FY2017 and FY2018, our revenue contributed by our direct shippers amounted to approximately HK\$22.6 million, HK\$29.8 million and HK\$33.0 million, respectively, representing 29.7%, 37.5% and 16.7% of our total revenue, respectively. As such, our business is susceptible to downturns and disruptions in the business activities of our customers. If sales of our customers in a particular geographical market decline due to regional and/or global political and economic conditions beyond our control, such decline will likely lead to a corresponding plunge in demand for cargo space and related logistics services from us and our business, financial condition and results of operations could be adversely affected.

RISK FACTORS

We may not be able to obtain finance from time to time to fund our operations and maintain our growth

Our long-term business objective is to become a leading one-stop logistics service provider in Asia. In order to fund our operations and maintain our growth to achieve such business objective, we may need to obtain finance from the banks from time to time. There may be occasions where we are unable to obtain finance at terms favourable or acceptable to us. If these circumstances arise, our business, results of operations and growth could be compromised.

Natural disasters, acts of God, wars, epidemics and other events may adversely affect our operations

Natural disasters, acts of God, wars, epidemics, material interruptions in service or stoppages in transportation and other events which are beyond our control may adversely affect local economies, infrastructures, airports, port facilities and international trade. They may also cause closure of ports or airports and disruptions to cargo flows, any of which could materially and adversely affect our results of operations and financial position.

Our growth prospects may be limited if we do not successfully implement our future plans

We formulate our business strategies and devise our future plans as set out in the sections headed “Business – Business strategies and future plans” and “Future Plans and Use of Proceeds” in this prospectus based on circumstances currently prevailing and assumptions that certain circumstances will or will not occur, as well as the risks and uncertainties inherent in various stages of implementation. Our growth is based on assumptions of future events which include (a) our ability to develop business relationship with more suppliers operating other cargo routes; (b) our ability to enter into more block space arrangements and/or other formal agreements with suppliers; (c) effectiveness of our sales and marketing effort in the highly fragmented and competitive logistics industry; and (d) increasing demand for our services in the future.

We offer storage to our customers as part of the logistics services. Upon expiration of the tenancy agreements of our Previous Warehouses on 14 August 2018, we have relocated to HLC Warehouse which is also located in Kwai Chung Hong Kong with total gross floor area of approximately 33,856 sq.ft.. In light of the market demand, we intend to expand our warehouses, together with an improved information technology system, following the Listing. Please refer to the sections headed “Business – Business strategies and future plans” and “Future Plans and Use of Proceeds – Implementation plan” in this prospectus for further details. Changes in the economic conditions in the specific industry sectors or any decision by our customers to terminate or not to renew their contracts may lead to excess warehouse capacity. If we are unable to use or sell the excess warehouse capacity on hand, we may incur losses which could materially and adversely affect the business, financial condition and results of operations.

Our prospects must be considered in light of the risks and challenges which we may encounter in various stages of development of our business. If the assumptions which underpin our future plans prove to be incorrect, our future plans may not be effective in enhancing our growth, in which case our business, financial condition and results of operations may be adversely affected.

RISK FACTORS

RISKS RELATING TO OUR INDUSTRIES

The logistics industry in which we operate are highly fragmented and competitive and there can be no assurance that we can compete successfully for customers in the future

The logistics industry in which we operate are highly fragmented and competitive. We compete with other freight forwarders locally on pricing, network of routes offered and range of services offered. Major airlines and shipping liners have also set up subsidiaries to offer freight forwarding services and related logistics services. Keen competition from other freight forwarders within the market may adversely affect our customer base and market share. We may have to adopt a more competitive pricing strategy by lowering our profit margin in order to maintain our customer base and market share, in the event that we fail to source cargo space from our suppliers at favourable prices. There can be no assurance that we can compete successfully over other industry players for customers in the future. If we are unable to maintain our customer base, our business, financial condition and results of operations could be adversely affected.

There may be disintermediation in the logistics industry in the future

Given the trend of digitisation, vast amount of product information is readily available on the internet and as a result of information transparency, manufacturers and retailers are working on reducing the number of intermediaries in the supply chain by shipping directly to end customers thereby reducing costs in the process. The trend of eliminating intermediaries in the supply chain creates disintermediation in the logistics industry in which we operate. Any decrease in demand for our freight forwarding and related logistics services due to disintermediation in the logistics industry could adversely affect our business, financial condition and results of operations.

The demand for air and sea cargo space is easily affected by unpredictable factors

Demand for air and sea cargo space is affected by factors such as regional and/or global political and economic conditions, level of international trade activities, economic sanctions, outbreak of wars, changes in regulatory regimes and extreme weather conditions, all of which are beyond our control and the nature, timing and degree of which are largely unpredictable. Any decrease in demand for our freight forwarding and related logistics services due to cyclical downturns could adversely affect our business, financial condition and results of operations.

There can be no assurance that fuel price will not rise significantly in the future thereby affecting demand for air cargo space

The global economy has seen a significant drop in oil price in view of the increasing production of oil from oil-exporting countries such as Saudi Arabia and Russia. Without any firm intention from oil exporting countries to cut down oil production, an excess supply of oil has caused oil price, and therefore fuel price, to drop significantly over the past months. Having said that, we are unable to predict accurately when oil-exporting countries will reduce oil production and there can be no assurance that fuel price will not rise significantly in the future leading to the increase in prices of air and sea cargo space we source. If oil price soars, our direct shipper customers may divert their domestic and inter-continental deliveries to other alternatives such as rail and road transportation and our profitability could be adversely affected.

Frequent terrorist attacks may increase the costs of our operations and reduce demand for our services

The world continues to be threatened by frequent series of terrorist attacks such as massive shootings and suicide bombings. Frequent terrorist attacks in major cities have called for tightened security procedures at major airports and ports. Frequent terrorist attacks have negative impacts on the logistics industry such as loss of traffic and revenues, increased security and insurance costs and port delays due to tightened security. Any future terrorist attack, or the threat of such attack, may

RISK FACTORS

increase the costs of our operations due to tightened security, delays or cancellations associated with new government decrees and reduce demand for our services. In such event, our business, financial condition and results of operations may be adversely affected.

The logistics industry in which we operate are susceptible to material regional or global adverse changes in the social and economic conditions which could adversely affect the business of freight forwarders

Material regional or global adverse changes such as (a) wars, natural disasters, epidemics, and other acts of God; (b) changes in local government policies, laws, rules or regulations; or (c) sudden downturn in the economy or consumer demand may disrupt the business of major players along the value chain in the logistics industry. Such changes may affect our business and increase our operating costs and lower our profit margin, leading to material adverse effects on our business, results of operations and profitability.

There can be no assurance that Hong Kong will continue to maintain its position as a significant air cargo hub in Asia

Our Group's operations are solely located in Hong Kong. As a significant air and sea cargo hub in Asia, Hong Kong is well-positioned to foster a high demand for cargo space on outbound routes from Hong Kong to other destinations. There can be no assurance that Hong Kong will continue to maintain such position. According to the F&S Report, Shenzhen in the PRC shares the same cargo catchment area in the Pearl River Delta region while Singapore shares the same positioning as a regional hub for intra-Asia trade and as a logistics centre. In the event that Hong Kong loses its position as a transportation hub in Asia, the demand for freight forwarding services and related logistics services and the overall business activities of the industries and thus our business, financial condition and results of operations, may be adversely affected.

The freight forwarding and logistics industries in which we operate are susceptible to risk of changes in shipping policies which could have direct adverse impact on our business, results of operations and profits

Frequent accidents concerning certain types of cargo on aircrafts and vessels have called for tightened safety measures on aircrafts and vessels. In the event that changes in shipping policies, for instance prohibiting consignments containing lithium batteries from loading on to passenger aircrafts, have been adopted, business activities of our customers could be directly affected. Our customers may either be forced to ship their consignments through airlines that offer cargo aircrafts or divert their domestic and inter-continental deliveries to other alternatives such as rail and road transportation. Tightened safety measures may also imply an overall burden on cargo space suppliers to raise shipping costs in order to maintain their profit margin. In the event that we are unable to source suitable alternative cargo space for our customers, or we fail to pass on our increased costs to our customers, our business, results of operations and profitability could be adversely affected.

We are exposed to foreign exchange risk

During the Track Record Period, we received payment from our customers in USD, EUR and RMB and we settled some of our cost and expenses with our suppliers in USD, EUR, RMB and JPY. We are exposed to certain foreign exchange risks in respect of depreciation or appreciation amongst these currencies. We have however not maintained any specific hedging policy or foreign currency forward contracts in respect of such foreign exchange risks. For FY2016, FY2017 and FY2018, we have suffered an exchange loss of approximately HK\$172,000, HK\$210,000 and HK\$91,000, respectively. Shall we face significant volatility in these foreign exchange rates and we cannot procure any specific foreign exchange control measures to mitigate such risks, our results of operations and financial performance shall be adversely affected.

RISK FACTORS

RISKS RELATING TO THE SHARE OFFER

There has been no prior public market for the Shares, thus an active or liquid trading market for the Shares may not develop and the trading price of the Shares may be volatile

The Shares have not been listed or quoted on any stock exchange or open market before completion of the Share Offer. There is no assurance that there will be an active trading market for the Shares on GEM upon the Listing. In addition, the market price of the Shares to be traded on GEM may differ from the Offer Price and prospective investors should not treat the Offer Price as an indicator of the market price of the Shares to be traded on GEM.

Upon Listing, the trading volume and the market price of the Shares may be affected or influenced by a number of factors from time to time, including but not limited to, our revenue, profit and cash flow, our investment, changes in our management and general economic condition. There is no assurance that such factors will not occur and it is difficult to quantify their impact on the trading volume and the market price of the Shares.

Prospective investors of the Shares may experience immediate dilution upon the Listing and further dilution if our Company issues additional Shares in the future

The Offer Price is expected to be higher than the net tangible asset value per Share immediately prior to the Share Offer. Therefore, prospective investors of the Shares may experience immediate dilution in the pro forma net tangible asset value per Share.

For the purpose of business expansion, our Directors may consider offering and issuing new Shares or equity-linked securities in the future. Prospective investors of the Shares may experience further dilution in the net tangible assets book value per Share if our Company offers or issues new Shares at a price lower than the then net tangible assets book value per Share.

Issue of new Shares under the Share Option Scheme may decrease our Shareholders' value of investment

We have conditionally adopted the Share Option Scheme, the principal terms of which are set out in the paragraph headed "D. Share Option Scheme" in Appendix IV to this prospectus. Following the grant of any option under the Share Option Scheme in the future and the issue of new Shares upon the exercise of any option which may be granted under the Share Option Scheme, there will be a dilution or reduction in shareholding of our then Shareholders and it may also result in a dilution or reduction in the earnings per Share or net asset value per Share.

Sales or perceived sales of substantial amounts of the Shares in the public market by our Controlling Shareholders after the Listing could adversely affect the prevailing market price of the Shares

The Shares beneficially owned by our Controlling Shareholders are subject to certain lock-up periods under the GEM Listing Rules, details of which are set out in the sections headed "Underwriting – Undertakings to the Stock Exchange under the GEM Listing Rules" and "Underwriting – Undertakings pursuant to the Public Offer Underwriting Agreement" in this prospectus. There is no assurance that our Controlling Shareholders, whose interests may be different from those of our other Shareholders, will not dispose of their Shares following the expiration of the lock-up periods. Sales of substantial amounts of the Shares in the public market, or the perception that such sales may occur, could adversely affect the prevailing market price of the Shares.

RISK FACTORS

As the payment and the amount of any future dividend will be at the discretion of our Board, historical dividend payments should not be regarded as an indication of our future dividend policy

Following completion of the Share Offer, our Shareholders will be entitled to receive dividends only when declared by our Board. The payment and the amount of any future dividend will be at the discretion of our Board and will depend on, among others, our earnings, financial condition, cash requirement and availability and any other factors our Directors may deem relevant. As such factors and the payment of dividends are at the discretion of our Board which reserves the right to change our plan on the payment of dividends, there can be no assurance that any particular dividend amount, or any dividend at all, will be declared and paid in the future. Prospective investors should note that historical dividend payments should not be regarded as an indication of our future dividend policy.

Prospective investors may experience difficulties in enforcing their Shareholders' rights as the laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where prospective investors may be located

Our Company is incorporated in the Cayman Islands and our affairs are governed by the Companies Law, the Memorandum, the Articles and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where prospective investors may be located. As a result, minority Shareholders may not enjoy the same rights pursuant to the laws of Hong Kong or other jurisdictions. A summary of the Cayman Islands company law on protection of minorities is set out in the paragraph headed "3. Cayman Islands company law – (f) protection of minorities and shareholders' suits" in Appendix IV to this prospectus.

RISKS RELATING TO STATEMENTS IN THIS PROSPECTUS

Statistics and industry information contained in this prospectus may not be accurate and should not be unduly relied upon

Certain facts, statistics and data presented in the section headed "Industry Overview" and elsewhere in this prospectus relating to the industries in which we operate have been derived from various publications and industry-related sources prepared by government officials or Independent Third Parties. We believe that the sources of the information are appropriate sources for such information, and our Directors and the Sole Sponsor have taken reasonable care to extract and reproduce the publications and industry-related sources in this prospectus. In addition, we have no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, neither our Group, our Directors, the Sole Sponsor nor any party involved in the Share Offer has independently verified, or make any representation as to, the accuracy of such information and statistics. We cannot assure that the statistics derived from such sources will be prepared on a comparable basis or that such information and statistics will be stated or prepared at the same standard or level of accuracy or consistent with, those in other publications within or outside Hong Kong. Accordingly, such information and statistics may not be accurate and should not be unduly relied upon.

You may not place undue reliance on information derived from the third party report set out in this prospectus

Our Directors believe that the source of information derived from the third party report set out in this prospectus, particularly the section headed "Industry Overview", is an appropriate source for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, nor any of their or our Directors, affiliates, advisers or any other parties involved in the Share Offer and no representation is given as to its accuracy.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

INFORMATION ABOUT THE SHARE OFFER

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

The following information is provided for guidance only. Prospective applicants for the Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements of applying and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus, and the procedures for applying for the Public Offer Shares are set out in the section headed "How to Apply for the Public Offer Shares" in this prospectus and in the relevant Application Forms.

Neither the delivery of this prospectus nor any subscription or acquisition made under shall, under any circumstances, constitute a representation that there has been no change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

THE OFFER SHARES ARE FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Share Offer which comprises the offer of 252,000,000 Shares by our Company for subscription at the Offer Price.

The Share Offer is sponsored by the Sole Sponsor and managed by the Joint Lead Managers. For details of the structure and conditions of the Share Offer, please refer to the section headed "Structure and Conditions of the Share Offer" in this prospectus.

The Offer Shares are fully underwritten by the Underwriters subject to the terms and conditions of the Underwriting Agreements. If, for any reason, the Offer Price is not agreed between our Company and Huabang Securities Limited (for itself and on behalf of China Goldjoy Securities Limited and the Public Offer Underwriters) by Thursday, 30 August 2018, the Share Offer will not proceed. For further details of the Underwriters and underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

No action has been taken to permit any offer of the Offer Shares or the distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it calculated to invite or solicit offers in any jurisdiction other than Hong Kong or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offer of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws, rules and regulations of such jurisdiction pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly in the United States. Persons who possess this prospectus are deemed to have confirmed with our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, any of their respective directors, agents, staff or adviser on any other person involved in the Share Offer.

The Offer Shares are offered for subscription solely on the basis of the information contained and the representations made in this prospectus and the related Application Forms. As far as the Share Offer is concerned, no person is authorised in connection with the Share Offer to give any information or to make any representation not contained in this prospectus, and any information or representation not contained herein shall not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our/their respective directors or any other parties involved in the Share Offer.

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

Prospective investors should consult their professional advisers and take advice, as appropriate, to inform themselves of, and to observe, all applicable laws, rules and regulations of any relevant jurisdiction. Prospective investors should inform themselves as to the relevant regulatory requirements of investing in the Offer Shares and any applicable exchange control regulations and applicable taxes in the jurisdictions of their respective citizenship, residence or domicile.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

For further details of the structure and conditions of the Share Offer, please refer to the section headed “Structure and Conditions of the Share Offer” in this prospectus.

APPLICATION FOR LISTING ON GEM

Application has been made to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be allotted and issued as mentioned in this prospectus and any Shares which may fall to be allotted and issued upon the exercise of the Offer Size Adjustment Option and any option which may be granted under the Share Option Scheme.

None of our Company or any of our subsidiaries is presently listed on any stock exchange on which any part of the equity or debt securities of our Company or any of our subsidiaries is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) 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 or on behalf of the Stock Exchange.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DEALING ARRANGEMENTS

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on or about Wednesday, 5 September 2018. Shares will be traded in board lots of 10,000 Shares each.

Except for our pending application to the Stock Exchange for listing of and permission to deal in the Offer Shares, 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 on any other stock exchange is being or proposed to be sought in the near future.

THE SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares in issue and to be allotted and issued on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or, under contingent situation, any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day (as defined in the GEM Listing Rules) after any trading day. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Prospective investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

PROFESSIONAL TAX ADVICE RECOMMENDED

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

SHARE REGISTRARS AND STAMP DUTY

All Shares to be allotted, issued and transferred pursuant to the Share Offer will be registered on the register of members of our Company in Hong Kong maintained by the Hong Kong Branch Share Registrar. The principal register of members of our Company in the Cayman Islands is maintained by Conyers Trust Company (Cayman) Limited. Only Shares registered on the register of members of our Company in Hong Kong may be traded on GEM.

Dealings in the Shares registered on the 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 the Shares being sold or transferred.

EXCHANGE RATE CONVERSION

Unless otherwise specified and for illustration purpose only, conversion of USD into HKD in this prospectus are based on the exchange rate set out below:

$$\text{US\$1.00} = \text{HK\$7.80}$$

Such conversion shall not be construed as representations that amount of such currency was or may have been converted into HKD and vice versa at such rates or any other exchange rates.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

LANGUAGE

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

ROUNDING

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

WEBSITE

The contents of any website mentioned in this prospectus do not form part of this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential address	Nationality
------	---------------------	-------------

Executive Directors

Mr. Loy Hak Yu Thomas (呂克宜先生)	Flat B, 51/F, Block 3, Grandiose No.9 Tong Chun Street Tseung Kwan O Kowloon Hong Kong	Chinese
----------------------------------	--	---------

Mr. Loy Hak Moon (呂克滿先生)	Flat G, 5/F, Tower 4, Harbour Place 8 Oi King Street Hung Hom Kowloon Hong Kong	Chinese
-----------------------------	---	---------

Mr. Lo Wing Sang (勞永生先生)	Room 14C, Block 6, Sceneway Garden Lam Tin Kowloon Hong Kong	Chinese
-----------------------------	---	---------

Independent non-executive Directors

Mr. Ng Kam Tsun (伍鑑津先生)	Flat B, 48/F, Tower 2 9 Long Yat Road Grand Yoho, Phase 1 Yuen Long, New Territories	Chinese
----------------------------	---	---------

Dr. Wu Ka Chee Davy (胡家慈博士)	Flat NB, 51/F, Tower 3 Phase 1, Festival City 1 Mei Tin Road Tai Wai, Sha Tin New Territories Hong Kong	Chinese
--------------------------------	--	---------

Dr. Chow Ho Wan Owen (周浩雲博士)	Flat A, 5/F, Block 6 Grand Pacific Views Palatial Coast Tuen Mun Hong Kong	Chinese
---------------------------------	---	---------

For further information on the backgrounds of our Directors, please refer to the section headed “Directors and Senior Management” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor

Huabang Corporate Finance Limited

1708-13, Nan Fung Tower
88 Connaught Road Central
Central
Hong Kong

A corporation licensed under the SFO to carry on type 6 (advising on corporate finance) regulated activity as defined in the SFO

Joint Bookrunners

Huabang Securities Limited

Unit 2901-02, 29th Floor
Enterprise Square Two
3 Sheung Yuet Road
Kowloon Bay
Kowloon
Hong Kong

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

China Goldjoy Securities Limited

Unit 1703-06, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

A corporate licensed under the SFO to carry on type 1 (dealing in securities), type 2, type 4, type 6 and type 9 (dealing in futures contracts) regulated activities as defined in the SFO

Joint Lead Managers

Huabang Securities Limited

Unit 2901-02, 29th Floor
Enterprise Square Two
3 Sheung Yuet Road
Kowloon Bay
Kowloon
Hong Kong

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

China Goldjoy Securities Limited

Unit 1703-06, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

A corporate licensed under the SFO to carry on type 1 (dealing in securities) and type 2, type 4, type 6 and type 9 (dealing in futures contracts) regulated activities as defined in the SFO

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

HK Monkey Securities Limited

Unit 2307, Tower 1
Lippo Center, 89 Queensway
Admiralty
Hong Kong

A corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 9 (asset management) regulated activities as defined in the SFO

Sincere Securities Limited

9/F, Cosco Tower
183 Queen's Road Central
Sheung Wan
Hong Kong

A corporation licensed under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities as defined in the SFO

Legal advisers to our Company

As to Hong Kong law

Benny Pang & Co

27/F, 100QRC
100 Queen's Road Central
Central
Hong Kong
(Solicitors of Hong Kong)

As to Cayman Islands law

Conyers Dill & Pearman

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands
(Cayman Islands attorneys-at-law)

Legal advisers to the Sole Sponsor and the Underwriters

As to Hong Kong law

CFN Lawyers

in association with Broad & Bright

Rooms 4101-4104, 41st Floor
Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong
(Solicitors of Hong Kong)

Reporting accountants and auditors

Deloitte Touche Tohmatsu

35/F, One Pacific Place
88 Queensway
Hong Kong
(Certified Public Accountants)

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Industry Consultants

Frost & Sullivan Limited

Unit 1706
One Exchange Square
Central
Hong Kong

Receiving Bank

Industrial and Commercial Bank of China (Asia) Limited

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

CORPORATE INFORMATION

Registered 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 Hong Kong registered under Part 16 of the Companies Ordinance	Office Tower Units 901-902, Hutchison Logistics Centre, Terminal 4, Kwai Chung Container Port, 18 Container Port Road South, Kwai Chung, New Territories, Hong Kong
Company's website address	www.wanleader.com <i>(information contained in such website does not form part of this prospectus)</i>
Company secretary	Ms. Fung Nga Fong (馮雅芳) 7B, Everich Building 43 Boundary Street Kowloon Hong Kong
Authorised representatives (for the purpose of the GEM Listing Rules)	Mr. Lo Wing Sang (勞永生) Room 14C, Block 6 Sceneway Garden Lam Tin Kowloon Ms. Fung Nga Fong (馮雅芳) 7B, Everich Building 43 Boundary Street Kowloon Hong Kong
Compliance officer	Mr. Lo Wing Sang (勞永生)
Audit committee	Mr. Ng Kam Tsun (伍鑑津) (<i>chairman</i>) Dr. Wu Ka Chee Davy (胡家慈) Dr. Chow Ho Wan Owen (周浩雲)
Remuneration committee	Dr. Chow Ho Wan Owen (周浩雲) (<i>chairman</i>) Dr. Wu Ka Chee Davy (胡家慈) Mr. Ng Kam Tsun (伍鑑津)
Nomination committee	Dr. Wu Ka Chee Davy (胡家慈) (<i>chairman</i>) Mr. Ng Kam Tsun (伍鑑津) Mr. Thomas Loy (呂克宜)
Principal share registrar and transfer office in the Cayman Islands	Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands

CORPORATE INFORMATION

**Branch share registrar and transfer office
in Hong Kong**

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

Principal banks

DBS Bank (Hong Kong) Limited
Units 1201, 1210-18, 12th Floor
Miramar Tower, 132-134
Nathan Road, Tsim Sha Tsui
Kowloon, Hong Kong

**Industrial and Commercial Bank of
China (Asia) Limited**
33/F, ICBC Tower
3 Garden Road
Central
Hong Kong

Compliance Adviser

Huabang Corporate Finance Limited
1708-13, Nan Fung Tower
88 Connaught Road Central
Central
Hong Kong

INDUSTRY OVERVIEW

The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications and from the market research report prepared by Frost & Sullivan, which was commissioned by us. We believe that the information 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 in any material respect. The information has not been independently verified by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, or any of our or their respective directors, officers or representatives or any other persons involved in the Share Offer nor is any representation given as to its accuracy or completeness.

SOURCE OF INFORMATION

We commissioned Frost & Sullivan, an independent professional market research and consulting company founded in 1961 in New York, to conduct an analysis of, and to prepare a report on the industry development trends, market demand and competitive landscape of sea and air freight transport industry in Hong Kong. The report prepared by Frost & Sullivan for us is referred to in this prospectus as the F&S Report. We paid Frost & Sullivan a fee of HK\$438,000 which we believe reflects market rates for reports of this type.

Frost & Sullivan offers industry research and market strategies and provides growth consulting and corporate training. Its industry coverage includes automotive and transportation, chemicals, materials and food, commercial aviation, consumer products, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics, industrial and machinery, and technology, media and telecom.

Frost & Sullivan's independent research consists of both primary and secondary research obtained from various sources in respect of the sea and air freight transport industry in Hong Kong. Primary research involved in-depth interviews with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the F&S Report, various official government publications and other publications.

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

The F&S Report was compiled based on the following assumptions:

- (a) social, economic and political environment is likely to remain stable in Hong Kong in the forecast period; and
- (b) related industry key drivers are likely to drive the market in the forecast period.

The following parameters have been taken into account in the preparation of the F&S Report:

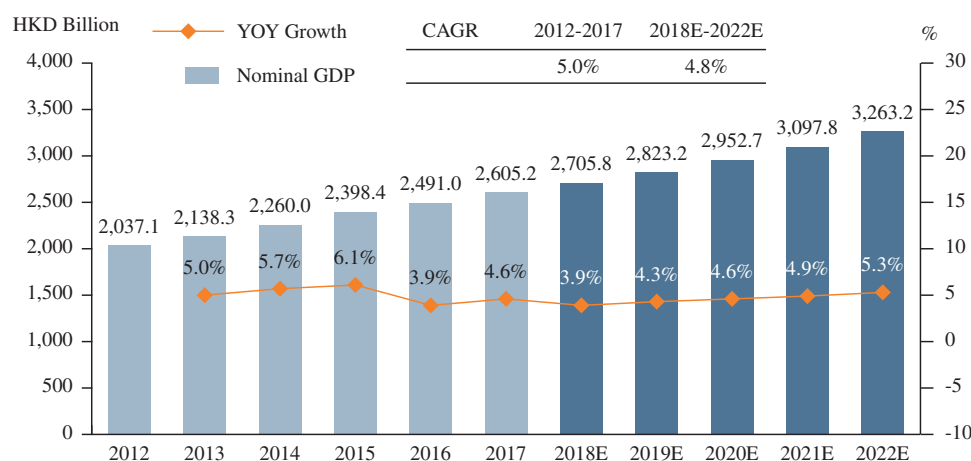
- (a) expert opinion forecasting methodology;
- (b) integration of market drivers and restraints;
- (c) integration with the market challenges;
- (d) integration of the market engineering measurement trends; and
- (e) integration of economic variables.

INDUSTRY OVERVIEW

MACROECONOMIC ENVIRONMENT IN HONG KONG

Over the last five years, the economy in Hong Kong has been heavily affected by the weak global economic performances and strong US dollars which affected Hong Kong's competitiveness. Hong Kong experienced an increase in nominal GDP from HK\$2,037.1 billion in 2012 to HK\$2,605.2 billion in 2017 at a CAGR of 5.0% underpinned by the resilient domestic demand and stable employment market. Amid the unstable global economic environment and the poor performance in tourism and retail sales in Hong Kong in 2015, the nominal GDP growth rate decreased to 2.3% in 2016. It is anticipated that the economy in Hong Kong is expected to recover steadily at a CAGR of 4.8% from 2018 to 2022, driven by the strong domestic consumption with low expected unemployment rate.

Nominal GDP and Forecast (Hong Kong), 2012-2022E



Source: IMF, Frost & Sullivan

MARKET OVERVIEW OF LOGISTICS INDUSTRY IN HONG KONG

Introduction of Logistics Industry

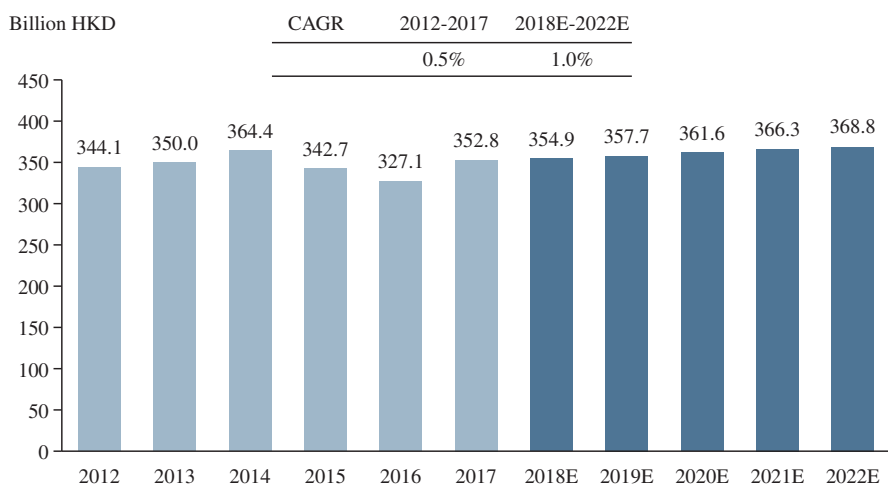
Logistics refers to the management of the flow of goods between the point of origin and the point of destination in order to meet the requirements from customers or corporations. Logistics services involve the integration of information, transportation, inventory, warehousing, material handling, packaging, and often security. Logistics can be classified into three categories based on the different ways of transportation, which are air freight transport, water freight transport and land freight transport.

Market Size of Logistics Industry

Logistics services industry serves as a major contributor to the economy of Hong Kong. The market size of logistics services industry in Hong Kong increased from HK\$344.1 billion in 2012 to HK\$352.8 billion in 2017 at a CAGR of 0.5%. The negative growth rate witnessed in 2015 was mainly due to the inactive trading activities globally. Logistics industry is estimated to remain stable in the future underpinned by the robust economic development in Hong Kong and the growing. The market size of logistics industry is expected to grow at a CAGR of 1.0% and reach HK\$368.8 billion in 2022, benefiting from the improved transportation infrastructure and network and the resilient merchandise trade market in Asian countries.

INDUSTRY OVERVIEW

Market Size of Logistics Industry in Hong Kong by Revenue, 2012-2022E



Source: Frost & Sullivan

The role played by our Group in the industry

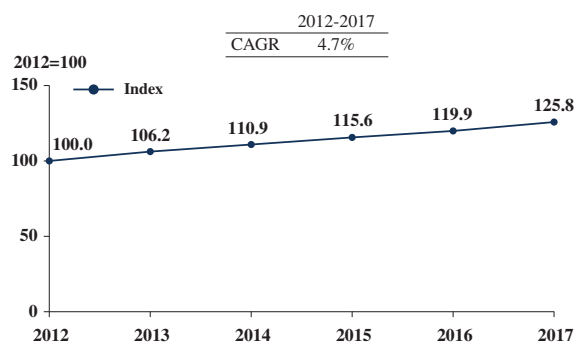
Our Group acts as an agency for air and sea freight cargo carriers in selling cargo spaces to direct shippers or freight forwarders. Moreover, our group manage the logistics and storage of shippers' cargoes and provides repackaging or labelling service within their facility prior to delivery.

COST STRUCTURE ANALYSIS

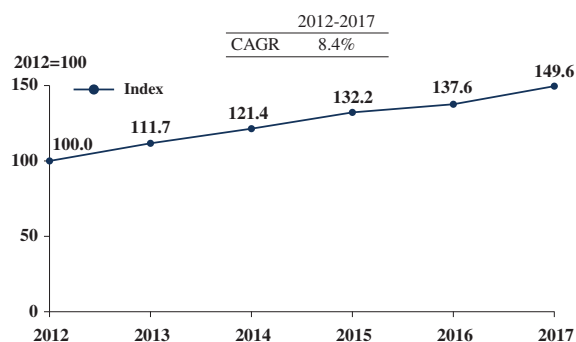
Logistics related personnel include labours who are engaged in (i) import and export trading; (ii) land transport; and (iii) other logistics services such as warehouses. The wage indices have increased from 100.0 in 2012 to 125.8 in 2017, representing a CAGR of 4.7%.

Warehouses are important facilities within the logistics chain, and are often located in private flatted factories. The rental price indices have raised at a CAGR of 8.4% during the track record period, reaching 149.6.

Wage indices of logistic related personnel in Hong Kong, 2012-2017



Rental price indices of private flatted factories in Hong Kong, 2012-2017

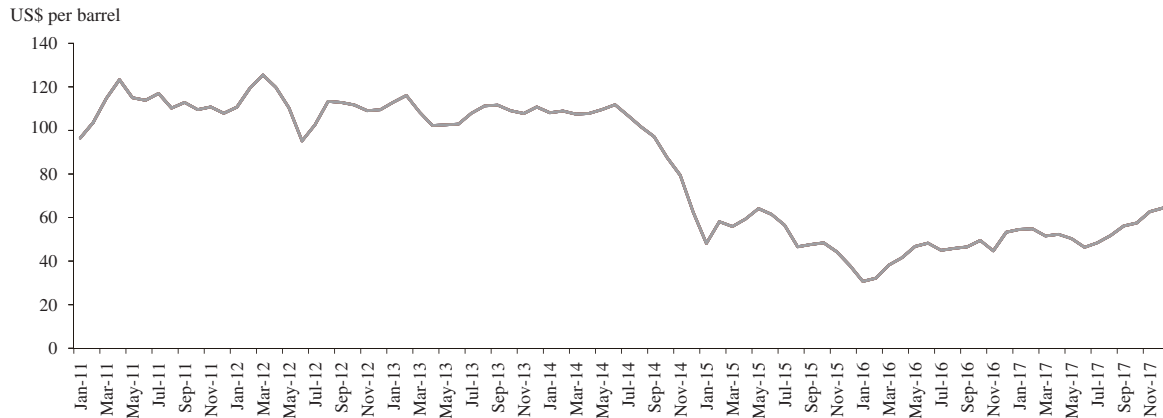


Source: Frost & Sullivan

INDUSTRY OVERVIEW

The historical spot crude oil price witnessed a sharp decline in recent years, dropping by 33.3% from January 2011 to December 2017. The fluctuation of oil price may be affected by the level of global oil supply and also the market competition in the oil industry. The diesel oil price in Hong Kong is closely related with Europe Brent Spot Crude oil price which is generally in line with the movement of international crude oil price. Thus, the Brent Oil price has major impact on the cost operation of the logistics service providers.

Brent Oil Price, 2011-2017



Source: Frost & Sullivan

OVERVIEW OF SEA FREIGHT TRANSPORT MARKET IN HONG KONG

Introduction of Sea Freight Transport Market

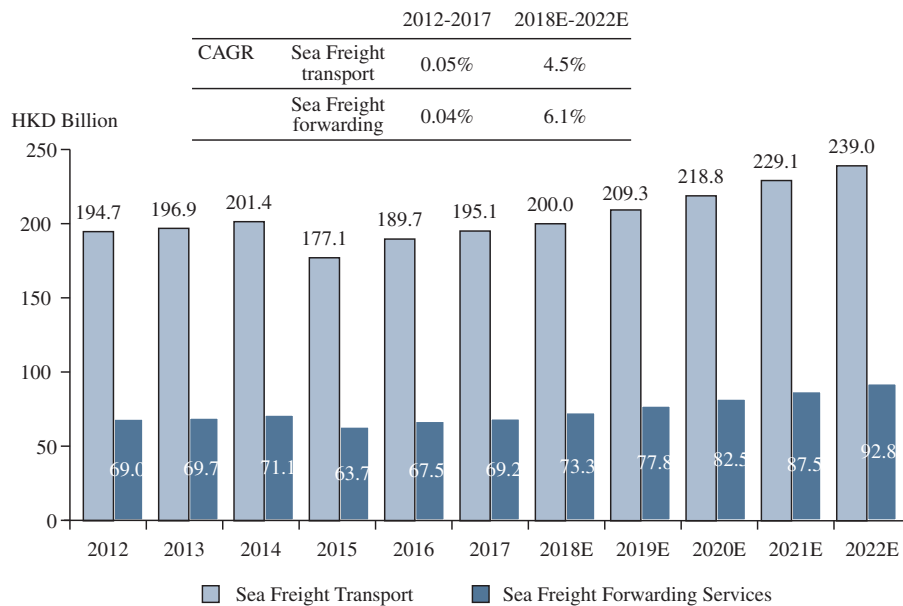
Sea freight transport is defined as the physical process of transporting passengers or goods by boat, ship, vessels, over channels including ocean, sea, river and lake. In Hong Kong, sea freight transport is only conducted through modes of sea (i.e. sea freight transport), and modes of river (i.e. river freight transport). Sea freight transport consists of sea freight forwarding services, terminal operations, warehousing, ship management, ship broking, ship finance, maritime insurance, and other logistic supporting services. Sea freight forwarding is a kind of service that organizes shipments for individuals or corporations to move goods to the consignees within a designated time period, with vessels as the transportation means.

Market Size of Sea Freight Transport Market

The sea freight transport market in Hong Kong comprises services such as arranging cargo to transport through water mode transport, warehousing and etc. The revenue of the sea transport market has slightly increased at a CAGR of 0.05%, from HK\$194.7 billion in 2012 to HK\$195.1 billion in 2017. Looking forward, as driven by the recovery of global economy and increasing popularity of e-commerce, the demand for sea freight transport is expected to increase. Therefore, both sea freight transport and sea freight forwarding market are expected to rise at a steady CAGR of 4.5% and 6.1% respectively.

INDUSTRY OVERVIEW

Market Size of Sea Freight Transport Market by Revenue in Hong Kong, 2012-2022E



Source: Frost & Sullivan

Market Drivers

Favourable government policy

There are multiple government policies in favour with the sea freight transport industry, including the double taxation relief arrangements for shipping income which ship operators can benefit from the tax relief offered by places with similar reciprocal tax exemption legislation. In order to attract more personnel into the industry, the Government set up a HKD100 million Maritime and Aviation Training Fund in 2014 to be used over a period of five years to build up a competitive pool of professionals.

Robust infrastructure to support sea freight transportation

The government supports sea freight transport industry by constructing robust infrastructure. The Kai Tak Cruise Terminal entered service in June 2013, providing embarking and disembarking service for cruises. The Hong Kong Zhuhai Macau Bridge which connects the three places is also under construction, and it is expected to further strengthen the cargo connection between Hong Kong and western Pearl River Delta.

Market Trends

Privatisation of foreign terminals

All container terminals in Hong Kong are held privately to ensure productivity maximisation. Industry players strive to compete market share with advanced terminal facilities and efficient port services. It is seen that there is an increasing trend of foreign countries learning from Hong Kong to privatise their ports, thus inviting Hong Kong based companies to participate in the transformation. With such opportunity, it is believed that Hong Kong companies will take a more active role in the global sea freight transport market.

INDUSTRY OVERVIEW

Expansion of service scope

There are players of different scales within the logistic market. Larger ones often control multiple parts of the supply chain with high value assets (e.g. vessels), while the smaller ones usually focus on one specific aspect, and possess lower value assets. It is seen that many players in the sea freight transport market are vertically expanding their services scope. For instances, freight forwarders start operating their own warehouses; shipping carriers begin to involve in ground transportation business. Vertical integration allows companies to enhance operational control over the logistic chain, thus increase their competitiveness in the industry.

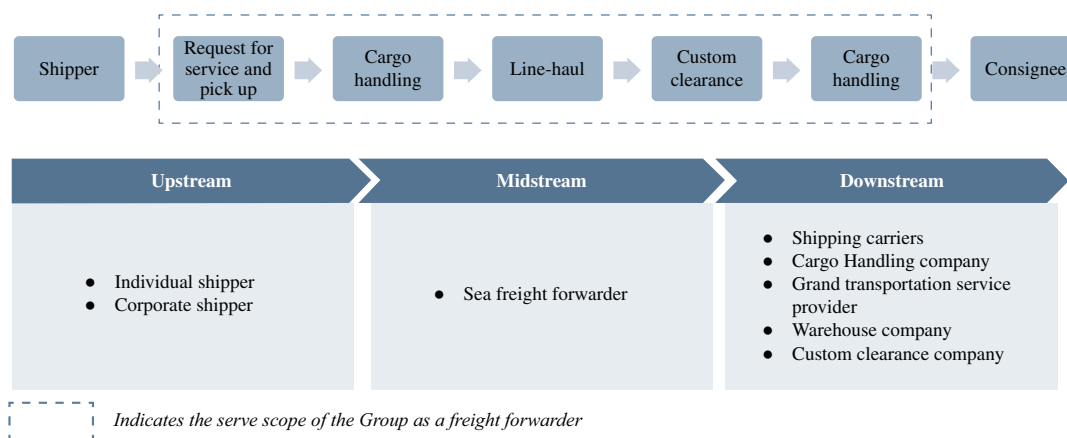
Environmental protection

The concept of environmental protection will be further reinforced across all industries, and sea freight transport is no exception. Seventeen Hong Kong major freight liners have signed up the Fair Wind Charters, a voluntary commitment to switch from high-sulphur bunker oil to 0.5% sulphur diesel when berthing in Hong Kong. It is believed that such kind of environmental protection initiative will continue to spread throughout the whole industry. Some examples include employing electric vehicles for ground transportation and better vessel design to achieve fuel efficiency.

Our Group's position along the value chain

Our Group, as a sea freight forwarder, provides logistic services to the shipper by coordinating and negotiating pricing with multiple downstream professional parties to obtain cargo spaces, warehouse quota, and other supporting services. In order to maximise profit, sea freight forwarders often have to efficiently aggregate multiple shipments and fully utilise the reserved cargo spaces.

Set out below is the industry value chain of the sea freight forwarding industry and the key processes involved:



Source: Frost & Sullivan

OVERVIEW OF AIR FREIGHT TRANSPORT MARKET IN HONG KONG

Introduction of Air Freight Transport Market

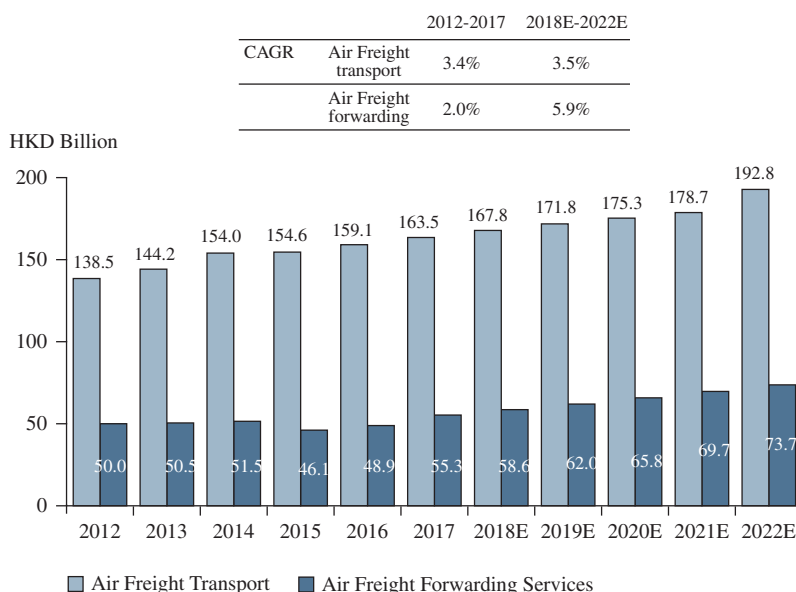
Air freight logistics refers to the physical process of transporting commodities, goods, cargo, etc. Air freight logistics services consist of air freight ground handling services, air cargo terminal operating services, warehousing and distribution and other logistics supporting services.

INDUSTRY OVERVIEW

Market Size of Air Freight Transport Market

The revenue of the air freight transport market grew from HK\$138.5 billion in 2012 to HK\$163.5 billion in 2017, representing a CAGR of 3.4%. The revenue of the air freight forwarding services market increased slightly from HK\$50.0 billion in 2012 to HK\$55.3 billion in 2017, representing a CAGR of 2.0%. The air freight forwarding market is projected to recover underpinned by strong consumption from global e-commerce activities and reach HK\$73.7 billion by the end of 2022, representing a CAGR of 5.9%.

Market Size of Air Freight Transport Market by Revenue in Hong Kong, 2012-2022E



Source: Frost & Sullivan

Market Drivers

Third runway system at Hong Kong Airport

Hong Kong is benefited from its geographic advantage of locating in the center of the Asia Pacific region and is connected to 48 major cities within four hours by air. Following the HKIA Master Plan 2030 (MP30), the expansion of the airport infrastructure into a three-runway system (3RS) underpins the anticipated growth of air traffic demand in both passenger and cargo sector. The additional runway and related facilities to support the expansion and the influx of traffic will develop more opportunities and driving growth in the air freight transport market in Hong Kong.

Economic growth in neighbouring countries

The Hong Kong air freight logistics infrastructure has earned stellar reputation and recognition for its well-developed infrastructure to process large volume of containerized cargo on a daily basis. Therefore, with the rapid economic development in Southeast Asia and China, the increasing import and export of raw materials and consumer goods through Hong Kong will stimulate the air freight transport market to sustain growth. Despite the price of using air freight transport may be higher, this method of cargo transport may significantly reduce time of shipping from the shipper to the seller.

INDUSTRY OVERVIEW

Market Trends

Supply chain optimisation through outsourcing

Air freight forwarders are exploring methods to improve the efficiency of its supply chain management due to the shortening of product life cycles of the consumer goods, in particular electronic devices. Third-party logistics (3PL) approach is common for some industry players to outsource a particular activity in the supply chain such as, pick and pack, warehousing, distribution etc., to a third-party logistics provider. The adoption of 3PL strategy enhances the efficiency and flexibility of logistics operation and provides a more comprehensive supply chain management services by achieving low or zero inventory level and enabling quicker response and flexibility to customers' requests.

Technology to improve air freight services efficiency

Technology is expected to continue its influence in the air freight transport market in the next decade. To fully integrate the use of technology into current operation and processes requires the digitisation of information. The implementation will benefit the overall process of air freight transport through smoother information flow, allowing the service providers to provide better services and flexibility in real time. Moreover, the automation of the process shall improve efficiency and reducing transportation and operation cost through better data monitoring.

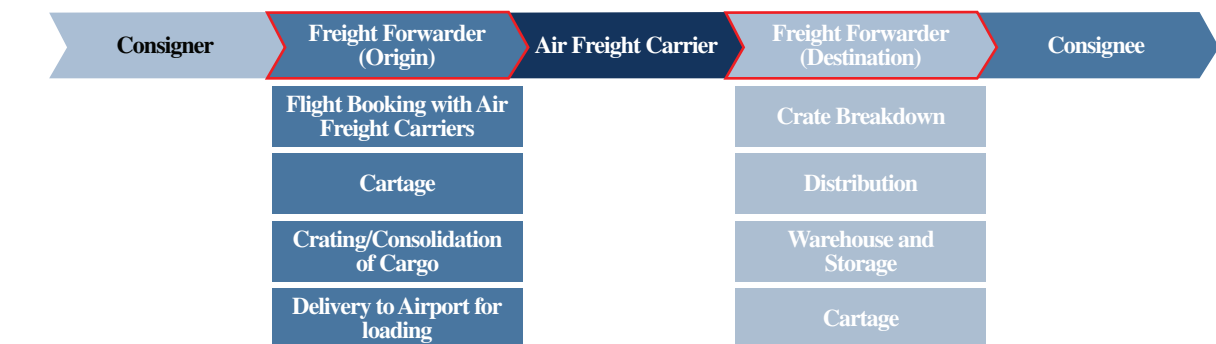
E-commerce to continue driving air freight transport market


E-commerce is driving the strong growth in the air freight transport market. The increasing orders through online market space increases the demand for air freight transport since many suppliers and manufacturers are located in Asia. Moreover, with the production of high value goods such as electronic devices and accessories and telecom equipment continues to move to Asia will benefit the overall development of air freight transport market. The shortened life-cycle of electronics electronic products requires more frequent delivery, increasing the demand for air freight transport due to the reliability for travelling through air and the shortened delivery times to other destinations.

Our Group's position along the value chain

Our Group, as an air freight forwarder, provides services to the consigner at the origin and at the destination of the shipment. Prior to delivery, freight forwarder will arrange flight bookings, cartage for crating and consolidation at the service provider's facility and delivery to airport at the origin for loading. The service continues when the cargo arrives at the cargo terminal of its destination where agency or partner of the freight forwarder will provide services including crate breakdown, storage, distribution and delivery to the consignee.

Set out below is the industry value chain of the air freight forwarding industry and the key processes involved:



 Indicates the service scope of our Group as an air freight forwarder

Source: Frost & Sullivan

INDUSTRY OVERVIEW

Concept and benefits of Co-loading/consolidation

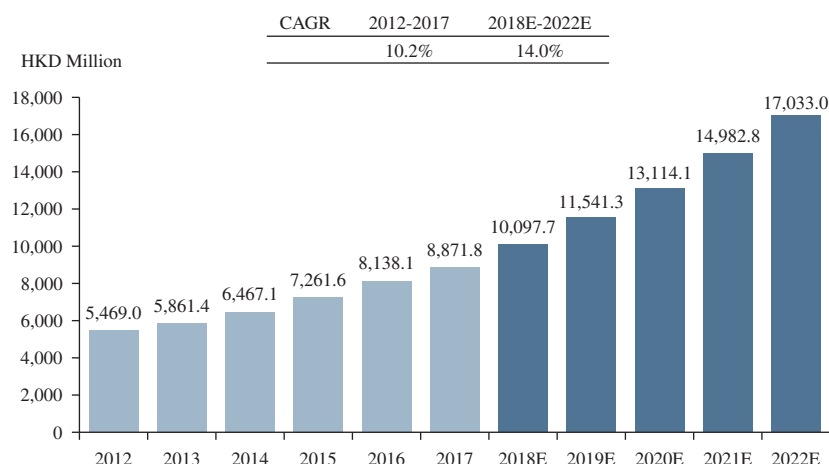
Co-loading or consolidation refers to the ride sharing for freight transports which involve sharing space on the same transportation vehicle (e.g. ships or flight etc.) by one or more freight forwarders and splitting the fare of the trip. The freight forwarders are able to consolidate truckload (TL) with less-than-truckload (LTL) shipments or multiple LTL shipments or TLs to make co-loaded shipments. Co-loading enables the freight forwarders to reduce transportation time and cost and it is common for the freight forwarders to consolidate the shipments with other market practitioners. It is therefore an industry norm to have dual role customers in the freight forwarding industry.

Market Size of Warehousing and Related Value-added Services in Hong Kong

Warehousing and related value-added services in a logistics operation include storage, inventory management, and other value-added service such as bar coding, re-packaging, labelling services etc. As land is one of the scarce resources in Hong Kong, warehousing service is an integral part of the logistics industry in Hong Kong underpinning the entire logistics market.

The warehousing service market has recorded a strong growth from HK\$5,469.0 million in 2012 to HK\$8,871.8 million in 2017, representing a CAGR of 10.2% which was mainly due to the surging property prices contributing to the rising business receipts of the warehousing services. The expected completion of new infrastructure projects such as expansion of Hong Kong International Airport, completion of the Hong Kong-Macau-Zhuhai Bridge and Tuen Mun-Chek Lap Kok Link in the coming years will encourage movement of goods in and out of Hong Kong and drive the demand for warehousing services. Thus, the warehouse servicing market is anticipated to reach HK\$17,033.0 million by the end of 2022, representing a CAGR of 14.0%.

Market Size of Warehouse and Related Value-added Services by Revenue in Hong Kong, 2012-2022E



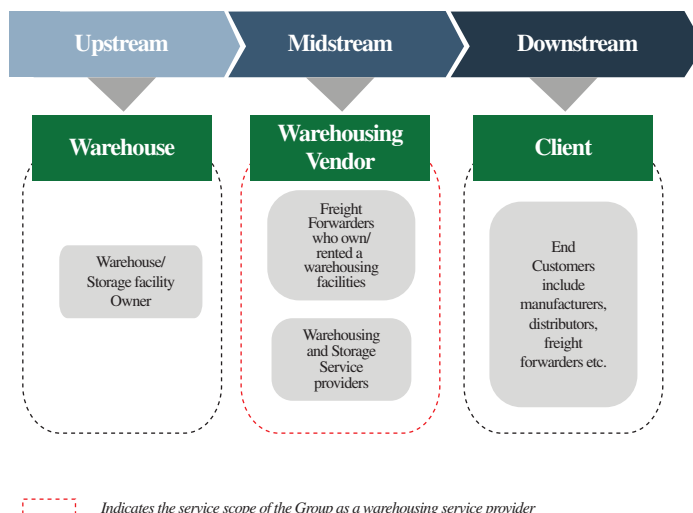
Source: Frost & Sullivan

Our Group's position along the value chain

Our Group also provides standalone warehousing services for customers who require storage, inventory management and other warehousing ancillary services.

INDUSTRY OVERVIEW

Set out below is the industry value chain of the warehousing industry and the key processes involved:



Source: Frost & Sullivan

COMPETITIVE LANDSCAPE OF FREIGHT TRANSPORT AND WAREHOUSING MARKET IN HONG KONG

Overview of Competitive Landscape of Air and Sea Freight Transport and Warehousing Market

The sea freight transport market is considered as a highly fragmented market with approximately 2,300 sea cargo forwarders as of December 2017. The top five players in the market are major international logistics players where they captured a total of 6.3% of the market share in 2017. It is estimated that the Group has captured a market share of 0.16% of the overall air and sea freight forwarding industry in 2017.

The air freight transport market is also a fragmented market in Hong Kong with a total number of approximately 1,300 air cargo forwarding establishments in Hong Kong as of December 2017. The top players are generally larger multi-national brands establishing significant markets share with their extensive logistics network. The top five players are compiled with the largest multi-national operators capturing a total of 18.4% of the entire market in 2017. There are also many smaller players in the air freight transport market who developed their network regionally in their market with better understanding of the demand in specific markets.

In general, the air and sea freight transportation market can be divided into tier-one and tier-two. There are approximate 20-30 players in tier-one, who are leading logistic groups with full coverage of land, air, and sea freight transport. They often have a high level of vertical and horizontal integration, with worldwide logistics network and business coverage. Most players in tier-one have a revenue size ranging from approximately HK\$1.5 billion to HK\$3.0 billion. Tier-two players are generally local and regional players with networks covering specific geographic location or categories of goods. They have a relatively less diversified service portfolio with freight forwarding and basic value-adding services as key revenue streams. There are approximately 500-800 Tier-two players, with revenue size ranging from HK\$50 million to HK\$150 million.

The market size of warehousing and storage service market has recorded a market size of approximately HK\$8.8 billion in 2017. The warehousing market in Hong Kong is highly fragmented with over 1,500 warehousing service providers, in which approximately 500 are standalone warehousing and storage operators. It is estimated that the Group has captured a market share of 0.29% of the warehousing and storage service market in Hong Kong in 2017. With the large number

INDUSTRY OVERVIEW

of market players and low market concentration, the average warehousing service provider has a market share of less than 0.1%. Warehousing service is very often offered by logistics, freight forwarding and courier service providers as an integral part of their supply chain. The warehousing service operators primarily compete with service fee and range of value-added services offered.

It is a common practice for the large international freight forwarding players to outsource a certain logistics operations to a third party in order to reduce operation costs generated from the fluctuating cargo throughput during the year. A number of mid-sized freight forwarders offer freight forwarding services for both air and sea transport including flight and shipment booking arrangements, cartage crating, warehouse management, overseas shipment handling etc. Some of the market players in the industry would specialise in a particular function such as ground handling or warehousing services within the industry value chain.

Larger freight forwarding players in Hong Kong tend offer a more comprehensive transport and logistics services to their clients, such as, warehousing, cargo consolidation, air freight booking, trucking, distribution and supply chain management services. Smaller air freight players may provide simpler and economical services and able to offer more flexibility, more personalized services but also lower rates to the clients.

In the air freight transport market, it is common for multi-national players with broad global air and ground network to subcontract to wholesale operators to become their consolidators at different locations for smaller players. Such measure allows the bigger players to maximise each freight load. In contrast, smaller operators are able to provide faster and more flexible services. They also tend to focus in specific markets with stable clients bases for regular revenue stream.

Opportunities

Government support in the air freight transport market

In the 2017-2018 Budget Speech, the government recognized the quick development of high value-added third party logistics services in the air freight transport market and revealed that 6.9 hectares of land for logistics use was sold between 2010 to 2013. Moreover, the government also announced that two extra sites were reserved at Tuen Mun, totaling about 10 hectares of land for high value added logistics services. The government will continue to allocate available land in order for the industry to further develop the air freight transport services variety in Hong Kong.

Export of high-value goods from Asia

With production of high-value goods such as electrical devices and appliances moving into Asia shall create opportunities for the air freight transport market to grow. The status of Hong Kong being a free trade port, strategic advantage of the geographical location as well as the sophisticated air freight handling infrastructure shall attract more trans-shipment opportunities through Hong Kong, and benefitting the growth of the market.

PRC government policy

The initiative of “One Belt One Road” policy and “Asian Infrastructure Investment Bank” is expected to create fundamental changes and unveil business opportunities of unprecedented scale to various sectors in Hong Kong, including the logistics sector with close proximity to the mainland China and the endorsement of a harbor that leads to other parts of the world, Hong Kong is able to benefit from the two policies by utilizing its advantages as an international transportation and logistics center.

INDUSTRY OVERVIEW

Challenges

Competition from other hubs in Asia

Despite Hong Kong is one of the busiest air cargo hubs in the world, the market faces internal challenges such as the size of the Hong Kong airspace limits the air traffic capacity in Hong Kong. Under such restriction, the number of additional flights for passenger and cargo into Hong Kong may be limited while the competition from other logistics hubs such as Singapore and Shenzhen are not confined by the air space restriction.

Increasing land cost and shortages

The lack of land supplies in Hong Kong is driving the cost of land to increase and impacting the air freight transport market in Hong Kong. Air freight companies are only able to establish short term rental contracts for their warehouse locations, affecting the companies' long term plan with such constraints. Despite the government is initiating to provide more commercial land supplies, the high rental cost will hinder the growth of the industry.

Price Competition

Hong Kong's air and sea freight forwarding markets are fragmented with a large number of small and medium-sized players. Their service scope are relatively concentrated with a low level of product differentiation, therefore price competition is significant among these players. This is considered to be a major challenge as for the possible outcomes of price war.

Entry Barriers

Experienced Management Team

Players who are successful in the logistics and air freight market are those who may offer customers with efficiencies and flexibilities with their services. Therefore, an experience team with operation experiences and management capabilities is crucial. An experienced team with extensive understanding of the market will be able to adjust its operations that fit the market trend. New entrants without an experienced team could see its disadvantage in the competition.

The core members of our Group's management team had gathered substantial industry experience and knowledge and accumulated strong business network in the industry upon joining our Group and remained at our Group. With their knowledge, the team understands how to grow the business within the industry as they actively engaged and liaised with different air and sea freight carriers to secure more cargo space to increase their sales.

Established Relationship and Network

One of the keys to success in the logistics and air freight transport market is to develop relationship with airlines and shipping companies. Major players in the market have developed long term relationship with these companies and forming strong partnerships. New entrants without such connections may not be able to negotiate for the ideal prices and timing for transport, weakening its competency compare to other established players in the market.

Large Capital Investment Required

For any new entrants of the logistics market and air freight market, a high capital investment is required. Majority of the capital will be needed to set up the facility where land resources is lacked in Hong Kong and rental prices are likely to increase in renewals. Moreover, the amount needed for operation such as staff hiring, equipment, machinery could become a major challenge to the new entrants.

INDUSTRY OVERVIEW

Labour Shortage

Hong Kong is lacking younger labour force as young people do not have much intention to enter the logistics and air freight transport industry. Therefore, with the increasing competition with the local players, the shortage of labour is driving players to hire skilled labours with higher salary in order for the companies to sustain its competency within the market. Therefore, new entrants will find it challenging to hire experienced and skilled labour.

Despite increasing labour cost is putting more burden to our Group financially, our Group is able to retain skilled staffs from departing and reduces the need to continue training new staffs. To increase our Group's competency, our Group also invested to upgrade their storage facilities management system in order to provide more value adding services such as labelling and repackaging service of cargo within their facility.

OUR COMPETITIVE STRENGTHS

Please refer to the section headed "Business – Competitive strengths" for a detailed discussion of our Group's competitive strengths.

REGULATORY OVERVIEW

This section sets out a summary of the laws and regulations related to our operation and business.

Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong)

The Factories and Industrial Undertaking Ordinance (the “**FIUO**”) imposes general duties on proprietors of and persons employed at industrial undertakings, including without limitation cargo and container handling undertakings, factories and other industrial workplaces, to ensure health and safety at work in such undertakings. Proprietor includes any person, body corporate, a firm, an occupier and the agent of such an occupier having the management or control of the business carried on in an industrial undertaking for the time being.

Section 6A(1) of the FIUO provides that “*It shall be the duty of every proprietor of an industrial undertaking to ensure, so far as is reasonably practicable, the health and safety at work of all persons employed by him at the industrial undertaking*”. Contravention of such duty is an offence and is liable to a fine of HK\$500,000. A proprietor willfully contravene with the duty imposed by section 6A(1) without reasonable excuse commits an offence and is liable to a fine of HK\$500,000 and to imprisonment for 6 months.

There are 30 sets of subsidiary regulations under the FIUO, covering various aspects of hazardous work activities in various workplaces, containing detailed health and safety standards on work situations, plant and machinery, processes and substances.

Factories and Industrial Undertakings (Cargo and Container Handling) Regulations (Chapter 59K of the Laws of Hong Kong)

These regulations set out safety requirements at (i) industrial undertakings engaged in the loading, unloading or handling of cargo or goods at any docks, quays or wharves; and (ii) industrial undertakings engaged in loading, unloading, handling, stacking, unstacking, storing or maintaining of containers. In particular:

- Regulation 7 requires that the owner of a fork-lift truck shall not use or cause or permit the use of the truck for cargo or container handling unless (i) it is properly maintained; and (ii) the person operating it is trained and competent to operate it.
- Regulation 9 requires that a clear passage leading to the means of access to any vessel lying at a the dock shall be maintained where cargo or goods are placed; and any space left along the edge of the dock, quay or wharf shall be at least 900 millimetres wide and clear of all obstructions, except plant and appliances in use and fixed structures.
- Regulation 10B requires the proprietor to ensure that adequate precautions have been taken to prevent every person working on container be falling therefrom.

The proprietors of industrial undertakings (as defined in the FIUO) engaged in the aforementioned activities are responsible for ensuring that the regulations are observed. Contravention of Regulation 7 is an offence and is liable on conviction to a fine of HK\$50,000. Contravention of Regulation 9 or 10B is an offence and is liable on conviction to a fine of HK\$10,000.

Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations (Chapter 59J of the Laws of Hong Kong)

These regulations, among others lay down the legal requirements for safe use, construction, testing and examination of lifting gear and lifting appliance used for lowering or raising or as a means of suspension in any industrial undertaking (the “**Lifting Equipment**”). Every employer providing lifting equipment for use at work, and every person having control of such use, should observe and ensure compliance with these regulations. In particular, the lifting equipment must be sufficiently

REGULATORY OVERVIEW

strong, properly maintained, and thoroughly examined by a competent examiner at least once every 12 months and certified by the competence examiner in an approved form as being in a safe working order; the lifting equipment should not be loaded beyond the maximum safe working load; and that no load is left suspended from a lifting appliance unless a competent person is in charge of the lifting appliance during the period of suspension.

Contravention of these regulations by the owner of the Lifting Equipment commits an offence, and shall be liable to a fine ranging from HK\$50,000 to HK\$200,000, or a fine of HK\$200,000 and imprisonment for 12 months.

Factories and Industrial Undertakings (Fire Precautions in Notifiable Workplaces) Regulations (Chapter 59V of the Laws of Hong Kong)

These regulations require compulsory employment of a safety officers and safety supervisors in the industrial of, among others, container handling, and should be read in conjunction with Section 6A and 6B of the FIUO which imposes general duties on proprietors in respect of health and safety at work in an industrial undertaking. The safety officer must be a person registered with the Commissioner for Labour as a safety officer and, for the time being of his employment, not be suspended from registration.

Under Regulation 16, a proprietor of shipyard or a container handling workplace employing 100 or more employees in one or more of his/her shipyards or container handling workplaces must employ one registered safety officer; and must employ one safety supervisor in any of his/her container handling workplaces where 20 or more employees are employed.

Regulation 19 imposes duties on the proprietor to (i) ensure the safety officer/safety supervisor employed are carried out under the supervision of himself/herself or a person who has control over the work in the workplace; (ii) provide necessary assistance, equipment, facilities and information for carrying out such duties properly; and (iii) the safety officer/safety supervisor is not required to carry out other work which prevent him/her from carrying out his/her duties as safety officer/safety supervisor, although there is no requirement for the safety supervisor to be a full-time employee. Further the proprietor is required to place a notice in the approved form showing the name, contract telephone number and duties of the responsible safety officer or safety supervisor and the name of that proprietor, in both English and Chinese, in a conspicuous place at the industrial undertaking.

Regulations 20 and 21 regulate the duties of the proprietor in respect of the reports submitted to him/her by the safety supervisor or safety officer.

A proprietor of an industrial undertaking contravenes any of the above regulations commits an offence and is liable on conviction to a fine of HK\$50,000.

Factories and Industrial Undertakings (Loadshifting Machinery) Regulations (Chapter 59AG of the Laws of Hong Kong)

These regulations regulate the use and operation of loadshifting machine. Loadshifting machine used in industrial undertaking as defined in the regulations includes fork-lift truck.

Regulations 3 and 4 impose duties on the responsible person to (i) ensure that the loadshifting machine shall be operated by a person aged 18 or above and holding a valid certificate applicable to the type of loadshifting machine that that person is instructed to operate; (ii) provide every employee instructed to operate the loadshifting machine a training course conducted for the relevant type of loadshifting machine; and (iii) if the employee fails to obtain a certificate following the training course, the employer is responsible to provide an additional training course. The meaning of responsible person, in these regulation and the context of industrial undertaking, is a person having the management or in charge of the machine, but excluding the person operating the machine.

Contravention to Regulation 3 or 4, without reasonable excuse, is an offence liable to a fine at level 5, which is currently HK\$50,000.

REGULATORY OVERVIEW

Air Pollution Control (Non-Road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong)

The Air Pollution Control (Non-Road Mobile Machinery) (Emission) Regulation (“**NRMM Regulation**”) came into effect on 1 June 2015 to introduce regulatory control on the emissions of non-road mobile machinery (“**NRMM**”), including non-road vehicles and regulated machines that are subject to the NRMM Regulations (the “**Regulated Machines**”). Unless exempted, NRMMs which are regulated under this provision are required to comply with the emission standards prescribed under this regulation. Under Section 5 of the NRMM Regulation, starting from 1 December 2015, only approved or exempted NRMMs with a proper label are allowed to be used in specified activities and locations including construction sites. However, existing NRMMs which are already in Hong Kong on or before 30 November 2015 will be exempted from complying with the emission requirements pursuant to Section 11 of the NRMM Regulation. Under Section 5 of the NRMM Regulation, any person who uses or causes to be used a Regulated Machine in specified activities or locations without (i) exemption or the EPD’s approval is liable to a fine of up to HK\$200,000 and imprisonment for up to six months, and (ii) a proper label is liable to a fine of up to HK\$50,000 and imprisonment for up to three months. As confirmed by our Directors, to the best of their knowledge, all Regulated Machines we leased or used in the ordinary course of our business as at the Latest Practicable Date had obtained approval or exemption in accordance with the relevant requirement.

Motor Vehicles Insurance (Third Party Risks) Ordinance (Chapter 272 of the Laws of Hong Kong)

Section 4(1) of the Motor Vehicles Insurance (Third Party Risks) Ordinance (“**MVI(TPR)O**”) provides that it shall not be lawful for any person to use, or to cause or permit any other person to use, a motor vehicle on a road unless there is in force in relation to the user of the vehicle by that person or that other person, as the case may be, such a policy of insurance or such a security in respect of third party risks as complies with the requirements of the MVI(TPR)O. Section 4(2) provides that if a person acts in contravention of Section 4, he shall be liable to a fine of HK\$10,000 and to imprisonment for 12 months, and a person convicted of an offence under section 4 shall (unless the court for special reasons thinks fit to order otherwise) be disqualified from holding or obtaining a licence to drive a motor vehicle for such period as the court may determine being not less than 12 months nor more than three years from the date of conviction.

Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong)

The Occupational Safety and Health Ordinance sets out general health and safety requirements in both industrial and non-industrial workplaces, with a few exceptions. Under this ordinance, each of the employers, employees and occupiers has his/her respective responsibilities in creating a health and safe workplace. The employers’ responsibilities in respect of health and safety of employees at work are mainly set out in Section 6 of this Ordinance. Section 6(1) imposes a general duty on every employer to ensure, so far as it is reasonably practicable, health and safety at work of all his/her employees, whilst Section 6(2) set out a non-exhaustive list of cases that shall be considered as non-compliance with Section 6(1), which includes failing to do the followings as far as reasonably practicable to do so:

- Provide or maintain plant and systems of work that are safe and without risks to health;
- Make arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;
- Provide such information, instruction, training and supervision as may be necessary to ensure the safety and health at work of the employer’s employees;
- Maintain the workplace (that is under his/her control) in a condition that is safe and without risks to health;

REGULATORY OVERVIEW

- Provide or maintain means of access to and egress from the workplace (that is under the employer's control) that are safe and without any such risks; and
- Provide or maintain a working environment for the employer's employees that is safe and without risks to health.

An employee while at work must, so far as reasonably practicable, take care for the safety and health of persons (including the employee) who are at the employee's workplace and who may be affected by the employee's acts or omissions at work. Besides, an employee must co-operate with his employer or other person so far as may be necessary to enable requirement imposed in the interests of safety or health.

Aviation Security Ordinance (Chapter 494 of the Laws of Hong Kong)

Aviation Security Ordinance ("**ASO**") is the principal legislation on aviation security, the primary purposes of the ASO are to prevent and suppress acts which pose threat to the safety of international civil aviation and to give effect to international conventions on aviation security.

The contracting states of the Convention on International Civil Aviation ("**CICA**") established International Civil Aviation Organization ("**ICAO**"), the main function of which is to work with the member states of the CICA to reach consensus on international civil aviation standards and recommended practices ("**SARPs**") and policies.

In order to observe the air cargo security standards promulgated by the ICAO under the relevant international conventions, Hong Kong has implemented air cargo security regulated agent regime ("**RAR**"), under which a freight forwarder, a cargo handling agent or any other entity who carries out business with an airline may make an application at the Civil Aviation Department ("**CAD**") for registration as a regulated agent.

All regulated agents are required to comply with the relevant requirements set out in the Regulated Agent Security Programme and the Handling Procedures for Regulated Agent Regime (the "**Regulated Procedures**") issued by the CAD pursuant to the RAR.

For example, a regulated agent is obliged to ensure, among other obligations:

- that all consignment are safeguarded against unauthorized interference after its reception;
- that it has use endeavors to protect the consignment from unauthorized interference until the consignment is accepted by another RA or an airline;
- due implementation of appropriate security controls acceptable by CAD, when handling cargos from unknown consignor (as defined in the Handling Procedures);
- a register of all valid known consignors and of all valid account consignors are kept so long as it continues to hold a status of regulated agent; and
- that record of security control applied on unknown cargo (e.g. x-ray screening record) is maintained for every consignment of air cargo for a period of at least 31 days after the consignment is flown.

Further, each regulated agent must have at least two staff members who have either attended and completed a training programme acceptable to Civil Aviation Department or have passed the RA Revalidation Test organized by the Civil Aviation Department. The relevant passing notifications and training certificates valid for a period of three years, hence, the relevant regulated agents should arrange for revalidation of the same by their expiry.

REGULATORY OVERVIEW

Dangerous Goods (Consignment by Air) (Safety) Ordinances (Chapter 384 of the Laws of Hong Kong) and Dangerous Goods (Consignment by Air) (Safety) Regulations (Chapter 384A of the Laws of Hong Kong)

The Dangerous Goods (Consignment by Air) (Safety) Ordinance (“**DGO**”) is the primarily legislation conferring the Chief Executive in Council the power to make or empower the Director of Aviation to make regulations, from safety perspective, for controls over the preparation, packing, marking, labelling and offering of dangerous good for carriage by air, and for matters connected therewith. Dangerous Goods (Consignment by Air) (Safety) Regulations (“**DGRs**”) was made under the DGO and must be complied with by consignors, which includes shippers and freight forwarders. Consignors must ensure that all dangerous goods are properly marked, packed, labelled, classified and documented before they are offered for transportation by air.

The ICAO classified dangerous goods in nine classes, they are:

- Class 1 – Explosive;
- Class 2 – Gases;
- Class 3 – Flammable liquids, Flammable solids; Substances liable to spontaneous combustion;
- Class 4 – Flammable solids; Substances liable to spontaneous combustion; Substances which, in contact with water, emit flammable gases;
- Class 5 – Oxidizing substances and organic peroxides;
- Class 6 – Toxic and infectious substances;
- Class 7 – Radioactive material;
- Class 8 – Corrosive substances; and
- Class 9 – Miscellaneous dangerous substances and articles.

Further, under the DGRs, consignor of dangerous goods by air is required to provide for each consignment a shipper’s declaration for dangerous goods, which pursuant to Regulation 7, must be signed by a person completed appropriate dangerous goods training within the past 24 months.

The Warsaw Convention

The Warsaw Convention is the Convention for the Unification of Certain Rules Relating to International Carriage by Air signed at Warsaw in 1929 and amended by the Hague Protocol in 1995. It is an international convention regulating liability for international carriage by persons, luggage or goods performed by an air transport undertaking.

The Montreal Convention

The Montreal Convention, which replaces the Warsaw Convention, is the Convention for the Unification of Certain Rules for International Carriage by Air signed at Montreal, Canada in 1999. It establishes uniformity of rules in relation to liabilities of airline and international carriage of passengers, baggage and cargo. The Montreal Convention is applicable to the international carriage of cargo by air between two state parties.

REGULATORY OVERVIEW

The Carriage by Air Ordinance (Chapter 500 of the Laws of Hong Kong) (“CAO”) was enacted to implement the Montreal Convention. The provisions of the Montreal Convention as set out in Schedule 1A of the CAO, so far as they relate to the rights and liabilities of carriers, carriers’ servants and agents, passengers, consignors, consignees and other persons, and subject to the CAO, have the force of law in relation to any carriage by air to which the Montreal Convention applies, irrespective of the nationality of the aircraft performing that carriage.

Chapter III of the Montreal Convention sets out the liability of the carrier and extent of compensation for damage. Article 18(1) of the Montreal Convention stipulates that the carrier is liable for damage sustained in the event of the destruction or loss of, or damage to, cargo upon condition only that the event which caused the damage so sustained took place during the carriage by air. However, if the carrier proves that the damage was caused or contributed to by the negligence or other wrongful act or omission of the person claiming compensation, the carrier shall be wholly or partly exonerated from its liability to the claimant to the extent that such negligence or wrongful act or omission caused or contributed to the damage.

Competition Ordinance (Chapter 619 of the Laws of Hong Kong)

The Competition Ordinance is designed to promote competition and prohibit anti-competitive practices. It prohibits three types of anti-competitive conduct described under the First Conduct Rule, the Second Conduct Rule and the Merge Rule which are collectively known as the “competition rules”. Examples of conduct which may contravene the Competition Ordinance include agreeing with competitors to fix prices, share markets, rig bids or restrict output. Penalties include fines of up to 10% of the guilty party’s Hong Kong based turnover for up to three years of the period during which the guilty party committed such behavior. Other penalties may include the disgorgement of unlawful profits, positive or negative injunctive relief, invalidation of anticompetitive agreements and the disqualification of the directors involved in anti-competitive conduct.

The First Conduct Rule prohibits anti-competitive agreements while the Second Conduct Rule prohibits abuse of market power.

The First Conduct Rule prohibits businesses from making or giving effect to an agreement, engaging in a concerted practice, or making or giving effect to a decision of an association, if the object or effect is to harm competition in Hong Kong. Generally speaking, the First Conduct Rule disallows any arrangement between businesses in the market (whether they are competitors or not), which prevent, restrict or distort competition in Hong Kong. Whether the object of an agreement is anti-competition is to be determined by objective assessment. Agreement to fix prices, to share markets, to restrict output or to rig bids generally speaking are harmful to competition.

Generally speaking, the Second Conduct Rule (i) prohibits businesses with a substantial degree of market power from abusing that power by engaging in conduct that has the object or effect of harming competition in Hong Kong; and (ii) disallows big businesses using their positions or market shares to jeopardize competition such as using a price lower than market price to drive out other competitors. The following are non-exhaustive examples of abuse of substantial degree of market power: (a) predatory pricing: to set the price so low to force out competitors; (b) tying and bundling to harm the competitors for other products of the same bundle; (c) margin squeeze; (d) refusal to deal; and (e) exclusive dealing.

Employment Ordinance (Chapter 57 of the Laws of Hong Kong)

The Employment Ordinance governs conditions of employment in Hong Kong, and provides a wide range of employment protections and benefits for employees, such as wage protection, rest days, holidays with pay, paid annual leave, sickness allowance, maternity protection, statutory paternity leave, severance payment, long service payment, employment protection, termination of employment contract and protection against anti-union discrimination.

REGULATORY OVERVIEW

Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)

The Employees' Compensation Ordinance establishes a no-fault and non-contributory employee compensation system for work injuries and sets out rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases thereunder. This Ordinance generally applies to employees employed under a contract of employment, service or apprenticeship, irrespective of their length of service/employment, working hours and employment nature (i.e. part-time or full time).

Section 40 of this Ordinance provides that employers must take out insurance policies to cover liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees.

Under Section 24 of this Ordinance, a principal contractor is liable to pay compensation to its sub-contractor's employees if the said employees are injured at work which the subcontractor was contracted to perform. However, the principal contractor may recover such compensation from the sub-contractor who would have been liable to compensate the injured employees.

An employer who fails to comply with this Ordinance to secure an insurance cover is liable on conviction upon indictment to a fine at level 6 (currently at HK\$100,000) and to imprisonment for two years, and on summary conviction to a fine at level 6 (currently at HK\$100,000) and to imprisonment for one years.

Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong)

The Minimum Wage Ordinance sets out a prescribed minimum hourly wage rate for employees (other than employees who are covered by Section 7 of the Minimum Wage Ordinance) who are engaged under an employment contract. The current statutory minimum hourly wage is HK\$34.5 per hour.

Any provision of the employment contract which extinguishes or reduces the employee's right, benefit or protection as provided by the Minimum Wage Ordinance is void.

Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong)

The Mandatory Provident Fund Schemes Ordinance imposes a compulsory saving scheme, namely mandatory provident fund scheme ("MPF Scheme"), under which both the employees and their respective employers other than exempt persons are required to make a monthly contribution to a MPF Scheme managed by an independent trustee. Subject to the minimum and maximum relevant income levels, it is mandatory for both employers and their employees to contribute 5% of the employee's relevant income to the MPF Scheme. Currently, the minimum and maximum relevant income levels for employees who are paid monthly are HK\$7,100 and HK\$30,000 respectively. Further, employers are obliged to enroll their employees aged 18 to 65 to a Mandatory Provident Fund Scheme within 60 days of his or her employment.

COMPLIANCE

As confirmed by our Directors, to the best of their knowledge, our Group had obtained all material permits, approvals and licences necessary to operate its existing business in Hong Kong from the relevant government bodies during the Track Record Period and up to the Latest Practicable Date.

HISTORY, REORGANISATION AND GROUP STRUCTURE

OUR GROUP STRUCTURE AND HISTORY

Overview

Union Air, the first member in our Group, was incorporated on 31 March 2014. Our founder, Mr. Thomas Loy has been serving in the logistics industry in Hong Kong for over 30 years. Mr. HM Loy, natural brother of Mr. Thomas Loy, set up Orient Zen on 10 March 2008 (which became a member of our Group on 31 March 2017) to provide freight forwarding services. For details of the background and experience of Mr. Thomas Loy and Mr. HM Loy, please refer to the section headed “Directors and Senior Management – Directors – Executive Directors” in this prospectus.

Over the years, our Group has grown from a freight forwarder to a logistics service provider offering freight forwarding and related logistics services and warehousing and related value-added services, as well as subcontracted local delivery services in Hong Kong.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 10 August 2017 in anticipation of the Listing. The subsidiaries of our Group are Ever Metro, Union Air, Orient Zen, Fu Yo and Fu Cheng. Details of these subsidiaries and the corporate structure of our Group are set out in the paragraph headed “Corporate History” in this section.

Prior to the Listing, our Group underwent the Reorganisation and immediately following the completion of the Reorganisation, the entire issued share capital of our Company was 71.65% owned by Ho Tat, a company incorporated in the BVI wholly owned by Mr. Thomas Loy; 10.17% owned by Yo Tat, a company incorporated in the BVI wholly owned by Mr. HM Loy; 3.79% owned by Double River; 3.79% owned by Prime View; 5.3% owned by Upperhand; and 5.3% owned by Sunny King.

Major milestones

The following are the major developments and milestones of our Group to date:

March 2014	Incorporation of Union Air for the provision of freight forwarding services of our Group
May 2015	Incorporation of Fu Yo and commencement of warehousing and related value-added services
September 2015	Adoption of new warehouse located at Chuan Kei Factory Building independently operated by Fu Yo
March 2016	Commencement of the sales contract with Fu Yo’s first substantial logistics client, Customer E, which started to make substantial contribution to revenue of our Group
July 2016	Incorporation of Fu Cheng for human resources management of blue-collar workers
October 2016	Completion of the first heavy machine transport task
February 2017	Incorporation of Ever Metro
March 2017	Acquisition of 73% of the issued share capital of Orient Zen by Ever Metro
July 2017	Acquisition of Fu Cheng by Ever Metro
August 2017	Incorporation of our Company
August 2018	Relocation of warehouse to Hutchison Logistics Centre ^{Note}

Note: A tenancy was entered between the landlord of our new premise and Ever Metro on 3 July 2018.

HISTORY, REORGANISATION AND GROUP STRUCTURE

CORPORATE HISTORY

The following sets forth the corporate development of each member of our Group since their respective dates of incorporation.

Our Company

On 10 August 2017, our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law. The authorised share capital of our Company as at the date of incorporation was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. On 10 August 2017, our Company allotted and issued one Share at par, credited as fully paid, to Sharon Pierson, being an Independent Third Party, as the initial subscriber. Such one Share was transferred to Ho Tat on the same day. On 10 August 2017, our Company allotted and issued 87 new Shares to Ho Tat as directly wholly owned by Mr. Thomas Loy; 12 new Shares to Yo Tat as directly wholly owned by Mr. HM Loy.

Ever Metro

On 27 February 2017, Ever Metro was incorporated in BVI with limited liability and was initially authorised to issue a maximum of 50,000 shares of US\$1 each, which were allotted and issued to Mr. Thomas Loy.

Union Air

On 31 March 2014, Union Air was incorporated in Hong Kong with authorised capital of HK\$100,000 divided into 100,000 shares of HK\$1 each. As at the date of its incorporation, 100,000 shares were allotted and issued to Mr. Ip Hung Kwong (“**Mr. Ip**”), one of our senior management, and Union Air was legally wholly owned by Mr. Ip, who held these shares on trust for Mr. Thomas Loy since the incorporation of Union Air.

On 24 June 2015, Mr. Ip transferred the legal title of 100,000 shares of Union Air to Mr. Thomas Loy, who became the sole legal and equitable shareholder of Union Air.

As at the Latest Practicable Date, Union Air has been operating in freight forwarding services.

Orient Zen

On 10 March 2008, Orient Zen was incorporated in Hong Kong with authorised capital of HK\$2,000,000 divided into 2,000,000 shares of HK\$1 each. As at the date of incorporation of Orient Zen, 600,000 shares were allotted and issued to Mr. HM Loy; 600,000 shares, 400,000 shares and 400,000 shares were allotted and issued to Mr. Dai Hon Wai, Mr. Cheung Chung Tak and Mr. Lam Wai Kwok, who are Independent Third Parties, respectively. As at the date of its incorporation, Orient Zen was owned as to 30%, 30%, 20% and 20% by Mr. HM Loy, Mr. Dai Hon Wai, Mr. Cheung Chung Tak and Mr. Lam Wai Kwok respectively.

On 1 September 2011, Mr. HM Loy acquired 600,000 shares, 400,000 shares and 400,000 shares in Orient Zen from Mr. Dai Hon Wai, Mr. Cheung Chung Tak and Mr. Lam Wai Kwok at the consideration of HK\$600,000, HK\$400,000 and HK\$400,000 respectively with reference to the nominal value of the shares of Orient Zen. After the acquisitions, Mr. HM Loy became the sole shareholder of Orient Zen.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Union Air established and developed a cooperative business relationship with Orient Zen since April 2014. For details of the historical transactions between Union Air and Orient Zen, please refer to the section headed “Relationship with Controlling Shareholders” and Appendix I Accountant’s Report for details.

With a view to expand supplier base size and to develop as a logistics service provider as a group, on 31 March 2017, Ever Metro acquired 1,460,000 shares of Orient Zen representing 73% of the issued share capital of Orient Zen from Mr. HM Loy at the consideration of HK\$11,275,451 with reference to the net asset value of Orient Zen as at 31 December 2016. The consideration was satisfied as follows:

- (i) HK\$1,460,000 was paid by Mr. Thomas Loy into the share capital of Orient Zen as directed by Mr. HM Loy; and
- (ii) HK\$9,815,451 was settled against the interim dividend at the amount of HK\$11,534,000 that Ever Metro received from Orient Zen declared on 25 July 2017 of HK\$7.9 per share of Orient Zen.

The above acquisitions were properly and legally completed and settled. Immediately after the acquisition, Orient Zen was owned as to 73% by Ever Metro and 27% by Mr. HM Loy.

As at the Latest Practicable Date, Orient Zen has been operating as air freight forwarding services provider in Hong Kong.

Fu Yo

On 21 May 2015, Fu Yo was incorporated in Hong Kong with issued share capital of HK\$200,000 divided into 200,000 shares. As at the date of its incorporation, 200,000 shares of Fu Yo, representing its entire issued shares were allotted and issued to Mr. Thomas Loy.

As at the Latest Practicable Date, Fu Yo has been operating in warehousing and related value-added services in Hong Kong.

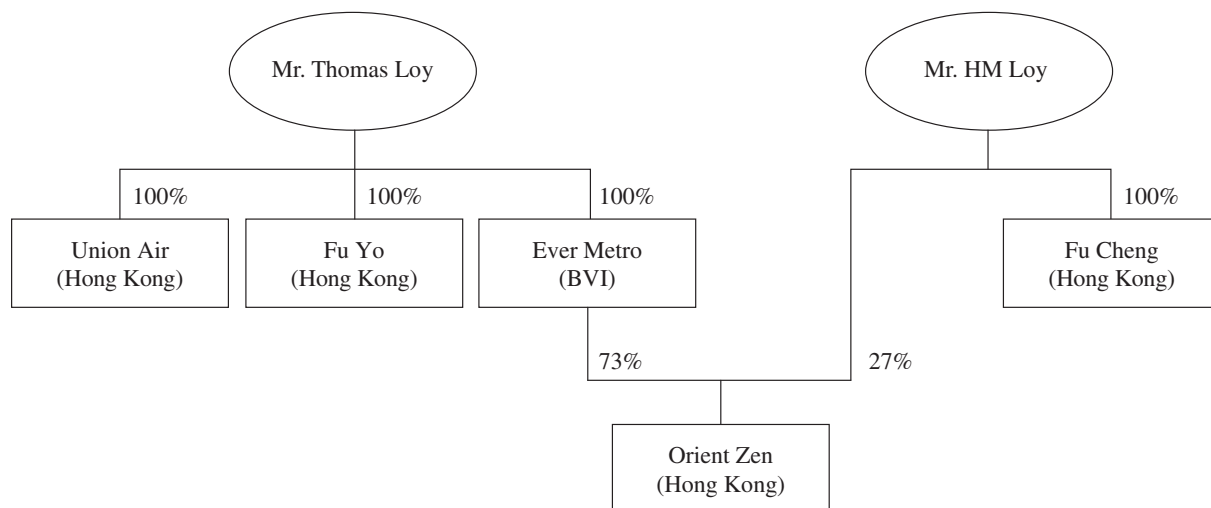
Fu Cheng

On 6 July 2016, Fu Cheng was incorporated in Hong Kong with issued share capital of HK\$100 divided into 100 shares. As at the date of its incorporation, 100 shares were allotted and issued to Mr. HM Loy. Since its incorporation until the acquisition of Fu Cheng by Ever Metro as part of the Reorganisation, Mr. HM Loy was the sole shareholder of Fu Cheng.

As at the Latest Practicable Date, Fu Cheng has been operating in human resources support of blue-collar workers to other Group companies in Hong Kong.

REORGANISATION

The following charts set forth the corporate and shareholding structure of our Group immediately prior to the Reorganisation:



HISTORY, REORGANISATION AND GROUP STRUCTURE

In preparation for the Listing, our Group underwent the Reorganisation which includes the following steps:

Step 1 – Increase of number of authorised shares of Ever Metro

On 25 July 2017, the maximum number of shares that Ever Metro was authorised to issue was increased to 250,000 shares of US\$1 each.

Step 2 – Share swap between Ever Metro and Mr. Thomas Loy and Mr. HM Loy respectively

(i) Share swap involving Union Air

On 28 July 2017, Mr. Thomas Loy transferred 100,000 shares of Union Air, being the entire issued shares of Union Air, to Ever Metro in consideration of Ever Metro allotting and issuing 62,805 new shares credited as fully paid to Mr. Thomas Loy with reference to the net asset value of Union Air as at 31 March 2017.

(ii) Share swap involving Fu Yo

On 28 July 2017, Mr. Thomas Loy transferred 200,000 shares of Fu Yo, being the entire issued share capital of Fu Yo, to Ever Metro in consideration of Ever Metro allotting and issuing 17,432 new shares credited as fully paid to Mr. Thomas Loy with reference to the net asset value of Fu Yo as at 31 March 2017.

(iii) Share swap involving 27% of Orient Zen

On 28 July 2017, Mr. HM Loy transferred 540,000 shares of Orient Zen representing 27% of the issued share capital of Orient Zen, to Ever Metro in consideration of Ever Metro allotting and issuing 18,493 new shares credited as fully paid to Mr. HM Loy with reference to the net asset value of Orient Zen as at 31 March 2017.

(iv) Acquisition of Fu Cheng by Ever Metro

On 28 July 2017, Mr. HM Loy transferred 100 shares of Fu Cheng to Ever Metro in consideration of Ever Metro allotting and issuing one new share credited as fully paid to Mr. HM Loy with reference to the net asset value of Fu Cheng as at 31 March 2017.

The above acquisitions were properly and legally completed and settled and all applicable regulatory approval have been obtained. Immediately upon the completion of the above steps,

- (i) Union Air, Orient Zen, Fu Yo and Fu Cheng became wholly-owned subsidiaries of Ever Metro; and
- (ii) Ever Metro had 148,731 shares in issue and became owned as to 87.57% by Mr. Thomas Loy and 12.43% by Mr. HM Loy respectively.

Step 3 – Subscription of new shares of Ever Metro by Double River, Prime View, Upperhand and Sunny King

A total number of 6,890 shares, 6,890 shares, 9,635 shares and 9,635 shares of Ever Metro were allotted and issued to Double River, Prime View, Upperhand and Sunny King respectively. Please refer to the paragraph “Pre-IPO Investments” in this section for details of such share allotments.

Immediately upon the completion of Step 3, Ever Metro had 181,781 shares in issue and was owned as to 71.65% by Mr. Thomas Loy, 10.17% by Mr. HM Loy, 3.79% by Double River, 3.79% by Prime View, 5.3% by Upperhand and 5.3% by Sunny King, respectively.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Step 4 – Incorporation of Ho Tat

Ho Tat was incorporated in the BVI on 10 August 2017 with limited liability as the investment vehicle of Mr. Thomas Loy through which he holds his interest in our Company. As at the date of its incorporation, Ho Tat was authorised to issue a maximum of 50,000 shares of one class with a par value of US\$1 each. The director of Ho Tat was Mr. Thomas Loy as at the time of incorporation.

On 10 August 2017, one share of Ho Tat was allotted and issued to Mr. Thomas Loy at par and Mr. Thomas Loy became the sole shareholder of Ho Tat.

Step 5 – Incorporation of Yo Tat

Yo Tat was incorporated in the BVI on 10 August 2017 with limited liability as the investment vehicle of Mr. HM Loy through which he holds his interest in our Company. As at the date of its incorporation, Yo Tat was authorised to issue a maximum of 50,000 shares of one class with a par value of US\$1 each. The director of Yo Tat was Mr. HM Loy as at the time of incorporation.

On 10 August 2017, one share of Yo Tat was allotted and issued to Mr. HM Loy at par and Mr. HM Loy became the sole shareholder of Yo Tat.

Step 6 – Incorporation of our Company

Our Company was incorporated as an exempted company in the Cayman Islands on 10 August 2017 to act as the holding company of our Group. As at the date of our incorporation, our Company had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each, of which one subscriber Share was allotted and issued to Sharon Pierson, a nominee subscriber and an Independent Third Party. On 10 August 2017, the subscriber Share has been transferred to Ho Tat at par value. Meanwhile, our Company allotted 87 Shares to Ho Tat and 12 Shares to Yo Tat. The directors of our Company were Mr. Thomas Loy and Mr. HM Loy as at the date of incorporation.

Pursuant to the written resolutions of the shareholders of our Company passed on 26 September 2017, our Company changed its name from “Leader International Limited 勵達國際有限公司” to “Wan Leader International Limited 萬勵達國際有限公司”.

Step 7 – Share swap between our Company and Ever Metro

On 10 August 2018, our Company acquired the entire issued share capital in Ever Metro, from Mr. Thomas Loy, Mr. HM Loy, Double River, Prime View, Upperhand and Sunny King, respectively.

In consideration of the above acquisitions, our Company (i) allotted and issued 7,077 new Shares credited as fully paid to Ho Tat as directed by Mr. Thomas Loy; (ii) allotted and issued 1,005 new Shares credited as fully paid to Yo Tat as directed by Mr. HM Loy; and (iii) allotted and issued 379, 379, 530 and 530 new Shares credited as fully paid to Double River, Prime View, Upperhand and Sunny King, respectively.

PRE-IPO INVESTMENTS

Overview

On 7 August 2017, Ever Metro simultaneously entered into two separate subscription agreements with Double River (the “**First Subscription Agreement**”) and Prime View (the “**Second Subscription Agreement**”) respectively. It is a condition in the First Subscription Agreement and the Second Subscription Agreement that the percentage of shares Double River and Prime View hold

HISTORY, REORGANISATION AND GROUP STRUCTURE

respectively in Ever Metro or its holding company shall maintain at 3.79% at any time before the completion of the Capitalisation Issue and the Share Offer. On 8 August 2017, pursuant to the First Subscription Agreement and the Second Subscription Agreement, Ever Metro allotted and issued:

- (i) a total amount of 6,100 new shares to Double River, representing 3.79% of the issued share capital of Ever Metro; and
- (ii) a total amount of 6,100 new shares to Prime View, representing 3.79% of the issued share capital of Ever Metro.

On 6 February 2018, Ever Metro entered into a supplemental agreement with Double River and Prime View respectively to clarify the basis of determining the consideration of the relevant pre-IPO investments.

On 13 October 2017, Ever Metro entered into two separate subscription agreements with Upperhand (the “**Third Subscription Agreement**”) and Sunny King (the “**Fourth Subscription Agreement**”) respectively. It is a condition in the Third Subscription Agreement and the Fourth Subscription Agreement that the percentage of shares Upperhand and Sunny King hold respectively shall maintain at 5.3% at any time before the completion of the Capitalisation Issue and the Share Offer. As a result, on 16 October 2017 pursuant to the Third Subscription Agreement and the Fourth Subscription Agreement, Ever Metro allotted and issued:

- (i) a total amount of 9,635 new shares to Upperhand, representing 5.3% of the issued share capital of Ever Metro; and
- (ii) a total amount of 9,635 new shares to Sunny King, representing 5.3% of the issued share capital of Ever Metro.

With reference to the anti-dilution clause contained in the First Subscription Agreement and the Second Subscription Agreement aforementioned, Ever Metro on 16 October 2017 allotted and issued:

- (i) 790 new shares to Double River which had 6,890 shares of Ever Metro in total; and
- (ii) 790 new shares to Prime View which had 6,890 shares of Ever Metro in total.

The table sets out the key particulars of the pre-IPO investments:

	Name of the Pre-IPO Investors			
	Double River	Prime View	Upperhand	Sunny King
Date of the Subscription Agreements	7 August 2017 (as supplemented on 6 February 2018)	7 August 2017 (as supplemented on 6 February 2018)	13 October 2017	13 October 2017
Consideration paid and payment date	HK\$2,500,000 paid on 8 August 2017	HK\$2,500,000 paid on 8 August 2017	HK\$3,500,000 paid on 16 October 2017	HK\$3,500,000 paid on 16 October 2017
Basis of determining the Consideration	the post money valuation of our Company at the amount of HK\$66,000,000 with reference to the pre-IPO investments valuation of our Group based on combined profit before tax of Union Air and Fu Yo, and Orient Zen at the amount of HK\$22.9 million for the year ended 31 March 2017 based on the latest management amounts times a price to earnings ratio of 2.9 based on arm's length negotiation between the parties.			

HISTORY, REORGANISATION AND GROUP STRUCTURE

	Name of the Pre-IPO Investors			
	Double River	Prime View	Upperhand	Sunny King
Number and percentage of shareholding upon Listing ^(Note 1)	22,285,220 Shares; 2.65%	22,285,220 Shares; 2.65%	31,164,000 Shares; 3.71%	31,164,000 Shares; 3.71%
Approximate cost of investment per Share upon Listing	HK\$6.11	HK\$6.11	HK\$6.11	HK\$6.11
Approximate percentage of discount to the Offer Price of HK\$0.30, being the mid-point of the Offer Price range ^(Note 2)	62.6%	62.6%	62.6%	62.6%
Lock-up	not subject to any lock-up restriction	not subject to any lock-up restriction	contractually subject to a lock-up restriction of six months from the Listing Date	contractually subject to a lock-up restriction of six months from the Listing Date
Public Float	As (i) the Pre-IPO Investors are not core connected persons of our Company; (ii) the acquisition of their respective interest in the Shares was not financed directly or indirectly by any core connected person of our Company; and (iii) the Pre-IPO Investors are not accustomed to take instructions from a core connected person of our Company in relation to the acquisition, disposal, voting or other disposition of securities of our Company, the Shares held by the Pre-IPO Investors will be counted towards the public float for the purposes of Rule 11.23 of the GEM Listing Rules.			
Special Rights	The Pre-IPO Investors have been granted the anti-dilution rights where our Company shall allot and issue Shares to Pre-IPO Investors to maintain their percentage shareholding in the issued share capital of our Company at any time before the completion of the Capitalisation Issue and the Share Offer. Such anti-dilution rights will be automatically terminated upon Listing.			
Use of proceeds	The proceeds of the pre-IPO investments will be used for general working capital. As at the Latest Practicable Date, 100% out of the net proceeds from the pre-IPO investment has been utilised.			

Notes:

1. Assuming completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares to be issued upon the exercise of the Offer Size Adjustment Option and any option which may be granted under the Share Option Scheme).
2. For illustration only. Based on the indicative Offer Price range, representing a discount of 56% to HK\$0.25 per Share, being the lower end of the stated Offer Price range, and a discount of 68% to HK\$0.35 per Share, being the upper end of the stated Offer Price range.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Background of the Pre-IPO Investors and their relationship with us

	Double River	Prime View	Upperhand	Sunny King
Date and place of Incorporation	5 August 2010, BVI	29 September 2014, Seychelles	27 May 2011, BVI	3 October 2017, Hong Kong
Principal business	Private equity investment	Private equity investment	Private equity investment	Private equity investment
Ultimate beneficial shareholder	Mr. Kwan Hoi Wang (“ Mr. Kwan ”), a Hong Kong citizen	Mr. Ip Wai Lung (“ Mr. Ip ”), a Hong Kong citizen	Mr. Gregory Joseph Hansen (“ Mr. Hansen ”), a Canadian citizen	Ms. Ding Haiyan (“ Ms. Ding ”), a Hong Kong citizen
Occupation of ultimate beneficial shareholder	Merchant	Merchant	Merchant	Merchant
Relationship with our Group	To the best knowledge of our Directors, each of Double River and Mr. Kwan is an Independent Third Party.	To the best knowledge of our Directors, each of Prime View and Mr. Ip is an Independent Third Party.	To the best knowledge of our Directors, each of Upperhand and Mr. Hansen is an Independent Third Party.	To the best knowledge of our Directors, each of Sunny King and Ms. Ding is an Independent Third Party.

Background of the ultimate beneficial shareholders of the Pre-IPO Investors and the strategic benefits brought to our Group

(1) Mr. Kwan

As at the Latest Practicable Date, Mr. Kwan held directorship of the following companies in Hong Kong, whose principal business activities are set out as follows:

No.	Company Name	Principal Business	Position and Responsibilities (if applicable)
1	Justin Allen Fashions Limited	no activity	director
2	Pinnacle Capital (Asia) Limited (佰匯融資(亞洲)有限公司)	no activity	director
3	Pinnacle Capital Limited (佰匯融資有限公司)	providing consultancy services and fund raising activities for potential private companies seeking listing on the Stock Exchange	managing director; overseeing all business operations
4	Pinnafund International Investments Limited (佰匯投資有限公司)	no activity	director
5	Pinnacle Properties Limited	providing real estate services mainly marketing overseas properties	director; overseeing financial performance, investments and other business ventures
6	Worldwide Standard Limited	no activity	director

HISTORY, REORGANISATION AND GROUP STRUCTURE

Mr. Kwan has made a number of pre-IPO investments through different vehicles in various segments and industries including garment, retail which were proposed to be listed on the Stock Exchange. Other than pre-IPO investments, Mr. Kwan has accumulated rich experience in provision of consultancy services as well. The pre-IPO investment in the Company was not the only opportunities that Mr. Kwan ever considered in the logistics industry. As a sophisticated investor, Mr. Kwan reviewed all available investment profiles and was convinced by the prospect of our Group to make this investment.

Our Group expects to utilise Mr. Kwan's global exposure to provide financial and network resources for the future development of our Group. Our Group also welcomes Mr. Kwan's strategic input in the management and general corporate governance practices of our Company.

(2) *Mr. Ip*

As at the Latest Practicable Date, Mr. Ip held directorship of the following companies in Hong Kong, whose principal business activities are set out as follows:

No.	Company Name	Principal Business	Position and Responsibilities (if applicable)
1	Belicious (HK) Limited (比利時手工啤酒有限公司)	import and distribution of Belgium beers	managing director; overseeing the operation of import and distribution businesses in both Hong Kong and the PRC; building up an extensive network for sales, marketing of products; responsible for inventory management and monitoring the flow of products; exploring business opportunities with potential suppliers and customers; coordinating logistic arrangement of products
2	Nobel Bloom Limited (盛貴有限公司)	real estate investment in industrial properties and rental business	managing director; sourcing potential properties; involving in negotiation of sale and purchase of properties; handling rental and maintenance issues
3	Penguin Limited	investment holding (proposed to operate an ecommerce platform for product merchandising)	managing director
4	Reserva Iberica (HK) Limited	retail	managing director; operating business from import and distribution of food and beverage to operating restaurants and self-owned retail shops; building up an extensive network for sales, marketing of products; responsible for inventory management and monitoring the flow of products; exploring business opportunities with potential suppliers and customers; coordinating logistic arrangement of products

HISTORY, REORGANISATION AND GROUP STRUCTURE

No.	Company Name	Principal Business	Position and Responsibilities (if applicable)
5	Master Cheer Limited	investment holding of restaurant business	managing director; operating two Belgian restaurants in Hong Kong; responsible for marketing and promotion of the restaurant business
6	Nice Fund Limited (妙銀有限公司)	investment holding of food and beverage businesses	managing director
7	Right Empire Limited (正御有限公司)	investment holding of bar business	managing director; operating one Belgian bar in Hong Kong; responsible for marketing and promotion of the restaurant business
8	Search Easy Limited (搜尋易有限公司)	marketing consultancy	managing director; building up an extensive network for sales, marketing of products; responsible for inventory management and monitoring the flow of products; exploring business opportunities with potential suppliers and customers
9	Suzy Limited	investment holding	director

As shown above, Mr. Ip was engaged in food and beverage business, consultancy business and online marketing agency business in Hong Kong. Besides, Mr. Ip has previous pre-IPO investment experience through Prime View in the proposed listing of a company trading in fitness, health and beauty products on GEM which however did not proceed in the end.

Even though Mr. Ip does not have prior experience investing in freight logistics and warehouse business, Mr. Ip acknowledges the crucial importance of effective and efficient logistics according to his experience in the international import and distribution business. Trading famous Belgian Beers through Belicious (HK) Limited is one of the businesses operated by Mr. Ip, which requires seamless logistics in response to regular and ad hoc customer demands in Hong Kong and the PRC. Especially in the past few years where the import volume is multiplied, experienced logistic service providers of both air freight and sea freight are in high demand for the development of his business. In view of the increasing costs incurred in his business to ensure quality logistics, Mr. Ip believes that logistic business would benefit from rising trade, investment and growth in private consumption with a stable while profitable prospect.

Meanwhile, Mr. Ip, who runs the business of food and beverage distribution in Hong Kong, has solid network with various distributors and suppliers, he may match the logistics needs from acquainted distributors with our capacity and bring in potential customers to our Group.

(3) *Mr. Hansen*

As at the Latest Practicable Date, Mr. Hansen did not hold any directorship of companies in Hong Kong. Mr. Gregory Joseph Hansen has been running various businesses including investments in logistic companies and trading in secondary stock markets in both Hong Kong and Canada.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Mr. Gregory Joseph Hansen invested in a well-established Bangkok-based logistics company, which provides fast fulfilment and delivery solutions for leading e-commerce companies. With leading APIs, last-mile technology and dispatch and customer communication systems, this company empowers its clients to achieve an integrated service experience to online shopper with same day delivery within Bangkok. Mr. Hansen has accumulated experience in logistics industry through his investment in and business developments of this company for the past 15 years.

Mr. Hansen has a strong business network in Southeast Asia which could help our Group to promote and build up the overseas market and bring in opportunities to cooperate with overseas industry players and introduce technology developments.

(4) Ms. Ding

As at the Latest Practicable Date, Ms. Ding held directorship of the following companies in Hong Kong, whose principal business activities are set out as follows:

No.	Company Name	Principal Business	Position and Responsibilities (if applicable)
1	Grace Standard Limited (揚喜有限公司)	investment in real estate	director
2	Jolly World Limited (升怡有限公司)	investment holding	director
3	Sunny King Investment Limited (帝恩投資有限公司)	investment holding	director

Ms. Ding has investment experience in the secondary stock markets in Hong Kong and the PRC. Ms. Ding has no prior experience investing in pre-IPO investments or any prior experience in air freight logistics and warehouse business. Ms. Ding believes it would be a safe investment in traditional industries such as the logistics industry with comparatively low risk to other industries. Thus, the investment in our Group would be a great opportunity based on her knowledge and investment experience.

The Pre-IPO Investors and their ultimate shareholders have not been involved in any investment or dealings with our Group and/or any connected persons of our Company save for the abovementioned pre-IPO investments. Each of the ultimate shareholders of Pre-IPO Investors had abundant investment experience in various sectors prior to their investments in our Company. Through personal connections and social events, the ultimate shareholders of the Pre-IPO Investors were introduced and connected with Mr. Thomas Loy and/or Mr. HM Loy. Upon they expressing interests in investing in our Company, the ultimate shareholders of the Pre-IPO Investors were invited to presentations and other demonstrations for an in-depth understanding of our Company. The ultimate shareholders of the Pre-IPO Investors have reviewed various market research reports through diverse media such as financials press, online newspapers and articles, in different occasions respectively for a comprehensive industry overview. Taking into consideration of the rapid growth of revenue of our Group in recent years after having reviewed the financial statements and the long relationship with our customers, the Pre-IPO Investors decided to make their investments in our Company as they were attracted by our growth potential and the prospects of logistics business as a whole. Our Directors, took into account the initial fees required to engage professional parties and wished to minimize the working capital impact for our Group's normal course of business, decided to procure the abovementioned pre-IPO investments. There is no other agreement, arrangement, understanding whatsoever between the Controlling Shareholders and the Pre-IPO Investors associated with the abovementioned pre-IPO investments.

HISTORY, REORGANISATION AND GROUP STRUCTURE

The Pre-IPO Investors and their ultimate shareholders are the beneficial Shareholders of their interests in our Company and their source of fund includes accumulated profits from their own businesses, investment gains of securities and other investments and personal savings.

Strategic benefits of the Pre-IPO investments

Our Directors believe that the investment made by the Pre-IPO Investors, as Shareholders of our Company, will bring strategic benefits to our Group by providing financing and strategic advice to our Group's businesses. Our Directors believe that the abovementioned pre-IPO investments will strengthen the shareholder base of our Company and enhance corporate governance practice and business network of our Group. Our Company considers that by introduction the Pre-IPO Investors as additional Shareholders, our Company would benefit from the insights and management experience of the ultimate shareholder of the Pre-IPO Investors. The Pre-IPO Investors and their ultimate shareholders are expected to be passive investors and will continue to monitor the efforts and business strategies of our Company, assess the long term sustainability of our business and identify any issues that our Company should address in order to uphold the corporate governance standard. With a more diversified shareholding structure, our Group is also expected to promote accountability of management to the Shareholders, which would facilitate and strengthen internal control of our Group.

Sole Sponsor's view

The Sole Sponsor is of the view that the pre-IPO investments detailed above is in compliance with the Interim Guidance on Pre-IPO Investments (HKEx-GL29-12) issued by the Stock Exchange in January 2012 and updated in March 2017, the Guidance on Pre-IPO investments (HKEx-GL43-12) issued in October 2012 and updated in July 2013 and March 2017 and the Guidance on Pre-IPO investments (HKEx-GL44-12) issued in October 2012 and updated in March 2017 as the considerations for such pre-IPO investments were fully settled more than 28 clear days before the date of our Company's submission of the Listing application form to the Stock Exchange and all the special rights granted to the Pre-IPO Investors shall be terminated upon Listing.

THE CAPITALISATION ISSUE AND THE SHARE OFFER

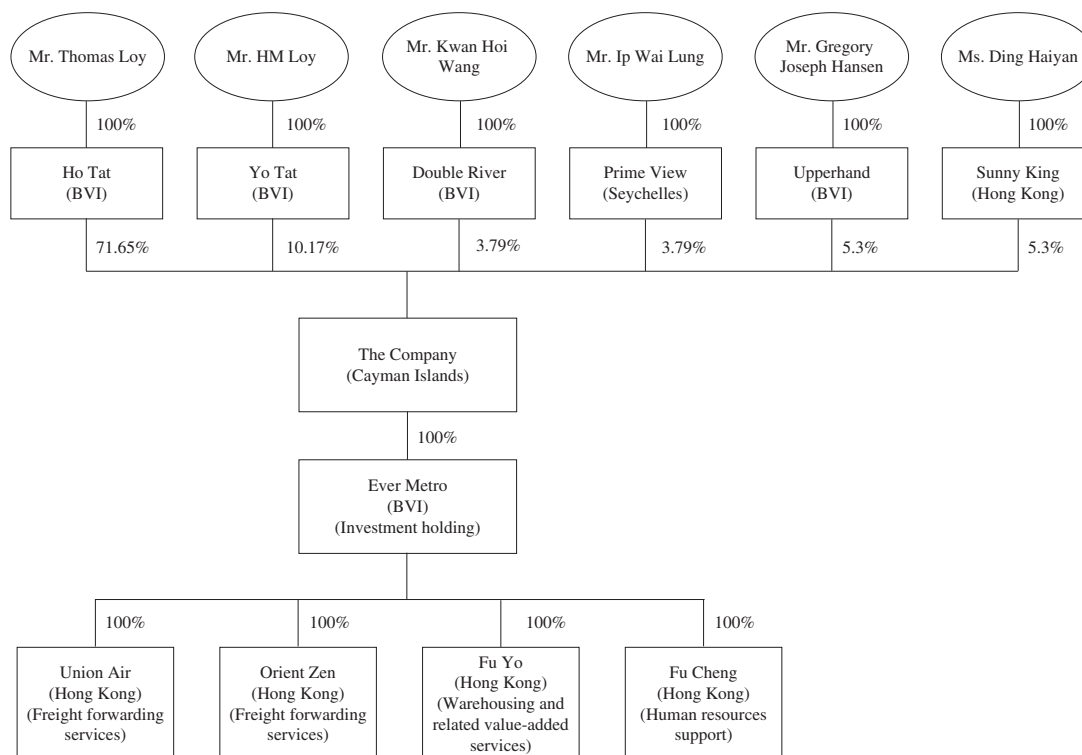
On 14 August 2018, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares by the creation of an additional 9,962,000,000 Shares in the capital of our Company by a shareholder's resolution of our Company, each ranking pari passu with our Shares then in issue in all respects.

Conditional upon the grant of the approval for the listing of and permission to deal in the Shares on GEM, our Company will offer 252,000,000 Shares, being 30% of its issued share capital (as enlarged by the Shares offered under the Share Offer and the Shares issued under the Capitalisation Issue, without taking into account any Shares which may be allotted and issued upon exercise of the Offer Size Adjustment Option and any option which may be granted under the Share Option Scheme) for subscription by way of the Share Offer.

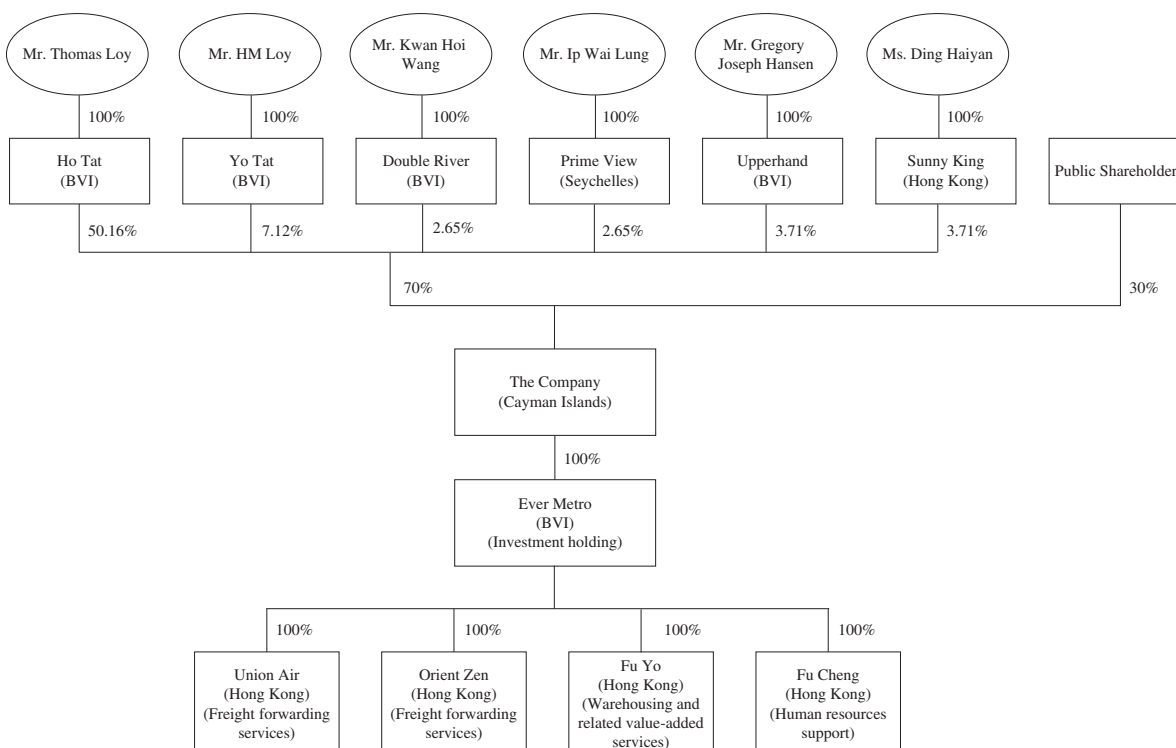
Conditional upon the share premium account of our Company being credited as a result of the Share Offer, the Directors of our Company are authorised to capitalise an amount of HK\$5,879,900 standing to the credit of the share premium account of by applying such sums towards payment in full at par a total of 587,990,000 Shares to be allotted and issued to the Shareholders whose names are on the register of members of our Company prior to the Share Offer (or as they may direct) in proportion (as near as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing respective shareholdings in our Company and so that the Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the then existing issued Shares.

HISTORY, REORGANISATION AND GROUP STRUCTURE

The following chart sets forth our corporate and shareholding structure immediately following completion of the Reorganisation but prior to the completion of the Capitalisation Issue and the Share Offer:



The following chart sets forth our corporate and shareholding structure immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Share which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any option which may be granted under the Share Option Scheme):



BUSINESS

OVERVIEW

We are a logistics service provider in Hong Kong. Our principal services can be categorised into: (i) freight forwarding and related logistics services; and (ii) warehousing and related value-added services to customers being the direct shippers and other freight forwarders located in Hong Kong, Taiwan and the PRC while the destinations of the cargos refer to U.S., Europe and other regions. Our Group's services can be presented as follows:

Freight forwarding and related logistics services	:	The provision of import and export freight services by air and sea, from cargo pick up, acquisition of cargo space, preparation of freight documentation, arranging of customs clearance to cargo handling at ports as well as other related services such as supporting transportation for logistics purpose.
Warehousing and related value-added services	:	The provision of warehousing services including warehousing, repackaging and labelling, palletising, and other related value-added services such as supply chain management will also be provided upon request by our customers.

We founded our Group in March 2014. We operate our business through four major operating subsidiaries in Hong Kong, namely, Union Air, Orient Zen, Fu Yo and Fu Cheng. Union Air, the first member of our Group, focuses on freight forwarding and related logistics business. To enhance the effectiveness and quality of our services, Fu Yo was incorporated in May 2015 and Fu Cheng was incorporated in July 2016 to provide warehousing and related value-added services. Our Directors are of the view that establishing and continuing synergistic benefits across a group of subsidiaries will be fundamental to building our Group's profitability. We then acquired Orient Zen in March 2017, which principally provides air freight forwarding and related logistics services. Through our subsidiaries, we are able to drive synergy and develop into a logistics service provider that is able to provide a wide range of services. For details of our Group's history and development, please refer to the section headed "History, Reorganisation and Group Structure – Corporate history" in this prospectus.

For FY2016, FY2017 and FY2018, our total revenue amounted to approximately HK\$76.3 million, HK\$79.3 million and HK\$197.9 million, respectively, whilst for the respective periods, our total net profit amounted to approximately HK\$6.3 million, HK\$11.5 million and HK\$11.0 million, respectively. Set out below the revenue breakdown by business segments:

	FY2016		FY2017		FY2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Freight forwarding and related logistics services	68,211	89.5	53,787	67.8	170,439	86.1
Warehousing and related value-added services	8,044	10.5	25,529	32.2	27,503	13.9
Total	<u>76,255</u>	<u>100</u>	<u>79,316</u>	<u>100</u>	<u>197,942</u>	<u>100</u>

For FY2016, FY2017 and FY2018, our revenue from rendering of our services attributable to the largest customer amounted to approximately HK\$30.8 million, HK\$24.9 million and HK\$50.1 million, respectively, representing 40.4%, 31.3% and 25.3% of our total revenue derived from our services, respectively, while our revenue from rendering of our services attributable to the five largest customers in aggregate amounted to approximately HK\$62.5 million, HK\$56.8 million and HK\$127.3 million, respectively, representing 81.9%, 71.5% and 64.3% of our total revenue from rendering of services, respectively. During the Track Record Period, we have provided our services to approximately 223 customers, being the direct shippers and other freight forwarders.

BUSINESS

With a focus on quality of our customer services, our Directors believe in establishing close relationships with our customers in a professional way through effective communication and comprehensive understanding of customers' needs. We have built business relationship with customers across a spectrum of industries over the years. We have maintained close and continuing business relationship with our top five customers.

We have also maintained close and continuing business relationship with our suppliers. Our Directors believe that one of the key factors to our Group's expansion is the close working relationships with our suppliers such as airlines' GSAs, shipping liners and other freight forwarders.

COMPETITIVE LANDSCAPE

According to the F&S Report, the logistics industry in Hong Kong is highly fragmented and competitive. In general, the logistics industry can be divided into tier-one and tier-two. There are approximate 20 - 30 players in tier-one, which are leading logistic groups with full coverage of land, air, and sea freight transport. They often have a high level of vertical and horizontal integration, with worldwide logistics network and business coverage. Most players in tier-one have a revenue size ranging from approximately HK\$1.5 billion to HK\$3.0 billion. Tier-two players are generally local and regional players with network covering specific geographic locations or categories of goods. They have a relatively less diversified service portfolio with freight forwarding and basic value-added services as key revenue stream. There are approximately 500 - 800 tier-two players, with revenue size ranging from HK\$50 million to HK\$150 million.

The market size of warehousing and storage service market has recorded a market size of approximately HK\$8.8 billion in 2017. The warehousing market in Hong Kong is highly fragmented with over 1,500 warehousing service providers, in which approximately 500 are standalone warehousing and storage operators. With the large number of market players and low market concentration, the average warehousing service provider has a market share of less than 0.1%. Warehousing service is very often offered by logistics, freight forwarding and courier service providers as an integral part of their supply chain. The warehousing service operators primarily compete with service fee and range of value-added services offered.

For details of the market we operate in and the competition we face, please refer to the section headed "Industry Overview – Competitive landscape of freight transport and warehousing market in Hong Kong" in this prospectus.

COMPETITIVE STRENGTHS

Our Directors believe that the following competitive advantages are the key factors to our Group's success and will enable our Group to further develop our business in the future.

(a) We offer logistics services to accommodate our customers' various logistics needs

We offer logistics services to meet our customers' needs, covering both freight forwarding and related logistics services, and warehousing and related value-added services. As part of the value-added services, our Group provides supply chain management and local delivery services. These services are complementary to one another and we aim to provide our customers a wide and flexible range of services. According to the F&S Report, the sea freight transport market, the air freight transport market and the warehousing and storage service market are all fragmented markets in Hong Kong. Larger freight forwarding players in Hong Kong tend to offer more comprehensive transport and logistics services to their clients, whereas smaller freight players may provide simpler and more economical services and are able to offer more flexibility and more personalised services at lower rates to their clients. The warehousing service operators primarily compete with service fee and range of value-added services that can offer.

Our Directors were of the view that we can maintain business relationships with our customers because of (i) our strategic pricing policy, and (ii) our ancillary after-sales service support, in particular, our round-the-clock customer services throughout the year and our on time delivery.

Furthermore, given the highly fragmented market landscape, it is also stated in the F&S Report that some of the smaller market players in the relevant industry would specialise in a particular function such as ground handling or warehousing services within the industry value chain, it is a common practice for the large international freight forwarding players to provide more comprehensive transport and logistics services by outsourcing certain logistics operations to a third party in order to reduce operation costs. With reference to such industry nature, freight forwards rely on one another for the provision of services, and intermediaries are unlikely to be eliminated. During the Track Record Period, approximately HK\$53.7 million, HK\$49.5 million and HK\$164.9 million of our revenue were generated by other freight forwarders as our customers for FY2016, FY2017 and FY2018, respectively.

With regard to the existing business model of our Group, unlike large multi-national operators, we fall under the category of mid-sized market player in Hong Kong. Our Group targets the provision of freight forwarding and related logistics services to direct shippers via Union Air; the provision of air freight forwarding and related logistics services to other air freight forwarders via Orient Zen; and the provision of warehousing and related value-added services via Fu Yo. Such arrangement in our business strategy allows us to enlarge our clientele and differentiate ourselves from other mid-sized market players. Service providers of our size usually prefer to focus on particular specialised functions along the supply chain instead of providing a wide range of comprehensive logistics services. With reference to the industry nature, freight forwarders rely on one another for the provision of freight forwarding services, and intermediaries like our Group are unlikely to be disintermediated.

Nonetheless, our Directors are of the view that throughout the years, we have developed close connections with airlines' GSAs and shipping liners via Union Air and other freight forwarders via Orient Zen for stable supply of cargo space; and that Union Air has maintained reliable business relationships with direct shippers for stable cargo space demand. Our ability to adopt flexible arrangements for our customers and to maximise the profit from our operations allow us to outstand ourselves from other freight forwarders of similar size. Our subsidiaries are able to create joint synergies, and such positioning can help improve our value proposition for both our freight forwarding and related logistics services segment and warehousing and related value-added services segment. Our Directors believe that our provision of comprehensive services can give our Group more competitive advantages over other local service providers, especially those only offer limited range of freight forwarding and related logistics services. Our Group's previous experience in the logistics industry allows us to serve our customers to move their cargo at competitive rates.

Our Directors believe that our ability to provide a wide range of services can allow us to support our customers with a wide range of logistics services in a more flexible way, and we also manage to maintain our market competitiveness through close collaborations and business relationships with our customers.

(b) Our emphasis is on quality and reliable services and has built up a reputation in the industry

We focus on quality and reliable customer services. Our Directors maintain close and effective communication with our customers in order to keep themselves updated with the latest market information. It enables us to retain existing customers as well as to obtain new customers by way of referral. Our Group takes a holistic approach in our service provisions by discussing with our customers in relation to (i) their delivery plan, including points of delivery and delivery schedule; (ii) their warehousing plan, including storage requirements; and (iii) their other logistics requirements such as just-in-time delivery services. Through communications with our customers, our Group can better serve our customers by knowing more about their needs so as to satisfy their needs and resolve their problems. Apart from customer services, we maintain quality and reliable warehousing and other value-added services. For example, our warehouses are located in the city centre of Hong Kong with high ceiling, 24-hour temperature and installed humidity control systems which would facilitate the provision of freight forwarding and related logistics services either by air or sea.

(c) Our management and staff have extensive experience and in-depth knowledge

Our management possesses extensive experience, in-depth knowledge and strong expertise in the logistics industry. With such experience and expertise, our management is able to maintain close relationship with our business partners including airlines' GSAs, shipping liners, and other freight forwarders. In particular, Mr. Thomas Loy, the chairman and the executive Director of our Group, has more than 30 years of experience in the logistics industry. Mr. HM Loy, our chief executive officer and executive Director, has more than 25 years of experience in the logistics industry. Our senior management members also have extensive relevant experience in the logistics industry. Please refer to the section headed "Directors and Senior Management" in this prospectus for the background and experience of our executive Directors and senior management members.

As at the Latest Practicable Date, we have 41 employees, many of them have previously worked in the logistics industry. Our Directors are of the view that our Group's success relies on the industry expertise of our employees, and on the familiarity with the nature of the international freight forwarding and related logistics services and in-depth know-how about the tariffs for different cargo across different countries based on various free trade agreements. Awareness of changes in the rules and regulations in the industry globally is also of high significance. Our Group invests resources in building up the competency of our employees, since we value human capital as an important asset. Our Group's management also put their best effort in retaining and recruiting talented and experienced personnel, establishing employees' sense of belonging to our Group and fostering a strong corporate culture by organising bonding activities from time to time.

Many of our Group's employees are trained in logistics management and have experience in the logistics industry. This is further strengthened by both internal and external trainings including dangerous goods regulations training, regular vocational training sessions provided by our Group to our staff which can enhance their competencies to be critical thinkers and problem solvers. For example, in case a customer needs to move its cargo to a specific destination within a given time frame at a lower cost, the staff will reach out to the suppliers at the most competitive rates for each option before advising the customer on the available services to meet its requirements.

(d) We maintain a diversified customer base

We have provided logistics services to approximately 223 customers, being direct shippers and other freight forwarders, which are from different industries. As at the Latest Practicable Date, our Group has maintained business relationship with our largest customer, Customer A, since the establishment of our Group.

Our Directors believe that it is important to continue to expand our customer base, and at the same time, maintain long term business relationships with our customers from different industries by understanding their changing needs and providing services to cater for their unique requirements. Therefore, the customer services and operation department communicates with customers to gather feedback for our Group's continual improvement. Our Group is then able to maintain continuous business relationships with our customers. Our Group has maintained close and continuous business relationships with our five largest customers during the Track Record Period. Our Group has also entered into a two-year service agreement with one of these customers for the provision of warehousing and related value-added services along with other logistics services. Our Group believes that this is an indication of the customers' loyalty and recognition of our service quality and we consider this recognition as a key factor leading to our Group's success.

(e) We have close and continuous business relationship with our suppliers

We maintain close and continuous business relationship with our suppliers. In order to maximise flexibility, our Group has not entered into any fixed-term or exclusive agreements with our suppliers. Our Directors believe that effective communication is the key to maintaining long-term relationship with our suppliers. By maintaining close business relationships with these suppliers, we can ensure our quality of service in the logistics industry.

BUSINESS STRATEGIES AND FUTURE PLANS

Further developing our portfolio of cargo routes to boost sales performance and enhance market share in the logistics industry

We target to expand our existing portfolio of cargo routes and further increase our shipment volume on routes for shipments exporting from Hong Kong to U.S., Europe and other regions. Our strategy is to expand our portfolio of freight forwarding and related services and strengthen our customer base in order to boost sales performance and enhance market share in the logistics industry. Our Directors hold a positive attitude towards our strategy to expand our freight forwarding and related logistics business for shipments from Hong Kong to U.S., Europe and other regions because we see business opportunities from potential customers which require logistics services to these regions whereas they do not have a large enough volume of cargo to engage the services of large international logistics companies at favourable prices. Large international logistics companies generally have preference over customers which have a larger shipment volume. They might also not be willing to offer customised value-added logistics services to customers which only engage their services for small transactional amounts. We believe we are able to compete against the leading logistics groups in this market segment with our flexibility in serving customers with a smaller shipment volume and transactional amounts at competitive prices.

Expanding our existing cargo arrangements and seeking to enter into formal agreements with our suppliers

The success of a freight forwarder relies heavily on its efficient ability to source cargo space from a wide portfolio of routes at competitive prices. During the Track Record Period, we acquired cargo space through block space arrangements with airlines' GSAs and through direct booking with shipping liners and other freight forwarders. We plan to leverage on our existing network and further expand our freight forwarding and related logistics business by entering into more block space arrangements, or even formal agreements with our suppliers so as to secure cargo space in a more certain and cost-efficient way. This can help cover a wider variety of cargo routes and boost our sales performance, and thus better position us in the logistics industry.

Improving our warehousing and related value-added services and upgrading the information technology system

We provide goods storage services in our HLC Warehouse in Kwai Chung, Hong Kong. We handle and manage the goods stored at our warehouse by our designated personnel and also utilize our information technology system that electronically stores data of our customers' goods at our warehouse. During the Track Record Period, at our Previous Warehouses, we recorded an average warehouse utilisation rate^(Note 1) of 114.2% and 122.6% for FY2017 and FY2018, respectively. Revenue generated from our warehousing and related value-added services increased by 218.8% from approximately HK\$8.0 million for FY2016 to approximately HK\$25.5 million for FY2017, and further increased by 7.7% from approximately HK\$25.5 million for FY2017 to approximately HK\$27.5 million for FY2018.

Due to the expiry of the tenancy agreements of our Previous Warehouses on 14 August 2018 and the high utilisation rate of our Previous Warehouses, our Group decided to relocate to a larger warehouse to cope with our business expansion. On 3 July 2018, we entered into a tenancy for HLC Warehouse and HLC Office at a monthly rent of approximately HK\$462,000 and HK\$55,000, respectively, for three years until 2 July 2021. Since most of our equipment are mobile equipment

Notes:

1. Our Previous Warehouses had our unit loads stacked on top of each other and stored on the wooden pallets, the calculation is based on the assumptions that (i) each pallet can carry approximately 30 unit loads; and (ii) the maximum number of pallets our Previous Warehouses can accommodate at one time is approximately 258 pallets. The utilisation rate are calculated by the average number of pallets divided by 258 pallets, of which the average number of pallets is calculated by the total number of unit loads received in each of the month divided by the number of days then divided by 30 unit loads.

BUSINESS

such as forklifts and packaging equipment, which were relatively easy to re-locate and only a few of our equipment require transportation services for relocation purpose, the costs and time of relocation from Previous Warehouses and office premises to our existing premises were efficiently controlled and that normal operation of our warehousing and value-added business were not be disrupted. Based on the above method of calculation, the expected utilisation rate for our HLC Warehouse is calculated to be approximately 81.6%.^(Note 2)

Our existing customers have been constantly checking with our availability of the provision of warehousing and related value-added services. Considering that our Previous Warehouses had been recording a high utilisation rate of 122.6% in average for FY2018, and our expected utilisation rate for our HLC Warehouse is estimated to be approximately 81.6%^(Note 2), we are of the view that we were unable to serve more customers prior to a further relocation.

Further to our expansion to HLC Warehouse, we intend to rent an additional warehouse in the vicinity of our HLC Warehouse to cope with our business operation and cater the increasing demand for our warehousing and value-added services upon listing. Our Group intends to utilise, from the net proceeds of the Share Offer (based on the Offer Price of HK\$0.30 per Offer Share, being the mid-point of the indicative Offer Price range), approximately HK\$17.2 million, representing 33.8% of the total proceed for expanding our warehouse, and furthermore, approximately HK\$3.1 million, representing 6.1% of the total proceed for upgrading our warehouse information technology system. We intend to enter into a new lease for a warehouse of approximately 31,000 sq.ft. with approximately 4,000 sq.ft. as office for administrative purpose, giving a total increment in storage capacity of approximately 27,000 sq.ft..

We believe that such new warehouse shall facilitate our expansion in the provision of logistics services directly. With a significant growth in our warehousing business segment, upgrading our information technology system by introducing more automated processes into our system in response to customers' rising demand for our related services can improve efficiency and capacity of our warehouse. Further, we also intend to install temperature and humidity control systems and anti-theft systems, and to purchase burglary, flood and fire insurance.

We will then be more capable of handling large quantities of goods within tight schedules and minimise the chance of errors occurring. We can further enhance customer experience by introducing customised upgrades to our HLC warehouse monitoring system by providing a more comprehensive and user-friendly interface for our customers to check information of their goods by logging in our system online. Our Directors believe that this will strengthen our reputation within the industry and encourage returning customers.

Up to the Latest Practicable Date, we have been contacting and negotiating with our existing and potential customers, to explore business opportunities in our warehousing business segment. We have signed four letters of intent, respectively with Customer A/Supplier H, Customer H, Customer J and an existing supplier, Supplier A. It is proposed that, upon the expansion of our warehouses with sufficient capacity, these customers will altogether assign a daily cargo volume of 21 containers for our Group to handle, and the expected revenue to be recognised from these letters of intent is approximately HK\$26.5 million for FY2019. As neither the Previous Warehouses nor the HLC Warehouse have enough capacity to handle these large amount of cargos, the abovementioned customers will not assign the cargos to us until our further expansion of warehouse with the use of proceeds. While it is expected that there will not be material change in our cost structure, taken into consideration the four signed letters of intent, the amount of unit loads from these customers will take up and utilise over 50% of our new warehouses, as expanded with the use of our proceeds upon Listing, and the utilisation rate of such is expected to reach approximately 86.3%. We expect our revenue generated from our warehousing and related value-added services segment to increase from

Notes:

2. The calculation is based on the assumption that (i) the number of cargo we handle for our existing customers remains unchanged; (ii) each pallet can carry approximately 30 unit loads; (iii) the maximum number of pallets our HLC Warehouse can accommodate at one time is approximately 500 pallets; and (iv) a new customer has started assigning a minimum of 92 pallets to us after our relocation to the HLC Warehouse in August.

BUSINESS

approximately HK\$27.5 million for FY2018 to approximately HK\$61.3 million for FY2019, representing an increase of approximately HK\$33.8 million or 122.9%. We further expect our gross profit generated from such segment to increase from approximately HK\$9.2 million for FY2018 to approximately HK\$20.5 million for FY2019, representing an increase of approximately HK\$11.3 million or 122.8%. In addition to the increase in revenue and gross profit, due to our increase in cost incurred in relocation and rent, we expect our gross profit margin for this segment to decrease from approximately 33.6% for FY2018 to approximately 33.4% for FY2019, representing a decrease of approximately 0.2%.

We expect the cost of warehousing and related value-added service to increase an approximate of 123.1% from our existing cost of services due to the increase in monthly rental, utilities costs and the purchase of warehousing material, of which the rental expenses and management fee for the first year will cost an additional expenditure of approximately HK\$2.8 million and HK\$390,000 respectively. Due to the nature of warehousing business, the cost is not directly proportionate to the revenue since certain costs, including but not limited to rent and utilities cost, remain largely intact regardless of the sales amount.

Acquiring our own trucking fleet and employing truck drivers to enhance our related logistics services and save our operating costs in the long run

In the course of the provision of warehouse storage service, we may have to pick up the goods and deliver the goods to the next destination for our customers. Since as at the Latest Practicable Date, we did not own any trucking fleet, we have been engaging subcontractors to provide our Hong Kong and overseas delivery service during the Track Record Period. In the long run, we aim to acquire our own trucking fleet to lower our reliance over these subcontractors, strengthen quality control, facilitate our warehousing services and save our operating costs.

We intend to develop our trucking fleet by (i) acquiring two cargo vans, two 5.5 tons light-duty trucks, six 24 tons heavy-duty trucks and two truck tractors; (ii) hiring eight warehouse staff; and (iii) hiring 24 truck drivers and other supporting staff to maintain our own trucking fleet. We intend to utilise, from the net proceeds of the Share Offer (based on the Offer Price of HK\$0.30 per Offer Share, being the mid-point of the indicative Offer Price range), approximately HK\$10.2 million for the acquisition of truck fleet.

Our Directors are of the view that the abovementioned plan will cause our staff costs and benefits to increase by approximately HK\$6.8 million and our administrative and operating expenses including but not limited to depreciation expenses, rental expenses, gasoline fee and tunnel fee to increase by approximately HK\$5.4 million each year subsequent to the purchase of vehicle. These costs in aggregate will amount to approximately HK\$12.2 million for the first year. Assuming the same transaction volume, types of goods, service area and distance of travel, for the year ending 31 March 2020, we expect that our delivery cost after setting up our own tracking fleets by acquiring trucks and hiring drivers will amount to approximately HK\$21.4 million, which is HK\$17.7 million lower than the subcontracting cost of HK\$39.0 million as if no truck fleet were to be acquired. Therefore, in the long run, we will be able to save our operating costs.

We expect that our warehouse operations can be further improved with the assistance of our internal trucking fleet. By possessing our trucking fleet, we will be more capable of adapting our local delivery services to our customers and create a more distinct corporate identity, and thereby enhance customer loyalty. Our Directors are of the view that installing vehicle devices to our internal trucking fleet in order to trace our goods and manage our fleet operation can help improve the overall efficiency and attract more customers to engage our warehousing and related value-added services.

Retaining and recruiting experienced employees

Our Directors believe that our Group's success depends on our ability to retain and recruit experienced, motivated and well-trained employees. Our Group will continue to offer our employees competitive welfare packages and the opportunity to grow with the business. We intend to join career fairs in order to recruit suitable candidates with relevant industry experience.

Our Group intends to utilise, from the net proceeds of the Share Offer (based on the Offer Price of HK\$0.30 per Offer Share, being the mid-point of the indicative Offer Price range), approximately HK\$18.8 million for (i) retaining talented and experienced personnel, (ii) recruiting new talents, (iii) purchasing group insurance, and (iv) introducing occupational safety and health training and other vocational training.

Further enhancing our sales and marketing effort

We will continue to enhance our sales and marketing effort to maintain stable business relationship with our existing customers, being the direct shippers and freight forwarder customers to increase our retail sales caliber. We will put efforts in communicating with our customers to keep abreast of the latest market trend and development so that we can devise corresponding business strategies in response. We plan to launch marketing and promotion campaigns to enhance our exposure to more potential customers. We target to diversify and expand our customer base by offering a wider portfolio of cargo routes for our customers through building a more extensive network of suppliers of cargo space on routes from Hong Kong to U.S., Europe and other regions and thereby boost sales performance and foster a more diversified customer network.

For details as to how we intend to apply our net proceeds from the Share Offer to implement our future plans, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

STRATEGIC ACQUISITION OF MAJOR OPERATING SUBSIDIARIES

Acquisition of Orient Zen

Background of Orient Zen

We acquired one major operating subsidiary, Orient Zen, on 31 March 2017 as part of our strategic investment. Orient Zen is a Hong Kong air freight forwarder providing principally air freight forwarding and related logistics services to other air freight forwarders. Orient Zen was incorporated in March 2008, and was founded by Mr. HM Loy, the younger brother of Mr. Thomas Loy. Mr. HM Loy at that time was of the view that as the market demand for air freight forwarding and related logistics services would be increasing, his previous work experience and knowledge as well as his close connection with other freight forwarders would be advantageous for him to start his business in consolidation and co-loading of cargo space through Orient Zen.

Business model and operating cycle of Orient Zen

The provision of air freight forwarding and related logistics services provided by Orient Zen covers essentially consolidation and co-loading of cargo space. Orient Zen targets other air freight forwarders instead of direct shippers as its major customer base. Since it relies on both its expertise and close connection with the suppliers for more stable supply of cargo space to facilitate consolidation and co-loading, Orient Zen has well-positioned itself to collaborate with these other suppliers to provide such service within prescribed timeframe. It serves substantially other freight forwarders which would usually require such service during their provision of air freight forwarding and related logistics services, mainly for the reasons of maximising profit and managing logistics services in an effective manner.

Our Group, during the provision of air freight forwarding and related logistics services, would require also such services that cover consolidation and co-loading of cargo space. During the Track Record Period, we have outsourced such procedure to our subcontractors including Orient Zen before our acquisition of Orient Zen for their expertise and connection with suppliers. Despite of the fact that Orient Zen and Union Air both engage in the provision of freight forwarding services, Orient Zen has a different focus in clientele and business strategy. While Union Air targets the provision of general import and export air freight forwarding services to the direct shippers of the respective

BUSINESS

cargo, Orient Zen has positioned itself to provide round-the-clock and flexible air freight forwarding and related logistics services to other air freight forwarders. Given the differences in clientele between Union Air and Orient Zen, Union Air and Orient Zen adopts a different business focus in order to secure its own gross profit margin. Union Air focuses on providing a range of general import and export freight services to direct customers, as such the number of intermediaries involved is minimized, thereby Union Air is able to secure a higher gross profit margin. Whereas Orient Zen focuses on providing consolidation and co-loading services to other intermediate freight forwarders, which business models is generally similar to that of Orient Zen, Orient Zen is therefore unable to capture a higher gross profit margin. In this regard, Orient Zen generates revenue by focusing on the volume of transactions instead of the profit per transaction, and therefore, brings about a lower gross profit margin than the rest of our Group. Orient Zen captured a lower gross profit margin of approximately 13.3% for FY2018, whilst Union Air managed to achieve gross profit margin of approximately 27.1% for its freight forwarding business for the same period of time. For further details, please refer to the following table for the comparison between the two subsidiaries of the Group which provide freight forwarding and related logistics services:

	Union Air	Orient Zen
Scope of service	General import and export freight services by air and sea	Air freight forwarding services with a focus on consolidation and co-loading services by air
Target customers and business strategy	Direct shippers; enhance gross profit margin per transaction	Freight forwarders; enhance transaction volume
Gross profit margin for FY2018	27.1%	13.3%
Transaction volume for FY2018	3,231	5,261

As our Directors believe that the different business strategy among Union Air and Orient Zen can drive synergistic benefits to the Group by expanding the Group's customers base and maximizing its profit, it is their decision to maintain the current business strategy to keep Orient Zen focusing on the provision of consolidation and co-loading services to other freight forwarders.

Operating scale and major customers/suppliers of Orient Zen

Orient Zen has been providing its of air freight forwarding and related logistics services in Hong Kong to 48 customers as at 31 March 2018, most of them being the freight forwarders also located in Hong Kong. These freight forwarders operate routes mainly in U.S., the Netherlands and Singapore. For FY2016, FY2017 and FY2018, Orient Zen generated revenue of approximately HK\$99.2 million, HK\$100.7 million and HK\$103.5 million and profit of approximately HK\$5.8 million, HK\$7.7 million and HK\$7.1 million from its provision of services respectively.

During the Track Record Period, Orient Zen's largest customer contributed approximately HK\$20.0 million, HK\$36.5 million and HK\$20.9 million to Orient Zen's total revenue for FY2016, FY2017 and FY2018, respectively. And Orient Zen's largest five customers, in aggregate, accounted for approximately HK\$77.8 million, HK\$79.5 million and HK\$71.8 million to Orient Zen's total revenue for the same periods, respectively. Orient Zen's business relationship with each of its largest five customers ranged from one to six years, and in average 3.9 years. Orient Zen has maintained continued steady and strong growth in its clientele, and there has been an increasing trend in the number of customers. With its widespread of clientele, it was therefore able to generate stable profit throughout the Track Record Period.

BUSINESS

The major suppliers of Orient Zen refer to other freight forwarders located in Hong Kong, operating air freight routes in locations including U.S., the Netherlands, and Singapore. For FY2016, FY2017, and FY2018, the total purchase costs from the suppliers amounted to HK\$89.2 million, HK\$88.0 million and HK\$89.7 million respectively. During the Track Record Period, Orient Zen's purchase attributable to its largest supplier was approximately HK\$28.6 million, HK\$18.8 million and HK\$19.0 million to Orient Zen's total cost of service for FY2016, FY2017 and FY2018, respectively. And Orient Zen's purchase attributable to its largest five suppliers, in aggregate, accounted for approximately HK\$54.2 million, HK\$57.9 million and HK\$49.2 million to Orient Zen's total cost of service for the same periods, respectively. Orient Zen's business relationship with each of its largest five suppliers ranged from two years to 6.5 years, and in average 4.1 years. Orient Zen has maintained good relationships with its suppliers throughout the years of our operation, and there has not been any major shortage of supply. Our Directors are of the view that Orient Zen will continue to be able to establish long-term and trustworthy relationship with its suppliers.

Five largest customers of Orient Zen for FY2016

BUSINESS								
Rank	Customer	Background	Scale of operation (Note 1)	Approximate years of business relationship with Orient Zen as at the Latest Practicable Date	Typical credit period offered (days)	Method of settlement	Revenue contribute (HK\$'000)	Approximate % of our total revenue
1	Customer G	A private company incorporated in Hong Kong which primarily engages in the provision of transportation and logistics services. It is a wholly owned subsidiary of a family owned transportation and logistics company headquartered in Switzerland	Its service scope covers global destinations; with over 90 employees in its Hong Kong office.	6	45	Cheque	20,032	20.2
2	Customer K	A private company incorporated in Hong Kong which principally engages in the provision of air & ocean freight forwarding services, logistics and cross-border China trucking services	In addition to the three offices in Hong Kong, it operates seven offices in the PRC. It has 226 employees and it has an annual sales turnover of approximately HK\$745.0 million.	6	30	Bank transfer	19,236	19.4
3	Customer L	A company established in Qingdao of the PRC which primarily engages in the provision of air freight, sea freight, warehousing, brokerage and information technology services	It has established own office and branch in over 24 cities, and its service scope covers North America, South America, Europe, South East Asia, Far East, Australia, Middle East and Africa more than 100 countries.	4	30	Bank transfer & Cheque	17,152	17.3
4	Customer M	A private company incorporated in Hong Kong which principally engages in the provision of freight management and logistics services	It operates 8 branch offices namely Shenzhen, Guangzhou, Xiamen, Fuzhou, Ningbo and Shanghai in China; Kaohsiung and Taipei in Taiwan.	2	30	Cheque	11,509	11.6
5	Union Air	A wholly-owned subsidiary of our Group which principally engaged in the provision of air and sea freight forwarding services	—	4	30	Cheque	9,871	10.0
							77,800	78.5

Note 1: Such disclosure is either based on the best knowledge of our Directors or publicly available information as claimed by respective customer.

Five largest customers of Orient Zen for FY2017

BUSINESS								
Rank	Customer	Background	Scale of operation (Note 1)	Approximate years of business relationship with Orient Zen as at the Latest Practicable Date	Typical credit period offered (days)	Method of settlement	Revenue contribute (HK\$'000)	Approximate % of our total revenue
1	Customer K	A private company incorporated in Hong Kong which principally engages in the provision of air & ocean freight forwarding services, logistics and cross-border China trucking services	Refer to above.	6	30	Bank transfer	36,507	36.3
2	Customer G	A private company incorporated in Hong Kong which primarily engages in the provision of transportation and logistics services. It is a wholly owned subsidiary of a family owned transportation and logistics company headquartered in Switzerland	Refer to above.	6	30	Bank transfer	24,067	23.9
3	Customer L	A company established in Qingdao of the PRC which primarily engages in the provision of air freight, sea freight, warehousing, brokerage and information technology services	Refer to above.	4	30	Bank transfer & Cheque	8,157	8.1
4	Union Air	A wholly-owned subsidiary of our Group which principally engaged in the provision of air and sea freight forwarding services	Refer to above.	4	30	Cheque	7,693	7.6
5	Customer H	A private company incorporated in Hong Kong which principally engages in the provision of air freight services including co-loading services	Its service scope covers Southeast Asia and EU.	6	45	Cheque	3,093	3.1
							79,517	79.0

Note 1: Such disclosure is either based on the best knowledge of our Directors or publicly available information as claimed by respective customer.

Five largest customers of Orient Zen for FY2018

BUSINESS								
Rank	Customer	Background	Scale of operation (Note 1)	Approximate years of business relationship with Orient Zen as at the Latest Practicable Date	Typical credit period offered (days)	Method of settlement	Revenue contribute (HK\$'000)	Approximate % of our total revenue
1	Customer K	A private company incorporated in Hong Kong which principally engages in the provision of air & ocean freight forwarding services, logistics and cross-border China trucking services	Refer to above.	6	30	Bank Transfer	20,934	20.2
2	Customer G	A private company incorporated in Hong Kong which primarily engages in the provision of transportation and logistics services. It is a wholly owned subsidiary of a family owned transportation and logistics company headquartered in Switzerland	Refer to above.	6	30	Bank Transfer	20,151	19.5
3	Customer H	A private company incorporated in Hong Kong which principally engages in the provision of air freight services including co-loading services	Its service scope covers Southeast Asia and EU.	6	45	Cheque	16,049	15.5
4	Customer N	A private company incorporated in Hong Kong which primarily engages in the provision of logistics services	Its service scope covers Hong Kong.	1	30	Cheque	8,752	8.5
5	Customer I	A private company incorporated in Hong Kong which primarily engages in the provision of logistics services	Its service scope covers Guangzhou, Hong Kong and Macau.	2	45-60	Bank transfer	5,938	5.7
							71,824	69.4

Note 1: Such disclosure is either based on the best knowledge of our Directors or publicly available information as claimed by respective customer.

Note 1: Such disclosure is either based on the best knowledge of our Directors or publicly available information as claimed by respective customer.

During the Track Record Period, 53 of its customers were also its suppliers. The major reason is that since it provides air freight forwarding and related logistics services to other freight forwarders (as its customers) that would require its expertise and connection with other suppliers to facilitate consolidation and co-loading, Orient Zen would require these freight forwarders (as its suppliers) to provide such cargo space to facilitate consolidation and co-loading of cargo. It depends on the market needs as requested by its customers. Our Directors consider that it is in line with the market norm.

Competitive strengths and weaknesses of Orient Zen

According to the F&S Report, the air freight transport market is a fragmented market in Hong Kong and it is common practice for the larger freight forwarding players to outsource a certain logistics operations to a third party in order to reduce the operation costs generated from the fluctuating cargo throughout the year, while smaller air freight players may provide simpler and economical services and be able to offer more flexibility and more personalised services but also at lower rates. In light of the above, our Directors are of the view that Orient Zen has potential in continuous growth. For further details of the competitive landscape of the market, please refer to the section headed “Industry overview – Competitive landscape of freight transport and warehousing market in Hong Kong” in this prospectus.

Our Directors are of the view that it is our ultimate goal to remain competitive in the market by providing freight forwarding service with sufficient flexibility and assisting our customers in cost savings. Before our acquisition of Orient Zen, our Directors considered that it is Orient Zen’s strength that its focus on the provision of services to other freight forwarders and allows it to maintain close collaboration with its suppliers. Therefore, it is capable of developing close connection with these freight forwarders and through such connection, in order to ensure more updated market information and stable supply of cargo space.

It was also noted by our Directors that since Orient Zen does not serve any direct shippers, it imposed limitation for it to further expand its clientele to direct shippers, as expanding its client to direct shippers requires established business relationships with overseas logistics and freight forwarding agents, as well as the necessary resources to procure such business relationships with direct shippers. According to the F&S report, the freight transport market is a fragmented market where it is a common practice for the large international freight forwarding players to outsource certain logistics operations to a third party. Our Directors believe that with our better understanding of the demand in specific markets, the room for business development for intermediaries in the freight transport market is highly positive. Moreover, since Orient Zen covers essentially the consolidation and co-loading of cargo where completion within a prescribed timeframe is of utmost importance. Therefore, any delays from the agreed schedule for the actual transfer of cargo from these suppliers may affect the progress of the consolidation and co-loading. If the consolidation and co-loading cannot be coordinated in a timely manner, it may incur additional costs and time to coordinate the same. It may further have a negative impact on its reputation for any failure to comply with the customers’ expectations. With the extensive supplier network, up to the Latest Practicable Date, we are not aware of any material complaints from Orient Zen’s customers.

Risk and reward profiles as compared to that of our Group

Since Orient Zen focuses on the business of consolidation and co-loading of cargo space, Orient Zen is exposed to the risk of being unable to resell unused cargo space and to purchase sufficient cargo space from other freight forwarders. Notwithstanding the above, such business model allows Orient Zen to build a strong supplier and customer network. The close connection established among Orient Zen and other freight forwarders in the industry can further assist the business development and expansion of Orient Zen. Our supply of cargo space is complimented by the acquisition of Orient Zen. Riding on the close business relationship between Orient Zen and its suppliers, i.e. other freight forwarders, our Group becomes more capable in securing supply of cargo space, and in generating revenue by serving direct shippers through Union Air, which generally gives a higher profit margin.

Impact of the acquisition of Orient Zen on our Group

Business operation

While both Union Air and Orient Zen provide air freight forwarding and related logistics solutions services in Hong Kong, Union Air focuses on direct shippers and Orient Zen focuses on other freight forwarders instead of direct shippers, the acquisition of Orient Zen allows our Group to grow our customer base. In addition to the provision of general import and export freight services by air and sea, we have expanded to provide also consolidation and co-loading service of cargo space. With different clientele under similar business model, such internal expansion can expand our Group's customer base and achieve growth as a whole. Since its acquisition, Orient Zen has brought in to our Group with 84 customers, contributing to approximately HK\$103.5 million of revenue of which HK\$5.1 million was respectively belonged to inter-company transactions with Union Air.

Since Orient Zen serves directly other freight forwarders, and these customers would become its suppliers depending on the supply and demand of cargo space from time to time, Orient Zen would be able to strengthen its supplier base, maintain close connection with these other freight forwarders and through these close liaison and connection, Orient Zen would be able to obtain most up-to-date and reliable market information regarding to supply of cargo space and it can facilitate stable supply of cargo space to our Group as a whole. Since its acquisition, Orient Zen has brought in to our Group with 80 suppliers, which attributing to approximately HK\$89.7 million of our total purchase costs, of which HK\$2.8 million belonged to inter-company transactions with Union Air and Fu Yo.

According to the F&S Report, some of the market players in the industry, especially smaller market players, would specialise in a particular function such as ground handling or warehousing services within the industry value chain. Further with the acquisition of Orient Zen, our Group can differential ourselves from other market players by offering flexible and comprehensive freight forwarding services for both air and sea transport to both direct shippers and other freight forwarders.

Financial performance

According to the F&S Report, the revenue of the air freight forwarding services market declined slightly from HK\$50.0 billion in 2012 to HK\$48.9 billion in 2016, representing a negative CAGR of 0.6%. Before the acquisition of Orient Zen, our Group also experienced a drop in revenue for our air freight forwarding and related logistics services. The revenue generated by air freight forwarding and related logistics services decreased from approximately HK\$53.9 million for FY2016 to approximately HK\$38.9 million for FY2017, representing a decrease of 27.9%. We acquired Orient Zen on 31 March 2017, for which we expected a creation of synergistic benefits across our Group. Upon the acquisition, our revenue for air freight forwarding and related logistics services increased from approximately HK\$38.9 million for FY2017 to approximately HK\$152.8 million for FY2018, representing an increase of 293.0%. Our Directors believed that the joint synergies, steady supply of cargo space and widened customer base brought along by Orient Zen have together contributed to part of our increase in revenue for FY2018.

The acquisition allows our Group to achieve profit maximisation and flexibility while absorbing the profit of our then supplier, Orient Zen, to the total profit of our Group. We can then rely on Orient Zen after such acquisition to provide a wider scope of logistics services to our customers. With the increased clientele and demand of services, our Group can benefit from larger economy of scale under similar cost structure and therefore providing our services with high flexibility and lower rates. For FY2016 and FY2017, Orient Zen has been one of our top five suppliers, contributing approximately 15.9% and 13.5% of our total costs of services. Upon acquisition of Orient Zen, the profitability of our Group therefore increased.

Prospect

Since most freight forwarding service providers have their flight network regionally and focus on particular routes and destinations, the acquisition of Orient Zen further allows us to expand our air flight network to more destinations, and therefore develop further businesses from our existing customers. Along with the acquisition of Orient Zen, we were therefore able to absorb the revenue generated by Orient Zen into the total revenue of our Group. We expect that Orient Zen will continue to be able to bring to our Group new suppliers and customers, which will therefore generate significant revenue to our Group.

Acquisition of Fu Cheng

Background and business profile of Fu Cheng

In 2016, our executive Directors, Mr. Thomas Loy and Mr. HM Loy together assessed a new business opportunity in relation to human resources support, in particular, on blue collar workers, for other warehousing and related value-added service providers in Hong Kong. To achieve (i) a deployment of the existing available skilled labour force in Fu Yo; and (ii) a better delineation of recruitment and management from main business operations. All blue-collar workers under Fu Yo have been reallocated or rearranged to Fu Cheng, for the preparation of potential human resources support to other warehousing and related value-added service providers in Hong Kong.

Upon the incorporation of Fu Cheng, Fu Yo continued to engage its existing team of blue-collar workers through sub-contracting arrangement with Fu Cheng. This sub-contracting arrangement between Fu Yo and Fu Cheng allowed the original blue collar workers from Fu Yo's warehouse to continue their work under the name of Fu Cheng.

During the Track Record Period, taking into account that Fu Yo has been the sole user of the labour force supply of Fu Cheng and the increasing workload of Fu Yo's operation on warehousing, repackaging, labelling, palletising and other services, which had limited Fu Cheng's ability to provide its human resources support to other warehousing and related value-added service providers. Our executive Directors decided to cease the original plan of providing human resources support to other service providers and further acquired Fu Cheng as a member of our Group in July 2017.

Before acquisition of Fu Cheng, the sub-contracting charges for the period between August 2016 and July 2017 paid by Fu Yo to Fu Cheng for its provision of such blue-collar services was HK\$3.0 million. The amount represented the total income of Fu Cheng for the corresponding period and Fu Yo paid in full with no withholdings. During the Track Record Period, Fu Cheng recorded a net loss of HK\$17,000.

Operating scale of Fu Cheng

During the Track Record Period and as at the Latest Practicable Date, Fu Cheng has been providing human resources support to its sole customer, Fu Yo. For the provision of such service, Fu Cheng hired 13 full-time blue-collar workers as at the Latest Practicable Date. Fu Cheng has and will continue to review the headcounts from time to time in order to ensure that all employees can coordinate and work in the most efficient manner.

Blue-collar workers refer to labour intensive and skilled labour force. Fu Cheng recognises the importance of having a good relationship with its workers, and that it is important to retain talents, therefore, the workers are offered basic salaries and overtime compensation commensurate with market levels. Fu Cheng's workers are not represented by any collective bargaining agreements or labor unions.

Financial impact of Fu Cheng

Under the sub-contracting arrangement between Fu Yo and Fu Cheng, the remuneration package of the reallocated blue-collar workers remained the same after the reallocation from Fu Yo to Fu Cheng, and there has not been any additional cost chargeable to Fu Cheng by Fu Yo in relation to such sub-contracting arrangement. The sub-contracting arrangement between Fu Yo and Fu Cheng has only caused its accounting treatment of the cost of the reallocated blue-collar workers to be reclassified as sub-contracting charges instead of employee benefits expenses, in which the amount of such remained substantially the same. Upon the acquisition of Fu Cheng by our Group in July 2017, such staff cost was reclassified as employee benefits expenses. As both employee benefits expenses and sub-contracting charges are under the category of cost of services and the amount of staff costs incurred under our Group remained substantially the same, there is no material change in our cost structure upon acquisition of Fu Cheng.

Fu Yo has not sought any services from such blue-collar workers through other sub-contractors. During the Track Record Period and up to the Latest Practicable Date, Fu Cheng has been the only supplier of blue-collar services to Fu Yo. Our Directors are of the view that instead of incurring additional time and costs in recruiting and managing these blue-collar workers, it would be beneficial to our Group as a whole to have clearer delineation of recruitment and management under separate entity, which is Fu Cheng, and such acquisition can further ensure stable supply of such services.

OUR SERVICES

We offer to our customers logistics services which can principally be categorised into: (i) freight forwarding and related logistics services; and (ii) warehousing and related value-added services.



(i) Freight forwarding and related logistics services

Freight forwarding and related logistics services cover both air freight and sea freight, which constitute the major business segment of our Group during the Track Record Period.

For export freight services, it involves cargo pick up, acquisition of cargo space, preparation of freight documentation, engagement of overseas agents for customs clearance and delivery at destination. Delivery can be made to customers' designated locations from port to door depending on customers' requests and cargo pick up can also be arranged.

For import freight services, it involves estimation of date of arrival, cargo pick up, arranging of customs clearance upon receipt of pre-alert notification from overseas freight forwarders or customers, and cargo handling at ports. Goods will be delivered upon receipt of instruction from overseas freight forwarders or customers.

Our Group purchases cargo space from airlines' GSAs through block space arrangements, shipping liners and other freight forwarders through direct booking. Cost of cargo space represented approximately 69.3% to 88.7% of the total cost of services during the Track Record Period. Please refer to the section headed "Financial Information" in this prospectus for further information.

Upon requests from our customers as part of our package under the fees charged to them, we may provide services include supporting transportation for logistics purpose such as trucking services, comprising transporting cargo from warehouses or designated locations to ports and vice versa. Since we do not own our trucking vehicles and drivers, we engage subcontractors to provide such trucking services, usually covering transportation of general merchandise that does not require refrigeration, controlled humidity, or other special handling.

Through our Group's experience and expertise in serving the logistics industry, our Directors understand our customers' needs for customised value-added services. Our Group offers such logistics services in addition to our core freight forwarding services to achieve effectiveness for our customers in terms of time and resources in sourcing different related service providers in the market. Our Directors consider that the provision of a wider scope of logistics services is considered to be a key trend of Hong Kong's logistics industry and therefore the provision of such services can satisfy the needs of our customers and also increase our bargaining power and profitability to become increasingly competitive in the market.

(ii) Warehousing and related value-added services

Our Group offers warehousing and related value-added services to our customers as part of the logistics services. It includes warehousing, repackaging and labelling, palletising and other related value-added services, such as supply chain management and local delivery services.



BUSINESS

Warehousing

Our Group currently leased a warehouse, the HLC Warehouse, in Kwai Chung, Hong Kong with a total gross floor area of approximately 33,856 sq.ft.. The goods stored for our customers are general merchandise. The HLC Warehouse consists all the facilities we previously carried at our Previous Warehouses at an expanded scale with extra parking spots provided for more efficient loading and unloading of cargos and it bears the following characteristics that are particularly fit for storage of electronics and electrical products:



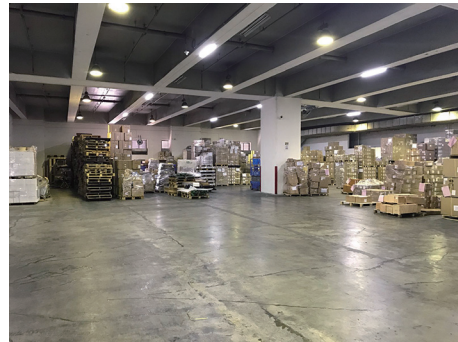
- Floor with dust-proof and anti-static material;



- Installed with 24-hour electronic monitoring system;



- Installed with 24-hour temperature and humidity control systems; and



- Spacious that can accommodate sizeable cargos.

Repackaging and labelling

Depending on the needs of our customers, we offer repackaging and labelling services including sorting, wrapping, sealing and labelling, so that the goods of our customers are properly repackaged or labelled in accordance with customers' instructions or shipping requirements before they are ready to export out of Hong Kong. The repackaging and labelling services we provide vary from customer to customer and we allocate our staff at our warehouses according to the demand of our customers for these services.

Palletising



Cargos are bundled in a unit load device before they are loaded on to an aircraft or a ship. Palletisation is a process by which goods are bundled together on a flat transport structure (typically a wooden board) known as a pallet, in order to facilitate mechanical handling of stacked goods. Standardised palletised goods can then be easily handled by common mechanical equipment such as fork-lift trucks to move around in a warehouse or to load on to a unit load device on an aircraft or a container in a vessel for shipment.



Other related value-added services provided by our Group include:

- supply chain management, such as distribution of goods, preparation of stock reports to facilitate efficient and effective monitoring and coordination of flow of goods from manufacturers, warehouses, transporters, and customers; and

BUSINESS

- local delivery services through local delivery services providers, such as local pick up and transportation services.

During the Track Record Period, our revenue was predominately generated from our freight forwarding and related logistics services. The following table sets forth a breakdown of our revenue by business segments during the Track Record Period:

	FY2016		FY2017		FY2018	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Freight forwarding and related logistics services	68,211	89.5	53,787	67.8	170,439	86.1
Warehousing and related value-added services	8,044	10.5	25,529	32.2	27,503	13.9
Total	<u>76,255</u>	<u>100.0</u>	<u>79,316</u>	<u>100.0</u>	<u>197,942</u>	<u>100.0</u>

Freight forwarding services

We derived our revenue from freight forwarding and related logistics services, representing approximately 89.5%, 67.8% and 86.1% of our total revenue for FY2016, FY2017 and FY2018, respectively. We offer freight forwarding and related logistics services and a majority of air cargo space we sell are for goods exporting from Hong Kong to various destinations in U.S., Europe and other regions. When we receive any booking instruction from our customer requesting for cargo space for its shipments to be shipped on a specific route, we will find a suitable route for our customer and provide it with a quotation based on the rates provided by our suppliers plus a certain profit margin.

For FY2016, FY2017 and FY2018, our revenue attributable to export shipments amounted to approximately HK\$65.5 million, HK\$51.2 million and HK\$166.9 million, respectively, representing 85.9%, 64.6% and 84.3% of our total revenue, respectively, while our revenue attributable to import shipments amounted to approximately HK\$2.7 million, HK\$2.5 million and HK\$3.6 million, representing 3.5%, 3.2% and 1.8% of our total revenue, respectively.

The following table sets forth a breakdown of our revenue generated from export shipments by destination during the Track Record Period:

Revenue generated from export shipments by destination

	FY2016		FY2017		FY2018	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
U.S.	25,414	38.8	28,242	55.1	82,851	49.6
Europe	29,603	45.2	18,589	36.3	52,340	31.4
East Asia	985	1.5	1,341	2.6	6,705	4.0
Southeast Asia	109	0.2	132	0.3	15,321	9.2
Other Asia	2,195	3.3	1,391	2.7	3,225	1.9
Others <i>(Note)</i>	7,216	11.0	1,555	3.0	6,437	3.9
Total	<u>65,522</u>	<u>100.0</u>	<u>51,250</u>	<u>100.0</u>	<u>166,879</u>	<u>100.0</u>

Note: Other countries mainly include Mexico, Canada, New Zealand, Australia, Brazil and others.

BUSINESS

The following table sets forth a breakdown of our revenue generated from import shipments by origin during the Track Record Period:

Revenue generated from import shipments by origin

	FY2016		FY2017		FY2018	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
U.S.	147	5.5	271	10.7	155	4.4
Europe	123	4.6	109	4.3	53	1.5
East Asia	2,336	86.9	2,091	82.4	3,107	87.2
Southeast Asia	82	3.0	68	2.6	240	6.7
Other Asia	–	0.0	–	0.0	–	0.0
Others ^(Note)	1	0.0	–	0.0	6	0.2
Total	2,689	100.0	2,539	100.0	3,561	100.0

Note: Other countries mainly include Canada, and Australia.

The following table sets forth a breakdown of our revenue by type of our freight forwarding and related logistics services during the Track Record Period:

	FY2016		FY2017		FY2018	
	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>
Freight Forwarding –						
Air freight	53,945	70.8	38,886	49.0	152,835	77.2
Sea freight	14,266	18.7	14,901	18.8	17,604	8.9
Total	68,211	89.5	53,787	67.8	170,439	86.1

For more detailed discussion of our results of operations, please refer to the section headed “Financial Information – Description of selected items from combined statements of profit or loss and other comprehensive income” in this prospectus.

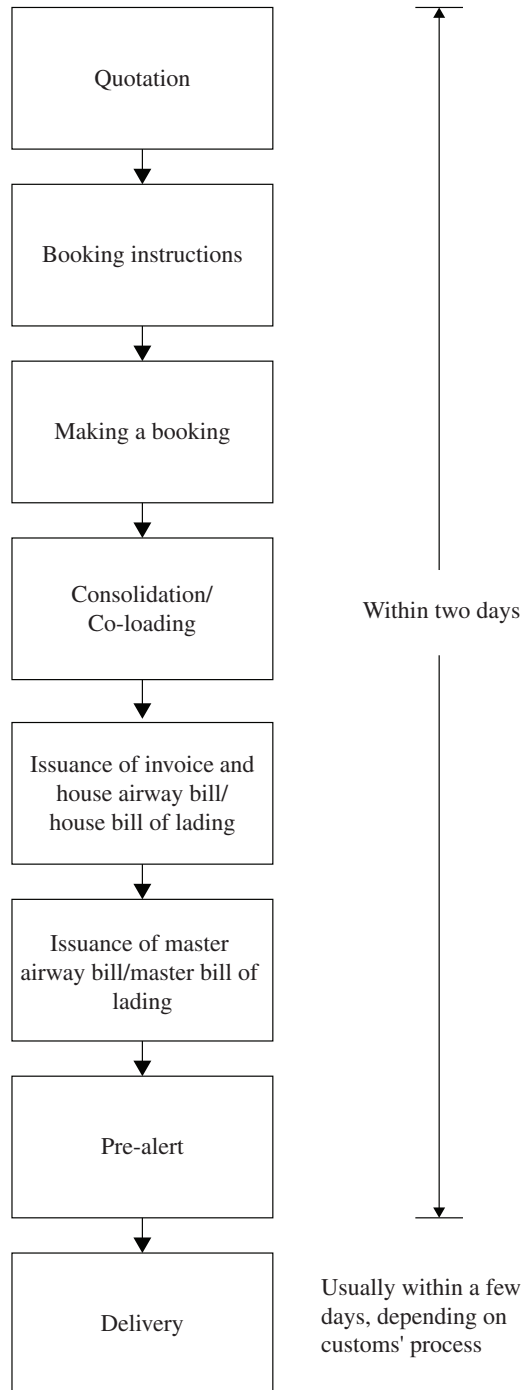
The table below sets forth our shipment volume from our freight business:

	FY2016	FY2017	FY2018
	<i>('000 kg)</i>	<i>('000 kg)</i>	<i>('000 kg)</i>
Freight volume –			
Export	5,616	6,044	12,607
Import	4,687	4,530	10,603
	929	1,514	2,004

For details of analysis as to our shipment volume and revenue, please refer to the section headed “Financial Information – Description of selected items from combined statements of profits or loss and other comprehensive income – Revenue” in this prospectus.

BUSINESS OPERATIONS AND WORKFLOW**Freight forwarding and related logistics services**

The following business workflow illustrates the general process by which we fulfill our customers' booking requests for shipments exporting from Hong Kong and delivery services:



(I) Quotation

We normally provide a quotation to our customer based on the rates and information provided by our suppliers including airlines' GSAs, shipping liners and other freight forwarders plus a certain profit margin.

(II) Booking instructions

Our customer (being a direct shipper or freight forwarder) sends a booking instruction to us containing details of reservation indicating the proper incoterm and freight terms, such as shipping method, destination, preferred route, type, dimension, weight, measurement of consignment and expected date of arrival.

(III) Making a booking

If our customer agrees with the quotation, the cargo flow will commence. We make a booking with our suppliers by lodging a standardised booking form containing details of our customer's booking. Depending on the needs of our customer, we offer related logistics services before the consignment is loaded on to an aircraft or a vessel.

(IV) Consolidation/Co-loading

Our operation department will gather and process all bookings made by our customer and where necessary consolidate cargo in warehouses from different customers in order to optimise utilisation of cargo space. Consolidation may or may not lead to co-loading of cargo space with other freight forwarders.

(V) Issuance of invoice and house airway bill/house bill of lading

Our operation department will issue an invoice and a house airway bill or a house bill of lading to our customer on the date when shipment is loaded on board the departing aircraft or vessel, with a credit period ranging from 0 to 90 days.

(VI) Issuance of master airway bill/master bill of lading

Once a booking is acknowledged by our suppliers, master airway bill (for shipment by air) will be issued by our suppliers to us when the shipment is loaded on board.

(VII) Pre-alert

Our operation department will send a full set of documents (including a copy of our customer's commercial invoice, master airway bill or master bill of lading, house airway bill or house bill of lading, and cargo packing list, and cargo manifest) to the overseas freight forwarder agent for preparation of import customs clearance and cargo release to our consignee at respective destination.

(VIII) Delivery

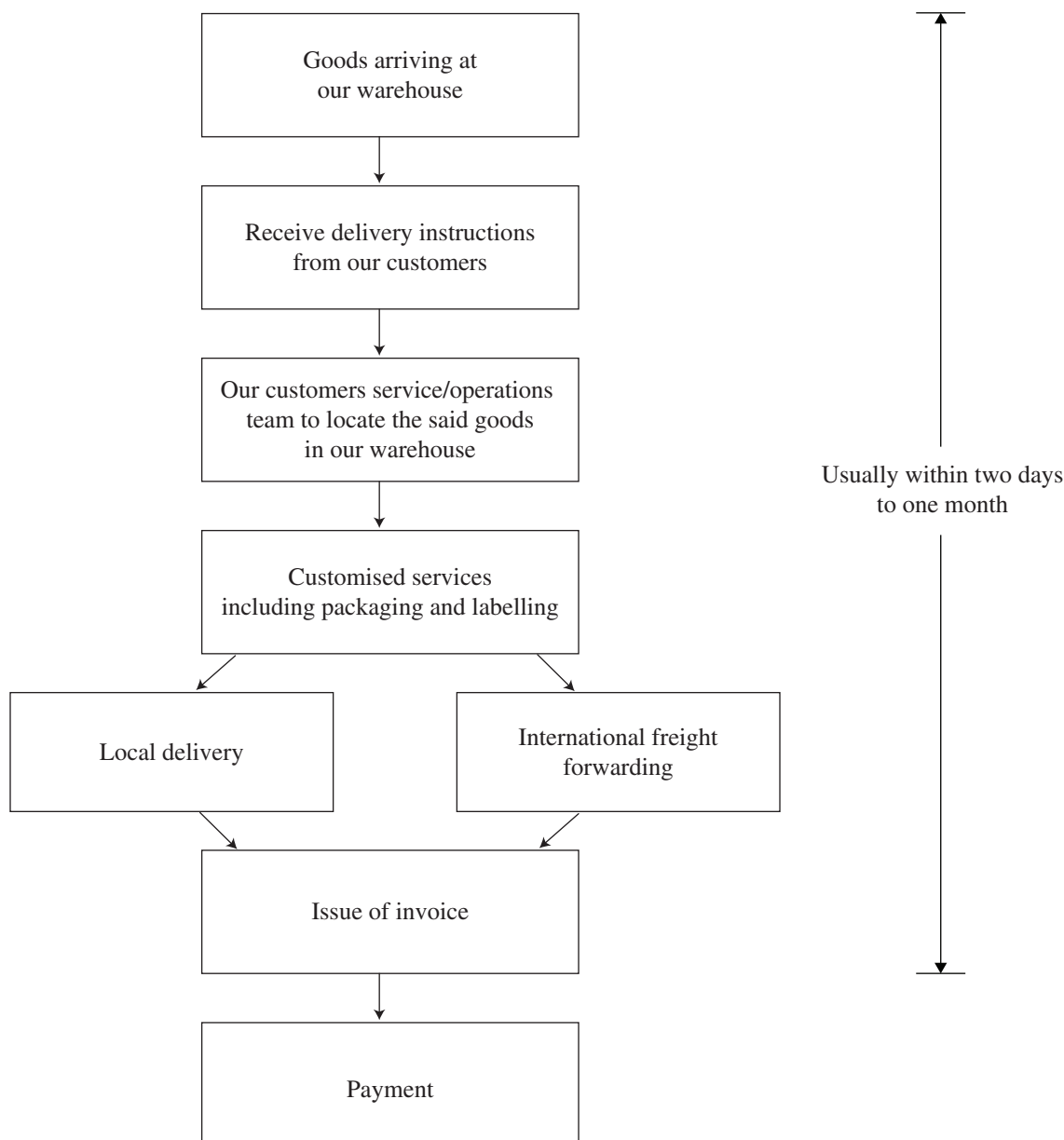
For delivery of freight out of Hong Kong, it involves customs declaration in Hong Kong, and customs clearance in the destination. Throughout the business workflow, our Group would generally handle the freight, local transportation and customs clearance. Our customers may choose to perform customs declaration on their own, or engage us to provide such services on their behalf.

For the foreign customs clearance, it is usually for the consignee itself to perform, but we may also engage overseas freight forwarder agents to perform the customs clearance upon request of our customer.

BUSINESS

We engage GSAs and shipping liners in the delivery of the freights in accordance with the details listed on the airway bill or bill of lading. The responsibilities of our Group and the overseas freight forwarder agents may vary depends on each shipment transaction.

The following flow chart illustrates the general process by which goods or consignments of our customers are handled in our warehouses:



(I) Goods arriving at our warehouses

Goods of our customer are either delivered to our warehouses by our customer itself or through local delivery services provided by us through our business partners. Once the goods arrive at our warehouses, they are electronically recorded in our system and are then labelled and categorised by customer and type, and subsequently shelved for storage.

(II) Delivery instructions from our customers

For goods stored in our warehouses, our customers may contact us via phone or email to instruct us on the further handling. If they wish to move the goods out of our warehouses, they will provide us with the destination of the goods and the requirement for value-added services.

(III) Locating the goods in our warehouses

We will make use of the labels on the boxes and our internal information technology system to identify the cargo which require delivery or further handling.

(IV) Customised services

Once goods have been stored in our warehouses, there will be frequent communication between our customer and us so that our customer can provide detailed instructions to our staff as to how it would like its goods to be handled based on its need. Related value-added services such as repackaging, labelling and palletising are then provided on an as-needed basis.

(V) Local delivery

Since we do not own our own trucking fleet, we engage local delivery service providers to transport the cargo to the designated locations.

(VI) Issue of invoice

Our operation department generally issues an invoice to our customer on a weekly or monthly basis along with attachments detailing the type of logistics services to be provided and the charge for the services to be provided based on the agreed chargeable rate.

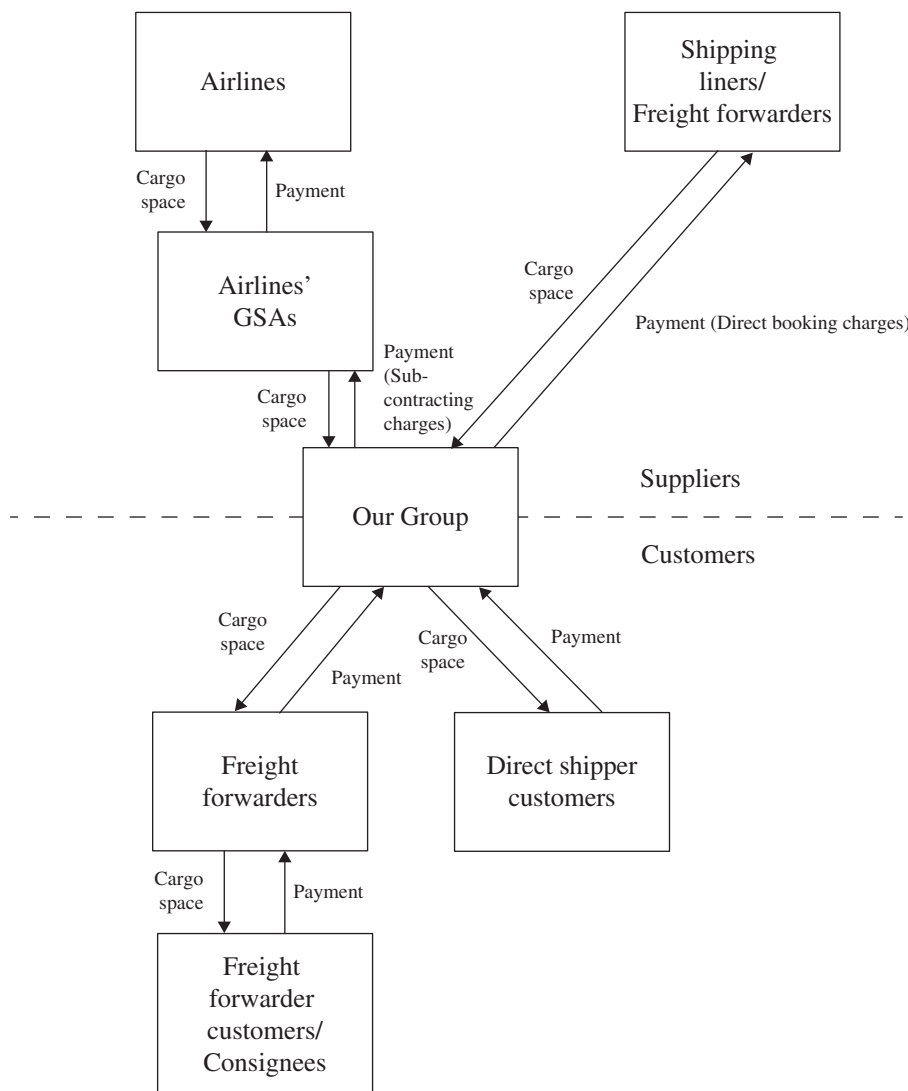
(VII) Payment

Our customer makes arrangement to settle our invoice. We generally offer a credit period of 0 to 90 days to our customers.

BUSINESS

Cargo space

The following chart illustrates how we source cargo space from airlines' GSAs, shipping liners or other freight forwarder suppliers and offer them to our direct shippers or freight forwarder customers (or the consignees).



We purchase cargo space from our suppliers either through block space arrangements with airlines' GSAs, or through direct booking with shipping liners or other freight forwarders only upon requests of our customers.

(I) Direct booking

We purchase our cargo space through direct booking from shipping liners and other freight forwarders without entering into any formal agreements. For FY2016, FY2017 and FY2018, direct bookings of cargo space made with shipping liners and other freight forwarders amounted to approximately HK\$9.7 million, HK\$11.9 million and HK\$12.1 million, respectively. We are not required and have not provided any bank guarantees in the purchase of cargo space. For details of the process by which we lodge bookings with our suppliers for cargo space, please refer to the paragraph headed "Business operations and workflow – Freight forwarding and related logistics services" in this section.

(II) Block space arrangements

We enter into block space arrangements with airlines' GSAs for the purchase of cargo space. We will lay down pre-orders for certain cargo space at a fixed price and shall we wish to increase to the pre-ordered cargo space, such cargo space will be subject to the latest market price, be it higher or lower than the previously agreed fixed price and there is no guarantee that we will be awarded such additional cargo space. Since we are not required to make any committed purchases under such arrangements, we receive no penalty but solely verbal warning from these airlines' GSAs if our actual purchase is lower than that of our pre-order. During the Track Record Period, we had paid deposit to one airline's GSA in the amount of HK\$350,000 as part of the block space arrangement.

In case our customers' needs on cargo spaces exceed our initial estimated amount on making pre-orders, there is no guarantee that the additional cargo space will be awarded. As such, our Group considers it important to enter into block space arrangements to ensure stable and secured supply cargo spaces to cater our customers' needs. By entering into block space arrangements, our Group could pre-order and secure cargo spaces at an earlier stage based on our initial estimation on the amount of cargo spaces required for our customers to ensure there is a certain number of cargo spaces available and secured for our customers and in case any modifications are made by our customers or our have under estimated the number of cargo spaces required, we will order more cargo spaces by way of direct booking afterwards.

Under the block space arrangements, our cost attributable to purchase of cargo space sourced from our airlines' GSAs accounted for approximately 73.0%, 48.4% and 80.4% of our total cost of sales for FY2016, FY2017 and FY2018, respectively. Despite our Group may not be able to utilize pre-ordered cargo space, our Group believes it is important to establish and maintain relationships with our airlines GSAs by establishing block space arrangements with them. More importantly, the consequence of not having sufficient cargo space to meet our customers' demand will be very serious, in particular during peak seasons, as our relationships with customers and reputation in the industry could be jeopardized, in turn affecting our business prospect.

Price of cargo space

Sub-contracting charges payable to airlines' GSAs and direct booking charges payable to shipping liners and other freight forwarders generally comprise freight charges, terminal handling charges, fuel surcharges, security charges and other miscellaneous items. When cargo space is sold to freight forwarders like our Group, airlines and their GSAs typically charge freight forwarders the actual gross weight of the cargo; and shipping liners typically charge the fixed price of a unit load device. A unit load device is a container of standard size and dimension which allows a large quantity of cargo to be bundled into a single standard unit for loading onto a vessel. In order to maximise the utilisation of cargo space, individual cargo of varying sizes and dimensions are loaded on to a unit load device. The size and dimension of a unit load device depends on the configuration of the ships which the unit load device will be loaded.

Except for terminal handling charges which are generally less responsive to market changes, any change in external market conditions such as changes in fuel price will primarily have impact on price of cargo space especially fuel surcharges.

Similarly, price of air cargo space we sell to our customers comprises significant components such as freight charges, terminal handling charges and fuel surcharges. For details of the analysis of our results of operations, please refer to the section headed "Financial Information – Description of selected items from combined statements of profit or loss and other comprehensive income" in this prospectus. Price of cargo space we sell to our customers is marked up at cost plus a target profit margin. For details of our pricing policy, please refer to the paragraph headed "Sales and marketing – Pricing policy" in this section. Our Directors expect that price of cargo spaces we source and we sell will continue to be affected by external market conditions such as fuel price and global economic conditions.

Consolidation of cargo space and co-loading with other freight forwarders

Consolidation of cargo space is an essential part of the freight forwarding and related logistics business. Consolidation is the process by which a number of consignments of goods of different weights, volumes and sizes are grouped together into a single consignment for carriage in order to optimise utilisation of cargo space on transportation vehicles (aircrafts or vessels); and co-loading refers to the sharing of space on transportation vehicles by one or more freight forwarders.

Upon the request of customers, we then approach our suppliers to obtain cargo space, where they will provide us with their current rates. Such rate contains the freight charges and other restrictions such as nature of cargo on certain routes operated by airlines and shipping liners.

Once our customer confirms our quotation, we will then lodge a booking request with our suppliers. All booking requests are then passed on to our operation department which will process with the booking requests and combine the consignments. The practice of combining consignments from more than one shipper with the same destination in one unit load device on an aircraft or a container on a vessel is known as co-loading. In order to optimise the utilisation of cargo space, in case the cargo space could not be filled up by our own direct shippers before a scheduled flight or vessel departs, we usually proceed to on-sell cargo space we have obtained from suppliers; or on the other hand, in case other freight forwarders have remain certain empty space in their container, by co-loading with other freight forwarders, we will be able to purchase their cargo space at a more competitive price. Co-loading with other freight forwarders allows us to reduce our cost of services in the course of business. According to the F&S Report, the benefits of consolidation and co-loading include the splitting of the freight charges of the trip among other freight forwarders and the reduction in transportation time and cost. It is therefore common for the freight forwarders to consolidate the shipments with other market practitioners.

Customs declaration services



As consistent with the market practice, it is usually the primary responsibility of our customers to prepare proper documentation for the relevant customs declaration before the cargo is delivered to or exported out of Hong Kong. However, upon request by our customers, we may arrange cargo booking and assist our customers in the preparation of relevant customs declaration on their behalf. In this respect, our customers bear the primary responsibility to provide us with purchasing orders, commercial invoices or bills of lading as supporting documents for the contents of the cargos to us. Our staff will then conduct reasonable due diligence in accordance with the related statutory requirements of the Civil Aviation Department.

We have internal procedures to countercheck the details of the customs declaration form prepared by our staff against the material or information specified in the supporting documents provided by our customers to avoid any clerical mistakes when filling out the form. We would not file any document if any doubt arises. To minimise any potential risk that the declared information does not match with the actual physical contents of the cargos, we undergo random verification and

BUSINESS

x-ray inspections at airport terminal for new customers. As our customers shall verify the contents of the cargos before providing us with any supporting documents and we merely provide the services of filling out the declaration forms on their behalf, the primary legal responsibilities for the contents of the cargos rest upon our customers.

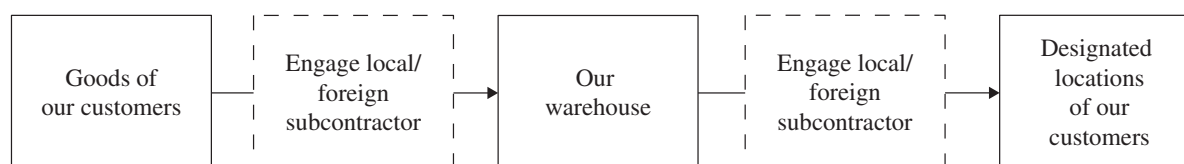
Warehousing and related value-added services

We offer a wide range of warehousing and related value-added services to meet the needs of our customers' supply chains, which include: (i) warehousing; (ii) repackaging and labelling; and (iii) palletising. We engage subcontractors for the provision of local transportation services. Our logistics services enable our customers to:

- (i) ensure that the delivery of goods meet their production schedules and sales requirements;
- (ii) reduce their resources in the management of their daily logistics operations, such as storage, handling and transportation of their production materials and components, work-in-progress or finished goods; and
- (iii) save themselves from incurring significant investments and maintenance expenses in the logistics infrastructure such as warehouses and trucks.

The scope of the logistics services that we provide to each customer varies as different customers often requires different kinds of services and expertise. As opposed to providing a single type of logistics service to customers, we, based on our experience, industry knowledge and understanding of the market, provide a wide range of logistics services for our customers with an aim to ensure accurate inventory movement, efficient warehousing and pre-delivery preparation management for our customers.

The following diagram illustrates the major types of logistics services we normally offer our customers:



SALES AND MARKETING

Our customers refer to direct shippers and other freight forwarders.

Our Directors, together with three sales and marketing department members, have been maintaining a stable and harmonious business relationship with our existing customers, which are either direct shippers or freight forwarders. Where appropriate, our sales and marketing department is encouraged to cross-sell our related logistics services on top of the freight forwarding services we provide to those customers which require customised value-added services. Our sales and marketing department is capable of providing the most relevant up-to-date market information and advice on our capability to offer customised value-added logistics services, thereby ensuring that we provide the most cost-effective way of delivering and handling our customers' goods as a one-stop service provider. Through our sale and marketing efforts, we target to diversify and expand our customer base by offering a wider portfolio of cargo routes for our customers through building a more extensive network of suppliers of cargo space on routes from Hong Kong to U.S., Europe and other regions, and thereby boosting sales performance and fostering a more diversified customer network.

Pricing policy

Freight forwarding and related logistics services

Our quotations for cargo space sourced from our suppliers directly or under block space arrangements are determined by our sales and marketing department. Our pricing for freight forwarding and related logistics services is cost-plus approach. We take into account the following factors in determining our fees we charge our customers:

- (a) type and value of consignments;
- (b) freight rates offered by our competitors;
- (c) future business opportunity;
- (d) reputation of the customer within the industry;
- (e) cost of services, including freight charge, handling charge, security charge, terminal charge, customs clearance charge, documentation charge and fuel surcharge;
- (f) seasonality;
- (g) level of acceptance of the current market rates for similar services;
- (h) whether consolidation of cargo space or co-loading is possible; and
- (i) volume of cargo space ordered.

Warehousing and related value-added services

Our pricing for warehousing and related value-added services is also cost-plus approach that is determined by our sales and marketing department based on the costs of our services plus a target profit margin. Our target profit margin is determined based on the type and nature of goods to be handled by us. For instance, we generally charge a higher rate for handling goods of a higher value as it would require a higher degree of care from our staff. We also charge a higher rate for palletising multiple goods of varying types from the same customer as this would normally involve more complex tasks and require more staff to handle. In general, we also take into account the volume of goods (calculated either by cbm or number of pieces) handled and offer discounts for high volume orders.

We charge on a cost-plus basis, while our operation department will base on the quotation from our suppliers and our internal guidelines to declare on the final quotation we are going to charge our customers. The rates vary from the types of services required. Our Directors will revise the internal guidelines from time to time.

SEASONALITY AND EFFECT OF CRUDE OIL PRICE ON OUR REVENUE AND PROFITABILITY

During the Track Record Period, there is no specific and obvious seasonality. With regard to the data between April 2015 and March 2018, it indicates no positive correlation when comparing the fluctuation of crude oil price against the demand for our services and our profitability of air and sea freight forwarding business as a whole. Our Directors are of the view that minor adjustments in price due to crude oil price fluctuation does not have a large impact on quantity demanded. Our business operation may be subject to factors such as market trend of certain products of our customers including some festive and trendy items and discount promotions that would affect the demand for exporting such goods using our services in certain periods during the year. Our Directors believe that

BUSINESS

by maintaining close contact with our customers and making reference to past trading patterns of our customers we would be able to ascertain and monitor closely the market trend of such products and therefore may be able to capture the changing market needs of these customers.

CUSTOMERS

Our Group's customers comprise direct shippers and freight forwarders located in Hong Kong, Taiwan and the PRC. During the Track Record Period, save as Orient Zen being one of our five largest customers during the Track Record Period, and a company previously owned by our executive Director Mr. HM Loy and which was subsequently acquired by our Group in March 2017, none of our Directors, their close associates or any Shareholder (who or which, to the knowledge of our Directors own more than 5% of the issued share capital of our Company as at the Latest Practicable Date) has any interest in any of the top five largest customers, all of which are Independent Third Parties. Some of our Group's customers during the Track Record Period are also our suppliers as they are freight forwarders whom our Group relied on for their freight forwarding and related logistics services.

We provide our customers with logistics services after understanding their unique requirements. Except for a two-year service agreement with one of our major customers for the provision of warehousing and related value-added services along with other logistics services, our Group does not have any long term contracts with our customers, or those which restrict the customers to use its services for specific durations or to fulfil a minimum volume of shipments over any duration. Our Group operates in a competitive industry, and the quotations to our customers contain terms and conditions which we believe to be in line with the industry practice.

The salient terms of the two-year service agreement with Customer E are set out below:

<i>Contractual period:</i>	Effective for two years until 28 February 2020, and subject to the extension clause.
<i>Termination:</i>	Any parties may unilaterally terminate the agreement due to reasons not attributed to any parties with a 90-day notice; or in case of breach of agreement by any parties.
<i>Payment:</i>	The price to be charged shall be in accordance with the price list agreed by all parties, and we shall not adjust the price within the contractual period even if the market price fluctuate.
<i>Special handling:</i>	It is provided that the customer shall provide us with all relevant information when the goods require special care.
<i>Monitoring:</i>	We shall provide no less than 20 CCTV security cameras and a connected video surveillance system for our customer to monitor the situation of its goods in our warehouses.
<i>Storage:</i>	We shall separate the goods from our customer from the rest, and clearly mark the name of our customer on all its boxes.

BUSINESS

We sell cargo space to direct shippers or other freight forwarders which act on behalf of their shipper customers. During the Track Record Period, we had maintained business relationship with approximately 223 customers among which 74 of them were recurring customers. For FY2016, FY2017 and FY2018, the number of our recurring customers amounted to approximately 53, 70 and 58 respectively, while the revenue attributable to these recurring customers amounted to approximately HK\$74.9 million, HK\$77.7 million and HK\$158.3 million respectively, representing 98.3%, 98.0% and 80.0% of our total revenue from rendering of services respectively. Our five largest customers during the Track Record Period are direct shippers or other freight forwarders which act on behalf of their shipper customers. We have maintained business relationship with our five largest customers for FY2018 for around four years on average and with our largest customer for the same period for more than three years. Our Directors confirm that none of our five largest customers during the Track Record Period are currently connected persons of our Company. In line with industry practice, we generally do not enter into any long-term agreement with our customers for our freight forwarding services and related logistics services. We generally do not have any specific agreement with our customers on liability for damage of goods during transit or storage. We are not liable for any damage or loss to our customers' goods unless such damage or loss is caused by our negligence. Where we are liable for the damage or loss to our customers' goods, claims against us from our customers are covered by the insurance policies we maintain. For details of our insurance coverage, please refer to the paragraph headed "Insurance" in this section. During the Track Record Period, we did not encounter any incident relating to liability for damage of goods of a material nature. For details of the agreements we enter into with our customers, please refer to the paragraph headed "Our services" in this section.

For FY2016, FY2017 and FY2018, our revenue from rendering of services attributable to our largest customer amounted to approximately HK\$30.8 million, HK\$24.9 million and HK\$50.1 million, respectively, representing 40.4%, 31.3% and 25.3% of our total revenue from rendering of services, respectively, while our revenue from rendering of services attributable to our five largest customers in aggregate amounted to approximately HK\$62.5 million, HK\$56.8 million and HK\$127.3 million, respectively, representing 81.9%, 71.5% and 64.3% of our total revenue from rendering of services, respectively. We believe that any concentration risk among our five largest customers are not significant given their respective contribution to our total revenue. We are, however, susceptible to counterparty risks and are liable for the cargo space we source from our suppliers if our customers fail to settle our invoices. For details of such risks, please refer to the section headed "Risk Factors – Risks relating to our business – We are susceptible to counterparty risks and are liable to pay for the cargo space we source from our suppliers if our customers fail to settle our invoices" in this prospectus.

The following table sets forth the basic information on our five largest customers during the Track Record Period:

Five largest customers for FY2016

Rank	Customer	Background	Scale of operation	Approximate years of business relationship with our Group as at the Latest Practicable Date	Typical credit period offered (days)	Method of settlement	Revenue contributed (HK\$'000)	Approximate % of our total revenue
1	Customer A/Supplier H	A supply chain operator which is a part of a multinational transport and logistics operator in France and provides freight forwarding services and supply chain management	It ranks as one of the top companies in Europe and the world. Its international reach includes a direct presence in 67 countries and a global network spanning over 120 countries with over 9,000 employees and 80,000 customers worldwide, and handles approximately 330,000 tons of air freight volumes. The total revenue of its group was approximately RMB29.7 billion for FY2017. The service scope of the mother company covers North America, Europe, Japan, the PRC and Taiwan. It is the manufacturing base of its mother company in the South China region of the PRC, where it has over 4,000 employees and a factory area of approximately 58,000 sq.m.	4	0-60	Bank transfer	30,821	40.4
2	Customer B	A wholly-owned subsidiary of a company listed on the Shanghai Stock Exchange, which main business involves the provision of design, material procurement, manufacturing, logistics, maintenance and other professional services. The business of its group covers five main categories of electronic products, i.e. communication products, computers and storage products, consumer electronics, and industrial products, etc.; whereas it focuses on the manufacturing of desktop motherboards and POS systems		4	20-45	Bank transfer	18,711	24.5
3	Customer C/Supplier C	A private company incorporated in Hong Kong which principally engages in the provision of air and sea freight forwarding services	Its service scope covers Hong Kong and Europe.	4	45	Cheque	5,918	7.8
4	Orient Zen ^(Note 1)	A wholly-owned subsidiary of our Group which principally engaged in the provision of air freight forwarding, consolidation and co-loading services	–	3	30	Cheque	3,665	4.8
5	Customer D/Supplier B	A company established in the PRC which primarily engages in the provision of aviation transportation and logistics services	Its service scope covers global destinations.	4	90	Bank transfer	3,387	4.4
Total:							62,502	81.9

Note 1: Orient Zen was acquired by Ever Metro in March 2017.

Five largest customers for FY2017

Five largest customers for FY2017

BUSINESS								
Rank	Customer	Background	Scale of operation	Approximate years of business relationship with our Group as at the Latest Practicable Date	Typical credit period offered (days)	Method of settlement	Revenue contributed (HK\$'000)	Approximate % of our total revenue
1	Customer A/Supplier H	A supply chain operator which is a part of a multinational transport and logistics operator in France and provides freight forwarding services and supply chain management	Refer to above.	4	0-60	Bank transfer	24,865	31.3
2	Customer E	A company listed on Taiwan Stock Exchange which principally engages in the production, processing and sale of information technology and electronic products, the primary product of which is motherboard	It has over 2,700 employees and generated a total revenue of approximately TWD59.9 million for FY2017. It has service sites in locations including Western Europe, Eastern Europe, the PRC, Northeast Asia, Australia, India, Middle East, North America and South America for the provision of after-sales and product consulting services. Its customers are from diversified sectors of wireless communication, computer and storage, consumer, industrial, and automotive electronics worldwide. Refer to above.	2	60	Bank transfer	12,559	15.8
3	Customer B	A wholly-owned subsidiary of a company listed on the Shanghai Stock Exchange, which main business involves the provision of design, material procurement, manufacturing, logistics, maintenance and other professional services. The business of its group covers five main categories of electronic products, i.e. communication products, computers and storage products, consumer electronics, and industrial products, etc.; whereas it focuses on the manufacturing of desktop motherboards and POS systems		4	20-45	Bank transfer	9,807	12.4
4	Customer F	A private company incorporated in Taiwan that primarily manufactures information technology and communication products	It produces products that are used in a broad range of applications, such as computers, communications, consumer electronics, automotive electronics, LED lighting, cloud computing, industrial automation as well as biotech and healthcare; with about 90,000 employees. Refer to above.	4	30-120	Bank transfer	5,033	6.3
5	Customer D/Supplier B	A company established in the PRC which primarily engages in the provision of aviation transportation and logistics services		4	90	Bank transfer	4,497	5.7
Total:							56,761	71.5

Five largest customers for FY2018

Five largest customers for FY2018

BUSINESS								
Rank	Customer	Background	Scale of operation	Approximate years of business relationship with our Group as at the Latest Practicable Date	Typical credit period offered (days)	Method of settlement	Revenue contributed (HK\$'000)	Approximate % of our total revenue
1	Customer A/ Supplier H	A supply chain operator which is a part of a multinational transport and logistics operator in France and provides freight forwarding services and supply chain management	Refer to above.	4	0-60	Bank transfer	50,052	25.3
2	Customer G	A private company incorporated in Hong Kong which primarily engages in the provision of transportation and logistics services. It is a wholly owned subsidiary of a family owned transportation and logistics company headquartered in Switzerland	Its service scope covers global destinations; with over 90 employees in its Hong Kong office.	6	45	Cheque	24,481	12.4
3	Customer K	A private company incorporated in Hong Kong which principally engages in the provision of air & ocean freight forwarding services, logistics and cross-border China trucking services	In addition to the three offices in Hong Kong, it operates seven offices in the PRC. It has 226 employees and it has an annual sales turnover of approximately HK\$745.0 million.	6	30	Bank transfer	20,934	10.6
4	Customer H	A private company incorporated in Hong Kong which principally engages in the provision of air freight services including co-loading services	Its service scope covers Southeast Asia and EU.	6	45	Cheque	16,059	8.1
5	Customer E	A company listed on Taiwan Stock Exchange which principally engages in the production, processing and sale of information technology and electronic products, the primary product of which is motherboard	Refer to above.	2	60	Bank transfer	15,769	7.9
Total							127,295	64.3

BUSINESS

For FY2016, FY2017 and FY2018, our revenue from rendering of services attributable to Customer A/Supplier H amounted to approximately HK\$30.8 million, HK\$24.9 million and HK\$50.1 million, respectively, representing approximately 40.4%, 31.3% and 25.3% of our total revenue from rendering of services, respectively, while our purchases attributable to Supplier H/Customer A amounted to approximately HK\$2.1 million, HK\$0.5 million and HK\$5.8 million, representing 3.3%, 0.9% and 3.7% of our total cost of services, respectively.

For FY2016, FY2017 and FY2018, our five largest customers in aggregate amounted to approximately 81.9%, 71.5% and 64.3% of our revenue, respectively. Our Directors are of the view that such customer concentration is not uncommon in the logistics industry in Hong Kong. Our Directors are of the view that, despite the customer concentration, our business model is sustainable based on the following factors:

- (i) some of our major customers had long-standing business relationship with us for in average three years and we would therefore try to accommodate their demands for our services as far as our resources allowed instead of turning them down; and
- (ii) the ranking and combination of our five largest customers for each of FY2016, FY2017 and FY2018 were substantially different. Our Directors consider that we did not place undue reliance on any particular customer throughout the Track Record Period for revenue recognition.

Our Directors are aware of the potential risk of customer concentration. As such, while we will continue to maintain our business relationship with our existing customers, we plan to further expand our client base and reduce the reliance on our major customers. For details of, our business strategies, please refer to the paragraph headed “Business strategies” in this section.

Credit policy

Our Group generally grants a credit period ranging from 0 to 90 days from the invoice date, but variation from this period may occur on a case-by-case basis depending on the following:

- customer’s background, reputation and credibility;
- customer’s payment history in the industry; and
- customer’s business relationship with our Group.

Our Group’s credit policy extends to services related to carrying cargo from point of origin to point of delivery, including freight arrangement, customs clearance fee, land transportation, and any other logistics related activities.

In order to collect overdue trade receivables, our Group’s account and finance department monitors material overdue payments closely. A weekly aging report showing the customers’ overdue amounts is prepared to follow up with the customers listed in the report. Follow-up actions to collect overdue trade receivables include, among others, communication with the relevant department of the customer responsible for processing payments. To discourage overdue trade receivables, our Group may also place the customer’s order on hold for any of the following reasons:

- customer’s credit line has exceeded the credit limit;
- customer’s payments are overdue or inconsistent;
- customer faces financial hardships or operational setback; and
- termination of business relationship with customer.

BUSINESS

As at 31 March 2016, 2017 and 2018, our Group recorded trade receivables of approximately HK\$14.0 million, HK\$26.2 million and HK\$38.6 million, respectively, of which HK\$13.2 million, HK\$16.0 million and HK\$29.2 million, respectively, had been past due but not impaired. In FY2018, a customer of us had defaulted the payment of its trade receivables. As the trade receivables was considered to be highly irrecoverable, as at 31 March 2018, a provision for impairment loss of approximately HK\$360,000 has been recognised. Other than that, we did not experience any material difficulty in debt collection during the Track Record Period.

Customer services

Our customer services and operation department handles customer general enquiries, complaints and feedback. Potential customers mainly come into contact with us through referrals by our existing customers or through making general enquiries. During the Track Record Period, we did not receive any complaint or claim for damages of a material nature from our customers.

Our Directors are of the view that good customer service is integral to our reputation in the logistics industry and to customer loyalty. We make sales calls to potential customers through our sales and marketing department and handle customer general enquiries, service bookings, complaints and feedback, and provides daily updates to customers on their shipments through our customer services staff. Our sales and marketing department participates in the process of assessing whether to accept a new customer. Other than getting the sales and marketing department employees to approach potential customers, our Group's new customers are usually referred to our Group by existing customers and overseas freight forwarders.

Upon receipt of enquiry for our Group's services, the sales and marketing department employees will discuss with the potential customers to understand their service requirements. Our Group endeavours to work out the optimal way to support the customers with the aim to establish long-term relationships with them. In order to evaluate potential customers and to comply with internal control risk management process, our Group also places emphasis in carrying out background checks on potential customers. For example, our Group will request potential customers for relevant documents to understand their financial position, customers and ownership background.

The operation department monitors bookings and update the customers on their shipment.

As at the Latest Practicable Date, our Group had three employees in the sales and marketing department. Our Directors confirmed that our Group had not experienced any material complaints from our customers and did not have any disputes with them during the Track Record Period.

SUPPLIERS

We purchase cargo space from airlines' GSAs, shipping liners and other freight forwarders and we generally do not enter into any long-term agreement with our suppliers. During the Track Record Period, save as Orient Zen being one of our five largest suppliers during the Track Record Period, and a company previously owned by our executive Director, Mr. HM Loy and which was subsequently acquired by our Group in March 2017, none of our Directors, their close associates or any Shareholder (who or which, to the knowledge of our Directors own more than 5% of the issued share capital of our Company as at the Latest Practicable Date) has any interest in any of the top five largest supplier, all of which are Independent Third Parties. During the Track Record Period, we had maintained business relationship with over 230 suppliers. We have maintained business relationship with our five largest suppliers for FY2018 for around 4 years on average and with our largest supplier for the same period for more than six years. Our Directors have confirmed that none of our five largest suppliers during the Track Record Period are connected persons of our Company.

For FY2016, FY2017 and FY2018, our purchases attributable to our largest supplier amounted to approximately HK\$16.1 million, HK\$7.7 million and HK\$19.0 million, respectively, while our purchases attributable to our five largest suppliers in aggregate amounted to approximately HK\$40.1

BUSINESS

million, HK\$25.2 million and HK\$61.0 million, respectively. We believe that any concentration risk among our five largest suppliers is not significant given their respective contribution to our total cost of services. None of our Directors, their close associates, or any Shareholder has any interest in any of our five largest suppliers during the Track Record Period.

The following table sets forth the basic information on our five largest suppliers during the Track Record Period:

Five largest suppliers for FY2016

Rank	Supplier	Background	Approximate years of business relationship with our Group as at the Latest Practicable Date	Typical credit period offered (days)	Method of settlement	Cost of services (HK\$'000)	Approximate % of our total cost of services
1	Supplier A	A private company incorporated in Hong Kong which principally engaged in the provision of logistics services	4	30-45	Cheque	16,142	26.0
2	Orient Zen ^(Note)	A wholly-owned subsidiary of our Group	3	30	Cheque	9,871	15.9
3	Supplier B/Customer D	A company established in the PRC which primarily engaged in the provision of air and sea freight services	4	90	Bank transfer	6,116	9.9
4	Supplier D	A subsidiary of a company listed on Shanghai Stock Exchange which primarily engaged in the provision of ocean freight services	4	30	Bank transfer	4,509	7.3
5	Supplier C/Customer C	A private company incorporated in Hong Kong which principally engaged in the provision of air freight services	4	45	Cheque	3,467	5.6
Total:						40,105	64.7

Note: Orient Zen was acquired by Ever Metro in March 2017.

BUSINESS

Five largest suppliers for FY2017

Rank	Supplier	Background	Approximate years of business relationship with our Group as at the Latest Practicable Date	Typical credit period offered (days)	Method of settlement	Cost of services (HK\$'000)	Approximate % of our total cost of services
1	Orient Zen ^(Note)	A wholly-owned subsidiary of our Group	3	30	Cheque	7,693	13.5
2	Supplier A	A private company incorporated in Hong Kong which principally engaged in the provision of logistics services	4	30-45	Cheque	5,914	10.4
3	Supplier D	A subsidiary of a company listed on Shanghai Stock Exchange which primarily engaged in the provision of ocean freight services	4	30	Bank transfer	5,779	10.1
4	Supplier C/Customer C	A private company incorporated in Hong Kong which principally engaged in the provision of air freight services	4	45	Cheque	3,429	6.0
5	Supplier B/Customer D	A company established in the PRC which primarily engaged in the provision of air and sea freight services	4	90	Bank transfer	2,349	4.1
Total:						<u>25,164</u>	<u>44.1</u>

Note: Orient Zen was acquired by Ever Metro in March 2017.

BUSINESS

Five largest suppliers for FY2018

Rank	Supplier	Background	Approximate years of business relationship with our Group as at the Latest Practicable Date	Typical credit period offered (days)	Method of settlement	Cost of services (HK\$'000)	Approximate % of our total cost of services
1	Supplier E	A private company incorporated in Hong Kong which principally engaged in the provision of logistics services	6	45-60	Cheque	18,954	12.2
2	Supplier C/Customer C	A private company incorporated in Hong Kong which principally engaged in the provision of air freight services	4	45	Cheque	14,034	9.1
3	Supplier F	A private company incorporated in Hong Kong which principally engaged in the provision of freight forwarding services	1	45	Cheque	10,613	6.8
4	Supplier G	A private company incorporated in Hong Kong which principally engaged in the provision of freight forwarding and warehousing services	6	45-60	Cheque	8,699	5.6
5	Supplier A	A private company incorporated in Hong Kong which principally engaged in the provision of logistics services	4	30-45	Cheque	8,659	5.6
Total:						<u>60,959</u>	<u>39.3</u>

Our major customers which were also our major suppliers

During the Track Record Period, to the best knowledge and belief of our Directors, a total of 11, 15 and 40 of our customers were also our suppliers for FY2016, FY2017 and FY2018, respectively. Among which, Orient Zen, Customer A/Supplier H, Customer D/Supplier B, and Customer C/Supplier C, have been our top five customers, as well as our top five suppliers during the Track Record Period. Since we purchase some of our supply of cargo space from other freight forwarders, and we sell cargo space to freight forwarders in the process of consolidation and co-loading, some of our suppliers and customers may overlap.

According to the F&S Report, smaller players in the air freight transport market tend to develop their flight network regionally and focus on specific markets with stable client base. It is an industrial norm that freight forwarders serve their own particular group of clients which mainly deliver goods to certain destinations; for destinations out of their usual network, they will subcontract the service to other freight forwarders which specialised in the operation of the required routes. It is further stated in the F&S Report that since co-loading enables freight forwarders to reduce transportation time and cost, it is highly common for the freight forwarders to consolidate the shipments with other market practitioners. And therefore, it is an industry norm to have dual role customers in the freight forwarding industry. Our Directors are also of the view that, since each freight forwarder has its own clientele and concentrates on particular routes, the cost of engaging other freight forwarders will be lower than initiating a new route, the business relationship among freight forwarders is more of a network of alliance than competition. Therefore, there were major customers which were also our major suppliers. The purchase prices of cargo space are usually settled by cheque payments. During the Track Record period, we did not receive any complaint of a material nature from our suppliers.

For FY2016, FY2017 and FY2018, the total revenue attributable to Orient Zen, Customer A/Supplier H, Customer D/Supplier B, and Customer C/Supplier C amounted to approximately HK\$43.8 million, HK\$35.2 million, and HK\$52.5 million, respectively, representing 57.4%, 44.4%, and 26.5% of our total revenue, respectively; the total purchases attributable to these customers and suppliers amounted to approximately HK\$21.5 million, HK\$14.0 million, and HK\$22.3 million, respectively, representing 34.7%, 24.6%, and 14.4% of our total cost of services, respectively. During the Track Record Period, we generated revenue and incurred cost of services from the abovementioned major customers and suppliers in the sales and purchase of cargo space in the process of consolidation and co-loading.

Orient Zen

For FY2016 and FY2017^(Note), our revenue attributable to Orient Zen amounted to approximately HK\$3.7 million, and HK\$2.3 million, respectively, representing approximately 4.8% and 2.9% of our total revenue, respectively; our cost of services attributable to Orient Zen amounted to approximately HK\$9.9 million, and HK\$7.7 million, respectively, representing approximately 15.9% and 13.5% of our total cost of services, respectively.

Note: Orient Zen was acquired by Ever Metro in March 2017 and became part of our Group.

Customer A/Supplier H

For FY2016, FY2017 and FY2018, our revenue attributable to Customer A/Supplier H amounted to approximately HK\$30.8 million, HK\$24.9 million, and HK\$50.1 million, respectively, representing approximately 40.4%, 31.3% and 25.3% of our total revenue, respectively; our cost of services attributable to Customer A/Supplier H amounted to approximately HK\$2.1 million, HK\$0.5 million, and HK\$5.8 million, respectively, representing approximately 3.3%, 0.9% and 3.7% of our total cost of services, respectively.

BUSINESS

Customer D/Supplier B

For FY2016, FY2017 and FY2018, our revenue attributable to Customer D/Supplier B amounted to approximately HK\$3.4 million, HK\$4.5 million, and HK\$2.0 million, respectively, representing approximately 4.4%, 5.7% and 1.0% of our total revenue, respectively; our cost of services attributable to Customer D/Supplier B amounted to approximately HK\$6.1 million, HK\$2.3 million, and HK\$2.5 million, respectively, representing approximately 9.9%, 4.1% and 1.6% of our total cost of services, respectively.

Customer C/Supplier C

For FY2016, FY2017 and FY2018, our revenue attributable to Customer C/Supplier C amounted to approximately HK\$5.9 million, HK\$3.5 million, and HK\$0.4 million, respectively, representing approximately 7.8%, 4.4% and 0.2% of our total revenue, respectively; our cost of services attributable to Customer C/Supplier C amounted to approximately HK\$3.5 million, HK\$3.4 million, and HK\$14.0 million, respectively, representing approximately 5.6%, 6.0% and 9.1% of our total cost of services, respectively.

Our Directors confirmed that the negotiations of the terms of our sales to and purchases from our customers and suppliers were conducted based on arms-length negotiation; and the sale and purchase were independent of and not inter-conditional with each other. Therefore, none of the revenue generated from or the cost of services incurred from all our overlapping customers and suppliers were arisen from the same transaction or contained the same substance. Our Directors further confirmed that the arrangements and terms of transactions with these companies were in line with the market and similar to those transactions with our other customers and suppliers.

MARKET AND COMPETITION

Market

We operate in the logistics industry. Logistics industry covers the provision of services of planning, implementing and controlling the movement and storage of goods (including raw materials, goods in progress and finished goods), and processing the related information from the point of origin to the point of consumption. Major activities within the industry include freight transport, freight forwarding, storage and courier services.

The logistics industry in Hong Kong developed early and reached a relatively mature status with strong infrastructure and well-established systems. The industry has served as one of the driving forces of Hong Kong's economic growth for years. Nowadays, it is expected that service providers which are capable of integrating different modules of services and playing multi-fold roles within the industry are becoming increasingly competitive and preferred.

Competition

The market we operate in is highly fragmented and can be segmented based on major industry grouping, with key groups including air cargo forwarding services, freight transportation, courier activities, warehousing and storage, and other logistics services, which typically include midstream operation and container back-up activities, service activities incidental to freight transportations, packing and crating services, cargo inspection, sampling and weighing services, and others. The industry has been seeing forwarders in the industry responding to market needs by providing more value-added services. Leading players are becoming more capable of offering a full range of transportation and logistics services to the customers.

BUSINESS

The key success factors in the industry include (a) maintaining reputation; (b) developing a strong and extensive network; (c) strong capital support; and (d) possessing operational experience and management capability. For details of the market in which we operate and the competition we face, please refer to the section headed “Industry Overview” in this prospectus.

QUALITY MANAGEMENT

Our Group considers our ability to uphold the quality of our freight forwarding and related logistics services and warehousing and related value-added services as crucial to our long term growth, and counts this ability as one of our competitive advantages in the industry.

Our customers are required to state in an advance shipping notice or other relevant shipping documents the nature of the goods to be handled by us. Our operation department then scrutinises the list provided by the customers to identify if any goods listed would require any special care. Further, upon receipt of the customer’s goods, our operation department will verify the shipping marks against the advance shipping notice and other relevant shipping documents to confirm the nature of the goods. If a discrepancy is found between the marks and the shipping document, our operation department will suspend the order and report to the operations manager who will investigate the discrepancy.

Our Group’s warehousing staff is also responsible for the following:

- formulating and implementing systematic quality management policies and standard operating procedures for our Group’s operational processes in order to maximise the overall quality consistency of our services;
- overseeing compliance of the quality management policies and procedures by different teams and departments of our Group; and
- carrying out internal reviews and management meetings to identify areas for improvements.

To maintain the market competitiveness of our staff, we require our staff to attend trainings and workshops organised by external parties and us.

During the Track Record Period and up to the Latest Practicable Date, there was no incident of failure of our Group’s quality management which had a material impact on our business operations.

INFORMATION TECHNOLOGY

We rely on information technology to maintain our electronic system and database in the course of our business operations. We pride ourselves in our ability to provide in-house customised electronic systems and a user-friendly interface for our customers to log in to our system and check information of their freight bookings or cargo information 24 hours a day. During the Track Record Period and up to the Latest Practicable Date, we did not experience any failure in our information system which caused material disruptions to our business operations.

Freight operations system

We adopt information technology systems for our internal management, where we key-in the job code into the system, so that we can come up with the best solution for our customers efficiently. For goods which require special handling, we put in-house labels on the packages, which will help us electronically record the status of a particular package. Our system allows our staff to review details of our cargo space bookings, and related information such as (a) shipper; (b) consignee; (c) carrier; (d) destination; (e) estimated time of arrival; (f) handling date; (g) volume of goods handled in terms of kg or cbm; and (h) number of packages so as to have live update 24 hours a day of any change in the above information.

Warehouse management system

Labels on packages are generally provided by our customer, in which data of the goods in our warehouses are electronically recorded. We then insert the data into our self-developed warehouse management and goods tracking system, which provides instant information of the goods, such as (a) the date and time a particular batch of goods is delivered to our warehouses; (b) the cbm of each unit of goods; (c) the gross weight of each unit of goods; (d) the dimensions of each unit of goods; (e) the quantity of goods that is being processed by us; (f) the current location of the goods. Our customers are able to receive such information easily via any electronic devices.

We are, however, susceptible to risk relating to failure of our electronic system and database. For details of such risk, please refer to the section headed “Risk Factors – Our business is highly dependent on information technology” in this prospectus.

Further, we have an internal manual in relation to backups, activities logging, virus control and contingency measures. Repeatable functions such as backups and system monitoring are managed by our staff and external information technology personnel. We implement firewalls to secure internal networks. We believe that by maintaining such information technology control, we are able to minimise the risk of system failure during the course of our business operations and provide a secure and efficient electronic data exchange environment. We will continue to improve our information technology system in order to serve a wider customer base in response to the growth in our business in the long run.

INSURANCE

Our insurance policies as at the Latest Practicable Date are as follows:

- (i) Work injury compensation policies, as required under the Employees’ Compensation, and are renewed annually; and
- (ii) Burglary, flood and fire insurance that covers loss or damage to our office furniture, fixtures and fittings and office equipment due to a burglary or flood or fire.

Our suppliers maintain various insurance policies which cover the goods and containers being transported via their vessels. We are not liable for any damage or loss to our customers’ goods unless such damage or loss is caused by our negligence. Where we are liable for the damage or loss to our customers’ goods, claims against us from our customers are covered by the insurance policies we maintain as described above. Our business is, however, susceptible to risks arising from losses we sustain during the course of our business operations and we cannot assure you that the insurance policies we have taken out are always able to cover all losses we sustain. In the case of an uninsured loss or a loss in excess of insured limits, including those caused by natural disasters and other events beyond our control, we may be required to pay for losses, damages and liabilities out of our own funds. For details of such risks, please refer to the section headed “Risks Factors – We cannot assure that the insurance policies we have taken out are always able to cover all losses we sustain during the course of our business operations” in this prospectus. We believe that the insurance coverage we currently have is in line with relevant industry standards and is adequate for us to conduct normal business operations. During the Track Record Period, we had not experienced any material claim from third party nor did we make any material insurance claim in the course of our operations.

BUSINESS

HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

We place a strong emphasis on occupational safety of our staff. During the course of our business operations, our staff working at our warehouses are required to lift heavy objects and handle heavy mechanical equipment. Our staff working at our warehouses are provided with staff instructions manuals and supervision on-site to ensure their safety and health at work. Our staff manuals generally provide details of the operating procedures at our warehouses such as (a) inspection; (b) documentation; (c) labelling; (d) electronic data recording; (e) handling of motor vehicles; and (f) work safety. During the Track Record Period and as at the Latest Practicable Date, except for the employee's compensation claim and personal (fatal) injuries claim arising from the same incident of Fu Yo, there were no material accidents nor claims for personal or property damage. There were also no interruptions in our business which may or have had a significant effect on our financial position during the Track Record Period and up to the Latest Practicable Date. For details of the incident, please refer to the paragraph headed "Compliance" in this section.

INTELLECTUAL PROPERTY

Our trademark and domain name distinguish our brand from those of our competitors. We rely on a combination of trademark law and confidentiality agreements with our employees and business partners to protect our business and intellectual property rights. As at the Latest Practicable Date, we had applied for registration one trademark and have registered one domain name that are, in the opinion of our Directors, material to our business. For further details of our intellectual property rights, please refer to the paragraph headed "B. Further information about the business of our Group – 2. Intellectual property rights" in Appendix IV to this prospectus.

During the Track Record Period and up to the Latest Practicable Date, there had been no material dispute or infringement of our trademarks by third party, nor had we infringed any trademark owned by third party.

EMPLOYEES

As at the Latest Practicable Date, we had a total of 41 employees in Hong Kong. The following table sets forth a breakdown of our employees by function for the indicated periods during the Track Record Period and as at the Latest Practicable Date:

Function

	2016	As at 31 March 2017	2018	As at the Latest Practicable Date
Key management	1	2	3	3
Accounting and finance department	2	3	7	7
Sales and marketing department	2	3	3	3
Operation department	18	16	29	28
Total	23	24	42	41

Please refer to the section headed "Directors and Senior Management" in this prospectus for further details of our Group's employees.

Relationship with our employees

Our Directors considers that our employees play a pivotal role in our continuous growth. It is our policy to maximise the potential of our employees through training and development. Our staff will attend vocational training programmes covering various aspects of our industry to keep abreast of the latest industry development. Our employee training and development aim at equipping our employees with the knowledge and skills necessary to perform their job functions and enhance their capability.

We do not engage any recruitment agent to hire our staff. We have a recruitment policy in place to maintain a fair and effective recruitment procedure. Under such policy, we normally recruit employees with the appropriate skills, both technical and personal, in order to meet our current and future needs and to ensure that the employees appointed are qualified and competent to carry out the duties. We have always maintained a good working relationship with our employees. As at the Latest Practicable Date, none of our employees had any labour dispute or claim involving and against us.

Employee remuneration and benefits

We generally remunerate our employees with a fixed salary and a discretionary bonus based on our Group's performance. Our employees are also entitled to participate in the Share Option Scheme, the principal terms of which are set out in the paragraph headed "D. Share Option Scheme" in Appendix IV to this prospectus.

We have made defined contribution to the mandatory provident fund as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for our eligible employees in Hong Kong. We have also taken out employees' compensation insurance for our employees in Hong Kong in compliance with the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) to cover compensation and costs which our Group may be liable for personal injuries of our employees in Hong Kong in the course of employment with us.

Recruitment and remuneration

Our Group recognises that our success in the freight forwarding and related logistics services industry is dependent on our employees. Our Group recruits our employees based on their industry experience and interpersonal skills.

Our Group generally pays our employees a fixed salary and a discretionary performance based bonus. For FY2016, FY2017 and FY2018, our Group's staff costs, including Directors' emoluments, were approximately HK\$4.1 million, HK\$6.2 million and HK\$11.6 million, respectively.

In order to attract and retain valuable employees, our Group reviews the performance of our employees and such review results will be taken into account during the annual salary review and promotion appraisal period.

BUSINESS

Training

Our Group values our employees as human capital and invest resources to educate and maintain their standards so that they can make a greater contribution to our Group's success.

Employees are provided with appropriate training to enhance their capability. Our Group provides both internal and external training regarding the basic logistics knowledge, relevant regulations, internal quality audit and other useful topics. For new hires, our Group provides an induction training programme followed by on-the-job training during their three-month probation period, and continually monitors their progress throughout the probation period.

PROPERTIES

Our Group does not own any property. As at the Latest Practicable Date, we leased the following properties^(Note 1):

Location	Approximate gross floor area (sq.ft.)	Lessee	Key terms of the tenancy	Permitted usage
Unit 609, 6/F, Hutchison Logistics Centre, Terminal 4, Kwai Chung Container Port, 18 Container Port Road South, Kwai Chung, New Territories, Hong Kong (the "HLC Warehouse")	33,856 (Note 2)	Ever Metro	Monthly rental: HK\$462,000 Tenure: 3 July 2018 – 2 July 2021	Industrial
Office Tower Units 901-902, Hutchison Logistics Centre, Terminal 4, Kwai Chung Container Port, 18 Container Port Road South, Kwai Chung, New Territories, Hong Kong (the "HLC Office")	5,503	Ever Metro	Monthly rental: HK\$55,000 Tenure: 3 July 2018 – 2 July 2021	Office

Note 1: Previously, we leased our Previous Warehouses under Fu Yo. Upon the expiration of the tenancy term on 14 August 2018, we have relocated our offices and warehouses to our HLC Office and HLC Warehouse.

Note 2: Among the total gross area of approximately 33,856 sq.ft, approximately 22,885 sq.ft is used as storage area, approximately 4,765 sq.ft is used as co-loading/consolidation area, approximately 2,250 sq.ft is used as checking and stocking area, approximately 1,235 sq.ft is used as registration office and staff lounge area, and approximately 2,721 sq.ft is used as loading/unloading area.

BUSINESS

Location	Approximate gross floor area (sq.ft.)	Lessee	Key terms of the tenancy	Permitted usage
Inspection Centre A5, 11/F, TML Tower, 3 Hoi Shing Road Tsuen Wan New Territories (the “TML Inspection Centre”)	1,911	Union Air	Monthly rental: HK\$33,800 Tenure: 1 April 2016 – 30 September 2017 Monthly rental: HK\$35,500 Tenure: 1 October 2017 – 30 September 2018 Monthly rental: HK\$39,000 Tenure: 1 October 2018 – 31 March 2019	Industrial
Workshop Unit 2, 4/F, Trans Asia Centre, 18 Kin Hong Street Kwai Chung New Territories (the “Trans Asia Workshop”)	1,138	Orient Zen	Monthly rental: HK\$11,800 Tenure: 16 April 2016 – 15 April 2017 Monthly rental: HK\$12,600 Tenure: 16 April 2017 – 15 April 2018 Monthly rental: HK\$13,600 Tenure: 16 April 2018 – 15 December 2018	Industrial

COMPLIANCE

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, there was no non-compliance incident which is of material impact or systemic. Our Directors also confirmed that during the Track Record Period and up to the Latest Practicable Date, our Group has obtained all the approvals, permits, consents, licences and registrations required for our business and operations in Hong Kong and all of them are in force.

LITIGATION AND CLAIMS

As at the Latest Practicable Date, there was one pending litigation case that involved our Group as a claimant.

Between March and May 2018, our Group provided air freight and warehousing services to one of our customers (the “Customer”). In March 2018 and May 2018, our Group reminded the Customer to pay us the unpaid service fee due but the Customer failed to do so. As at 31 May 2018, the amount of air freight and warehousing service fee owed to us by the Customer amounted to approximately HK\$1.2 million. On 6 June 2018, our Group sent a demand letter for payment to the Customer, but we did not receive any reply. Accordingly, on 15 June 2018, our Group filed a writ of summons against the Customer at the High Court of Hong Kong, claiming the unpaid air freight and warehousing services fees with interest of approximately HK\$1.2 million. On 6 August 2018, the Court granted a final judgment in favour of the Group; pursuant to the side judgment, the Customer is liable to pay Orient Zen (a) a sum of HK\$1,122,830, (b) interest and (c) another sum of HK\$11,045 for costs. Allowance for doubtful debt of HK\$360,000 is recognised in FY2018 and allowance for the remaining balance of HK\$840,000 will be recognised in FY2019.

BUSINESS

During the Track Record Period and up to the Latest Practicable Date, we (i) lost an appeal against an unsafe and insecure conviction (penalty of which was duly settled, for details please see below table) and (ii) settled an employee's compensation claim, both arising from a fatal accident which occurred on 16 May 2016. Set out below are the details of the appeal and the claim:

Nature of Claim	Case Number	Date of Judgment	Name of Appellant	Name of Respondent	Cause	Amount Settled/ Remedy Taken	Insurance Coverage	Status
(1) On appeal from WKS 1568/2016 <i>(Note)</i>	HCMA 250/2017 (the "Appeal Case")	9 February 2018	Fu Yo	HKSAR	<p>Appeal against unsafe and insecure conviction</p> <p>The grounds of appeal are that the trial judge:</p> <p>(1) wrongfully rejected that the warehouse manager of the Defendant had provided operation procedures and guidance to the deceased employee;</p> <p>(2) wrongfully rejected the evidence given by the expert witness; and</p> <p>(3) wrongfully accepted that the Appellant did not provide information, instructions, training and supervision as required by law to ensure the safety and health of the deceased employee.</p>	<p>The penalty imposed in the sum of HK\$20,000 at the trial will remain and no extra penalty was imposed on Fu Yo.</p>	<p>The Appeal Case is fully covered by insurance as the limit of indemnity is HK\$100,000,000 for any single event.</p>	<p>The penalty imposed in the sum of HK\$20,000 was settled on 26 April 2017 and the Appeal Case was ruled in favour of the respondent.</p>

Note: The Appeal Case arose from an appeal against conviction from the case of WKS 1568/2016, where Fu Yo was alleged of failing to comply with Sections 6(1), 6(2)(c) and 6(3) of the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), namely that Fu Yo failed to provide information, instruction, training and supervision as might be necessary to ensure the safety and health at work of employee(s) and was convicted. A fine of HK\$20,000 was imposed on Fu Yo on 25 April 2017 and the fine had been duly paid on 26 April 2017.

(2) Employee's compensation claim	DCEC 772/2017	19 May 2017	Fu Yo	Leung Ka Shuen Carson, a minor represented by his mother Tjhin Nji On	<p>Death as a result of an accident arising out of and in the course of employment.</p> <p>Refer to the paragraph below for details</p>	HK\$1,005,739	<p>The employee's compensation claim in the sum of HK\$929,520 is fully covered by insurance, as the limit of indemnity is HK\$100,000,000 for any one event.</p>	<p>Settled by paying employee's compensation in the sum of HK\$929,520 and funeral expenses pursuant to Form 25 issued by the Labour Department in the sum of HK\$76,219.</p>
-----------------------------------	---------------	-------------	-------	---	---	---------------	---	---

BUSINESS

The abovementioned settled litigation and claim relate to the accident which took place at our Previous Warehouses in Kwai Chung on 16 May 2016 (the “**Accident**”). Our worker, Mr. Leung Kin Lun (梁健倫) (“**Mr. Leung**”), was employed as a warehouse worker responsible for logistics operation at the warehouse. On the particular day, Mr. Leung was assigned to load the goods into a lorry. Before starting the loading work, Mr. Leung got onto the compartment of the lorry to see whether there was enough space inside the lorry for the goods to be loaded. During the work, Mr. Leung was standing at the edge of the tail lift platform and asked a fork lift operator to load the goods onto the tail lift platform. In the meantime, Mr. Leung made a false step and fell down from the tail lift platform onto the ground for about 1.2m. Subsequently, Mr. Leung was sent to hospital and passed away after two days. Our Directors were advised that the cause of death was contusion of the head as stated in the respective autopsy report.

Apart from the employee’s compensation claim set out above, personal injury claim under common law within the limitation period of three years from the date of the relevant incident may be instituted. As no potential claim has been filed yet, we are not in a position to assess the likely amount of the potential claim. Our Directors confirm that our Group has insurance coverage for its liabilities resulting from the aforementioned incident and notice of such incident has been given to the insurers as at the Latest Practicable Date and therefore are of the view that such claim as disclosed above has no material and adverse impact on the operational or financial position or business of our Group. The employee’s compensation claim was caused during usual and ordinary course of our business and have not caused disruption to our Group’s business or have an adverse impact on our Group to obtain any licenses or permits for our operation.

During the Track Record Period and up to the Latest Practicable Date, our Group is required under the Employees’ Compensation Ordinance to take out and had taken out a compulsory insurance policy in Hong Kong for an amount of no less than HK\$100 million per accident. Therefore, all such employees’ compensation claims and personal injury claims are expected to be fully covered by the insurance policies maintained by our Group. For details, please refer to the paragraph headed “Insurance” in this section.

Our Directors are of the view that in order to prevent similar incidents from occurring in the future, our workers shall conduct risk assessment of loading and unloading operation which involved the use of tail lift platform. Furthermore, we have engaged internal control advisors in the assistance of the establishment of policies and procedures for the health and safety management. Our Group has enhanced our safety policy in light of the Accident occurred on 16 May 2016 by implementing employee safety guidelines, namely (i) no workers at the warehouses should carry out any works without first discussing the working procedures with warehouse manager; (ii) workers should pay attention to his surroundings environment whilst operating machinery; (iii) if the works involve working at height or would incur considerable safety risks, workers should use necessary protective equipments, such as safety shoes and safety helmets; (iv) workers should immediately inform their direct supervisor in the event of any accidents or injuries; (v) conditions where the workers should not approach to the edges of the tail lift; and (vi) under any circumstances, workers in the warehouses should take care of their own safety and should not remain in hazardous areas.

As at 7 November 2017, our internal control advisor was satisfied that the policy and procedures governing the health and safety management had been established and implemented, and the remediation work had been completed. After the abovementioned accident, there had not been any accidents regarding employees’ safety. Our Directors therefore take the view that our Group has adequate and effective measures to prevent the recurrence of similar accidents in the future. According to the F&S Report, the Group only recorded a higher accident rate than the industry in 2016 due to the abovementioned Accident. For 2016, the Group recorded an accident rate of 27.8 per 1000 workers, which was higher than the industry’s accident rate of 17.1 per 1000 workers. To the best knowledge of our Directors, no reportable accidents had occurred during our business operation in 2017 and 2018, and we have successfully achieved zero accident rate for both years.

Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, no member of our Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to our Directors to be pending or threatened against any member of our Group.

RISK MANAGEMENT

Our Directors believe that effective risk management is critical to our business. We are exposed to various types of risks during the course of our business operation. Key operational risks we face include (a) absence of long-term agreements with our customers for purchases of cargo space; (b) detrimental changes to our business relationship with our major suppliers; (c) customer counterparty risk; (d) inability to pass on the increase in purchase costs to our customers; (e) disruptions in the business activities of our suppliers and customers; (f) inability to source cargo space to meet our customers' demand; (g) ineffective consolidation of cargo space; (h) customer concentration risk; (i) additional risks we face when implementing our expansion plans; (j) seasonal fluctuations; (k) loss of management and experienced personnel; (l) inability to obtain finance; (m) poor service quality of our business partners; (n) failure of our electronic system; and (o) potential claims from third parties.

In addition, we also face market risks. In particular, we are exposed to currency, interest rate, credit and liquidity risks that arise in the normal course of our business operations.

In order to practise effective risk management, we have in place or are in the course of adopting the following measures:

- (a) leveraging on our stable relationship with our existing suppliers and customers and reputation within the industry, we will continue to diversify our customer base and supplier network in order to protect our Group against the operational risks involving our customers and suppliers during the course of our business and alleviate the impact of seasonal fluctuations on our operations;
- (b) where it is commercially beneficial to our Group, we actively explore opportunities to enter into various types of agreements in order to diversify our supplier network and portfolio of routes, and to secure a stable source of air cargo spaces at favourable prices;
- (c) we regularly assess the credit rating of our customers and when necessary make amendments to their credit period, credit limit, and bank and cash guarantees requirements in accordance with our assessment to minimise the risk of customer default and will only grant credit terms to customers after they have maintained a sound track record and pass our credit check;
- (d) our management will continue to closely monitor the change of price of cargo space in the market and frequently compare the purchase costs of the cargo spaces we source from our suppliers against the prevailing market rates in order to ensure the prices of the pre-orders we make (i.e. under our block space arrangements) are able to allow us to source air cargo space at favourable prices;
- (e) our Board is responsible for the overall evaluation and determination of the nature and extent of the risks our Board is willing to take in achieving our strategic objectives, any significant decision in implementing our strategic plans and objectives will be subject to review, discussion and approval at our Board level to ensure that the risks associated with our business plans and strategies are subject to thorough examination by our Board;
- (f) we will constantly review the salary and remuneration packages of our management and employees to ensure that the packages we offer are competitive to retain experienced personnel and at the same time in line with the business and development of our Group;
- (g) our management will closely monitor the liquidity and financial position of our Group to ensure that our Group maintains a sound financial position; where desirable, our management will consider obtaining finance to fund the operations of our Group and implement our future plans to achieve our strategic objectives;

BUSINESS

- (h) we engage subcontractors in our local delivery services; besides closely monitoring the performance and service quality of our business partners to ensure that they meet the requirements and standards of our customers, we target to develop our trucking fleet to enhance the scope of logistics services we can provide, and thereby minimising the impact on our business operations should any of our business partners provide substandard services to our customers;
- (i) we maintain comprehensive information technology control to minimise the risk of system failure;
- (j) we maintain insurance coverage in line with customary practice in the industry for businesses of our size and nature to ensure that we are adequately protected against third party claims; and
- (k) establishment of an audit committee to review and supervise our financial reporting process and internal control system.

Our Directors believe that by having the above measures in place and by closely monitoring the effectiveness of these measures, our Group will be able to minimise the impact of the risks we are exposed to during the course of our business operations.

INTERNAL CONTROL

We endeavor to maintain sound and effective internal control system to safeguard Shareholders' value and our assets. In preparing for the Listing and efforts to improve our internal control system, in July 2017, we engaged an independent internal control consultant (the “**IC Consultant**”) to perform evaluation of the adequacy and effectiveness of our Group's internal control system, covering areas such as management, financial reporting and information technology, operation, corporate governance, compliance and risks management.

The IC Consultant performed an internal control review in August 2017. Upon completion of such review, the IC Consultant identified certain findings in relation to our internal control policies and procedures, and the details of the major findings and recommendations provided by the IC Consultant are set out below:

Internal control review findings	Recommendations	Adoption
1. Our Group did not establish a period-end financial closing checklist for identifying and processing both routine and non-routine events	Our Group should develop regular period-end closing procedures for routine and non-routine transactions.	Completed
2. Our Group did not establish policies and procedures for the general computer controls management processes	Our Group should document for all key general computer controls processes.	Completed
3. Our Group did not conduct formal performances evaluation of employees on a regular basis	Our Group should conduct regular employee performance evaluation at least annually and document the evaluation result.	Completed
4. Our Group did not develop written job descriptions for all key management positions	Our Group should develop descriptions specifying the authority, roles and responsibilities, required competencies and reporting lines.	Completed

BUSINESS

	Internal control review findings	Recommendations	Adoption
5.	Our Group did not establish communication policies and procedures with outsiders and shareholders	Our Group should develop formal communication policies and procedures.	Completed
6.	Our Group did not establish written policies and procedures in governing the health and safety management processes	Our Group should establish policies and procedures in governing the health and safety management processes, including but not limited to accident prevention; fire precaution, workplace environment control; hygiene at workplaces; first aid; and manual handling operation.	Completed

We have begun the implementation of the recommended measures suggested by the IC Consultant. The IC Consultant has also performed follow-up reviews in August 2017 and September 2017 to understand the status of our implementation of the recommended measures. Our Directors are of the view that we have satisfactorily implemented all the recommended measures based on its follow-up reviews.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our combined financial information and notes thereto set forth in the Accountants' Report included as Appendix I to this prospectus and our selected historical combined financial information and operating data included elsewhere in this prospectus. Our combined financial information has been prepared in accordance with HKFRSs issued by Hong Kong Institute of Certified Public Accountants. Our financial information and the discussion and analysis below assume that our current structure had been in existence throughout the Track Record Period. For further information in relation to our Group's structure, please refer to the section headed "History, Reorganisation and Group Structure" in this prospectus.

The following discussion and analysis contain certain forward-looking statements that reflect our current views with respect to future events and our financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. Please refer to the sections headed "Risk factors" and "Forward-looking Statements" in this prospectus for discussions of those risks and uncertainties.

OVERVIEW

We are a logistics service provider in Hong Kong. Our principal services can be categorised into: (i) freight forwarding and related logistics services; and (ii) warehousing and related value-added services to customers located in Hong Kong, Taiwan and the PRC while the destinations of the cargos covering U.S., Europe and other regions. We operate our business through four major operating subsidiaries in Hong Kong, namely, Orient Zen, Union Air, Fu Yo and Fu Cheng.

For FY2016 and FY2017 and FY2018, our total revenue amounted to approximately HK\$76.3 million, HK\$79.3 million and HK\$197.9 million, respectively, whilst for the respective periods, our total net profit amounted to approximately HK\$6.3 million, HK\$11.5 million and HK\$11.0 million, respectively. Set out below the revenue breakdown by business segments:

	FY2016		FY2017		FY2018	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Air freight forwarding and related logistics services	53,945	70.8	38,886	49.0	152,835	77.2
Sea freight forwarding and related logistics services	14,266	18.7	14,901	18.8	17,604	8.9
Warehousing and related value-added services	8,044	10.5	25,529	32.2	27,503	13.9
Total	<u>76,255</u>	<u>100.0</u>	<u>79,316</u>	<u>100.0</u>	<u>197,942</u>	<u>100.0</u>

FINANCIAL INFORMATION

The distribution of the type of our customers for each of our service segment during the Track Record Period was as follows:

	FY2016				FY2017				FY2018			
	Direct shipper		Other freight		Direct shipper		Other freight		Direct shipper		Other freight	
	customers		forwarders		customers		forwarders		customers		forwarders	
	Number of		Number of		Number of		Number of		Number of		Number of	
	customers	%	customers	%	customers	%	customers	%	customers	%	customers	%
Freight forwarding and related logistics services	47	73.4	17 ^(Note 1)	26.6	52	73.3	19 ^(Note 2)	26.7	54	44.3%	68 ^(Note 3)	55.7%
Warehousing and related value-added services	1	6.3	15 ^(Note 1)	93.7	1	3.3	29 ^(Note 2)	96.7	13	37.1%	22 ^(Note 3)	62.9%

Notes:

1. One of our customers engages us in the provision of both freight forwarding and related logistics services and warehousing and related value-added services.
2. Three of our customers engages us in the provision of both freight forwarding and related logistics services and warehousing and related value-added services.
3. Eight of our customers engages us in the provision of both freight forwarding and related logistics services and warehousing and related value-added services.

For FY2016, FY2017 and FY2018, our revenue from rendering of our services attributable to the largest customer amounted to HK\$30.8 million, HK\$24.9 million and HK\$50.1 million, respectively, representing 40.4%, 31.3% and 25.3% of our total revenue from rendering of our services, respectively, while our revenue from rendering of our services attributable to the five largest customers in aggregate amounted to approximately HK\$62.5 million, HK\$56.8 million and HK\$127.3 million, respectively, representing 81.9%, 71.5% and 64.3% of our total revenue from rendering of services, respectively.

During the Track Record Period, we have provided our services to approximately 223 customers, being the direct shippers and other freight forwarders. For FY2016, FY2017 and FY2018, our revenue attributable to services provided to direct shipper customers amounted to approximately HK\$22.6 million, HK\$29.8 million and HK\$33.0 million, respectively, representing 29.7%, 37.5% and 16.7% of our total revenue of the respective year. Our revenue attributable to services provided to other freight forwarders amounted to approximately HK\$53.7 million, HK\$49.5 million and HK\$164.9 million, respectively, representing 70.3%, 62.5% and 83.3% of our total revenue of the respective year.

FACTORS AFFECTING OUR GROUP'S RESULTS OF OPERATIONS

Our results of operations and financial performance are subject to the influence of numerous factors, including those set out below and in the section headed "Risk Factors" in this prospectus:

Market demand

During the Track Record Period, save for a two-year service agreement with one of our major customers, we generated our revenue from freight forwarding and related logistics service and warehousing and related value-added services. If our customers experience any adverse economic, political or regulatory conditions due to events beyond our control, such as economic downturn,

FINANCIAL INFORMATION

natural disasters, contagious disease outbreaks, terrorist attacks, or if the government adopts regulations that place restrictions or burdens on us or on our industry in general, our business, financial condition results of operations and prospects may be material and adversely affected.

Customer relationships and factors affecting our customers

During the Track Record Period, we generally did not enter into long-term contracts with our customers. Hence, the volume of purchase orders from our customers may vary from time to time due to number of factors, including the financial and operational success of customers and factoring affecting consumer demand of our customers' products such as market environment in garment industry. It is also difficult for us to forecast future order quantities and our results of operations may fluctuate significantly in the future.

Shortage of labour

There is no assurance that the supply of labour and average labour costs will be stable. If there is a significant increase in the costs of labour and we have to retain our labour (or our subcontractors have to retain their labour) by increasing their wages, our staff cost or subcontracting cost (as the case may be) will increase and thus lower our profitability. On the other hand, if we or our subcontractors fail to retain our existing labour or recruit sufficient labour in a timely manner to cope with our existing or future projects, we may not be able to complete our projects on schedule and may be subject to liquidated damages and incur losses.

Credit risks and our liquidity position

Our trade receivables were approximately HK\$14.0 million, HK\$26.2 million and HK\$38.6 million as at 31 March 2016, 2017 and 2018, respectively. In FY2018, a customer of us had defaulted the payment of its trade receivables. As the trade receivables was considered to be highly irrecoverable, as at 31 March 2018, a provision for impairment loss of approximately HK\$360,000 has been recognised. Other than that, we did not experience material difficulty in collecting our trade receivables during the Track Record Period. There is no assurance that the financial position of our customers will remain healthy in the future. We also cannot assure that we will be able to collect receivables from our customers on a timely basis or that there will not be any future dispute in terms of collection of receivables with our customers which may result in significant delay in receivables collection.

Our Group may, from time to time, be engaged in prolonged negotiation of the settlement of payment, which is not uncommon in the logistics industry. If our customers experience financial distress or are unable to settle their payments due to us or release the retention monies to us in a timely manner or at all, our liquidity and the financial condition of our Group could be adversely affected.

Personal injuries, property damages or fatal accidents

In the course of our operations, we require our employees to comply with and implement all the safety measures and procedures as stipulated in our internal control manuals. Nevertheless, we cannot guarantee that there will be no violation of rules, laws or regulations by our employees. Failure to implement safety measures may lead to the occurrence of personal injuries, property damage or fatal accidents, which may adversely affect our reputation and our financial position to the extent not covered by insurance.

FINANCIAL INFORMATION

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 10 August 2017 and became the holding company of our Group pursuant to the Reorganisation. Details of which are set out in the section headed “History, Reorganisation and Group Structure – Reorganisation” in this prospectus. The financial information of our Group has been prepared as if our Company had been the holding company of our Group throughout the Track Record Period.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

The Accountants’ Report in Appendix I to this document sets out further information regarding certain significant accounting policies, which are important for an understanding of the financial condition and results of operations of our Group.

Some of our accounting policies involve subjective assumptions, estimations and judgments that are discussed in notes 3 and 4 of the Accountants’ Report in Appendix I to this document. In the application of our accounting policies, our management is required to make estimations and assumptions about the carry amounts of assets and liabilities that are not readily apparent from other sources. Our estimations and other associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Our estimates and underlying assumptions are reviewed by our management on an ongoing basis. Please refer to note 4 of the Accountants’ Report in Appendix I to this document for further details.

MATERIAL ACQUISITION DURING THE TRACK RECORD PERIOD

For FY2016 and FY2017, Orient Zen has been one of our Group’s top five suppliers, contributing approximately 15.9% and 13.5% of our total cost of services. Our Directors are of the view that expanding our business at the same point within the supply chain can help achieve growth through internal expansion. Vertical integration further allows our Group to expand supplier base size and to develop as a logistics services provider that is able to provide a wide range of services. Therefore, on 31 March 2017, we acquired Orient Zen, which thereby brought along material changes to our financial results for FY2018. For details of the impacts of such acquisition, please refer to the section headed “Business – Strategic acquisition of major operating subsidiaries” in this prospectus.

Orient Zen focuses on the provision of air freight forwarding and related logistics services, in particular, consolidation and co-loading business. The business operations in Orient Zen caused both our revenue, cost of services and gross profit for FY2018 to increase. However, since Orient Zen provides services to the other freight forwarders instead of direct shippers, the profit margin for each order is lower, there is then a drop in gross profit margin. The acquisition of Orient Zen also caused our staff cost, the amortisation of intangible asset and the finance cost to increase, altogether causing our administrative and operation costs to increase.

Along with the acquisition of Orient Zen, we obtained net current assets of trade receivables, deposits and prepayments, intangible assets and motor vehicles; and recognised liability of trade payables and accrued expenses.

For details of the pre-acquisition financial information and detailed analysis on the performance of Orient Zen during the Track Record Period, please refer to the paragraph headed “Results of operations of Orient Zen” in this section.

FINANCIAL INFORMATION

RESULTS OF OPERATIONS

The table below sets out our Group's combined statements of profit or loss and other comprehensive income during the Track Record Period, which was derived from the Accountants' Report as set out in Appendix I to this prospectus:

	FY2016 HK\$'000	FY2017 HK\$'000	FY2018 HK\$'000
Revenue	76,255	79,316	197,942
Cost of services	(61,991)	(56,975)	(155,285)
Gross profit	14,264	22,341	42,657
Bank interest income	–	–	3
Marketing expenses	(1,236)	(425)	(3,137)
Administrative and operating expenses	(5,442)	(8,140)	(15,736)
Other expenses	–	–	(8,663)
Finance costs	(23)	(84)	(149)
Profit before taxation	7,563	13,692	14,975
Income tax expenses	(1,235)	(2,211)	(3,984)
Total profit and other comprehensive income for the year	<u>6,328</u>	<u>11,481</u>	<u>10,991</u>
Attributable to:			
Equity holders of the Company	6,328	11,481	10,333
Non-controlling interest	<u>–</u>	<u>–</u>	<u>658</u>

DESCRIPTION OF SELECTED ITEMS FROM COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

During the Track Record Period, our revenue was mainly generated from freight forwarding and related logistics services and warehousing and related value-added services.

For FY2016, FY2017 and FY2018, our total revenue amounted to approximately HK\$76.3 million, HK\$79.3 million and HK\$197.9 million, respectively, whilst for the respective periods, our total net profit amounted to approximately HK\$6.3 million, HK\$11.5 million and HK\$11.0 million, respectively. Set out below the revenue breakdown by business segments:

	FY2016 HK\$'000	%	FY2017 HK\$'000	%	FY2018 HK\$'000	%
Air freight forwarding and related logistics services	53,945	70.8	38,886	49.0	152,835	77.2
Sea freight forwarding and related logistics services	14,266	18.7	14,901	18.8	17,604	8.9
Warehousing and related value-added services	8,044	10.5	25,529	32.2	27,503	13.9
Total	<u>76,255</u>	<u>100.0</u>	<u>79,316</u>	<u>100.0</u>	<u>197,942</u>	<u>100.0</u>

FINANCIAL INFORMATION

Cost of services

Our cost of services primarily consists of sub-contracting charges, direct booking charges, employee benefits expenses, rental, depreciation and utilities. During the Track Record Period, breakdown of our cost of services were as follows:

	FY2016		FY2017		FY2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Air freight forwarding and related logistics services						
Sub-contracting charges	45,223	73.0	27,578	48.4	124,863	80.4
Sea freight forwarding and related logistics services						
Direct booking charges	9,748	15.7	11,901	20.9	12,148	7.8
Warehousing and related value-added services						
Sub-contracting charges	3,675	5.9	9,366	16.4	7,307	4.7
Employee benefits expenses	1,069	1.7	1,064	1.9	2,297	1.5
Rental	1,110	1.8	3,907	6.9	4,024	2.6
Depreciation	477	0.8	503	0.9	503	0.3
Utilities	28	0.0	263	0.4	249	0.2
Others	661	1.1	2,393	4.2	3,894	2.5
	<u>61,991</u>	<u>100.0</u>	<u>56,975</u>	<u>100.0</u>	<u>155,285</u>	<u>100.0</u>

The largest component of our cost of services was sub-contracting charges for air freight forwarding and related logistics services, which amounted to approximately HK\$45.2 million, HK\$27.6 million and HK\$124.9 million, representing 73.0%, 48.4% and 80.4% of our cost of services for FY2016, FY2017 and FY2018, respectively.

Air freight forwarding and related logistics services

Sub-contracting charges

Sub-contracting charges are the charges payable to airlines' GSAs, which generally comprise freight charges, terminal handling charges, fuel surcharges and other miscellaneous items.

Sea freight forwarding and related logistics services

Direct booking charges

Direct booking charges are the charges payable to shipping liners and other freight forwarders, which generally comprise freight charges, terminal handling charges and other miscellaneous items.

Warehousing and related value-added services

Sub-contracting charges

Sub-contracting charges includes local trucking services provided by local delivery companies. The salary and staff cost of Fu Cheng before we acquired Fu Cheng on 28 July 2017 was considered as sub-contracting charges hereby.

FINANCIAL INFORMATION

Employee benefits expenses

Employee benefits expenses include salaries and wages and Mandatory Provident Fund (MPF) of our blue collar workers under Fu Yo.

Rental

Rental represents rent of our Previous Warehouses in Hong Kong.

Depreciation

Depreciation represents the depreciation of the personal computers, forklifts, furniture and fixtures purchased for the warehouses, and the leasehold improvement of our Previous Warehouses in Hong Kong.

Utilities

Utilities represents the electricity and water charges for our Previous Warehouses in Hong Kong during the Track Record Period.

Others

Others mainly consists of custom, terminal charges, x-ray charges, and warehouse materials such as boxes and types.

Sensitivity analysis

The following tables illustrate the sensitivity analysis of the estimated increase/decrease of our net profit/(loss) in relation to general percentage changes to our Group's cost of services for air freight forwarding related logistics services, sea freight forwarding and related logistic services and warehousing and related value-added services. The hypothetical fluctuation rates are set at 5% and 10%, which are considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations in cost of services of air freight forwarding and related logistics services

Cost of services increase/ (decrease) in percentage	FY2016		FY2017		FY2018	
	Increase/ (decrease) in profit before tax HK\$'000	Percentage increase/ (decrease) to profit before tax %	Increase/ (decrease) in profit before tax HK\$'000	Percentage increase/ (decrease) to profit before tax %	Increase/ (decrease) in profit before tax HK\$'000	Percentage increase/ (decrease) to profit before tax %
5%	(2,261)	(29.9)%	(1,379)	(10.1)%	(6,243)	(41.7)%
(5)%	2,261	29.9%	1,379	10.1%	6,243	41.7%
10%	(4,522)	(59.8)%	(2,758)	(20.1)%	(12,486)	(83.4)%
(10)%	4,522	59.8%	2,758	20.1%	12,486	83.4%

FINANCIAL INFORMATION

Hypothetical fluctuations in cost of services of sea freight forwarding and related logistics services

Cost of services increase/ (decrease) in percentage	FY2016		FY2017		FY2018	
	Increase/ (decrease) in profit before tax HK\$'000	Percentage increase/ (decrease) to profit before tax %	Increase/ (decrease) in profit before tax HK\$'000	Percentage increase/ (decrease) to profit before tax %	Increase/ (decrease) in profit before tax HK\$'000	Percentage increase/ (decrease) to profit before tax %
5%	(487)	(6.4)%	(595)	(4.3)%	(607)	(4.1)%
(5)%	487	6.4%	595	4.3%	607	4.1%
10%	(975)	(12.9)%	(1,190)	(8.7)%	(1,215)	(8.1)%
(10)%	975	12.9%	1,190	8.7%	1,215	8.1%

Hypothetical fluctuations in cost of services of warehousing and related value-added services

Cost of services increase/ (decrease) in percentage	FY2016		FY2017		FY2018	
	Increase/ (decrease) in profit before tax HK\$'000	Percentage increase/ (decrease) to profit before tax %	Increase/ (decrease) in profit before tax HK\$'000	Percentage increase/ (decrease) to profit before tax %	Increase/ (decrease) in profit before tax HK\$'000	Percentage increase/ (decrease) to profit before tax %
5%	(351)	(4.6)%	(875)	(6.4)%	(914)	(6.1)%
(5)%	351	4.6%	875	6.4%	914	6.1%
10%	(702)	(9.3)%	(1,750)	(12.8)%	(1,827)	(12.2)%
(10)%	702	9.3%	1,750	12.8%	1,827	12.2%

Gross profit margin

The table below sets forth a breakdown of our Group's gross profit and gross profit margin during the Track Record Period by business segments:

	FY2016		FY2017		FY2018	
	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %
Air freight forwarding and related logistics services	8,722	16.2	11,308	29.1	27,972	18.3
Sea freight forwarding and related logistics services	4,518	31.7	3,000	20.1	5,456	31.0
Warehousing and related value-added services	1,024	12.7	8,033	31.5	9,229	33.6
Total	14,264	18.7	22,341	28.2	42,657	21.6

Marketing expenses

Marketing expenses mainly include cost of business development and soliciting new customers.

FINANCIAL INFORMATION

Administrative and operating expenses

Administrative and operating expenses mainly include staff costs and benefits, audit fee, depreciation, utilities and other expenses. The following table sets out a breakdown of our administrative and operating expenses for the years indicated:

	FY2016		FY2017		FY2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Staff costs and benefits	2,990	54.9	5,184	63.7	9,285	59.0
Audit fee	42	0.8	150	1.8	440	2.8
Rent, rates & management fee	395	7.3	542	6.7	914	5.8
Depreciation	233	4.3	316	3.9	530	3.4
Utilities	28	0.5	30	0.4	63	0.4
Other expenses	1,754	32.2	1,918	23.5	4,504	28.6
Total	5,442	100.0	8,140	100.0	15,736	100.0

Staff costs and benefits

Staff costs and benefits include Directors' emoluments and management, administrative and operational staff costs. Staff costs increased over the Track Record Period mainly due to the increase in the headcount of administrative and operational staff in FY2017 and FY2018 as well as increase in salaries and discretionary bonus to certain staff.

Directors' remuneration and benefits include Directors' salaries, allowance, bonus, mandatory provident fund contribution. For FY2016, FY2017 and FY2018, Directors' remuneration and benefits, which amounted to approximately HK\$0.5 million, HK\$0.7 million and HK\$2.5 million, respectively, were recorded in administrative expenses under staff costs.

Audit fee

The fee payable to independent auditors to perform annual audit for our Group.

Rent, rates & management fee

The rent, rates & management fee includes the rental fee of parking lots, the rent and rates for our Kimberley Office, TML Inspection Centre and Trans Asia Workshop.

Depreciation

Depreciation in administrative expenses mainly represents depreciation of our leasehold improvement, office equipment and furniture and fixtures of our Kimberley Office, TML Inspection Centre and Trans Asia Workshop.

FINANCIAL INFORMATION

Utilities

Utilities represents the electricity and water charges for our Kimberley Office, TML Inspection Centre and Trans Asia Workshop.

Other expenses

The following table sets forth the breakdown of other expenses for the years indicated:

	FY2016		FY2017		FY2018	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Travelling	288	5.3	232	2.8	385	2.5
Insurance	143	2.6	200	2.5	271	1.7
Professional charges	5	0.1	162	2.0	989	6.3
Printing & stationery	159	2.9	234	2.9	286	1.8
Repair & maintenance	127	2.3	278	3.4	367	2.3
Office expense	245	4.5	251	3.0	297	1.9
Exchange loss	172	3.2	210	2.6	91	0.6
Amortisation of intangible asset ^(Note 1)	–	–	–	–	949	6.0
Others ^(Note 2)	615	11.3	351	4.3	869	5.5
Total	1,754	32.2	1,918	23.5	4,504	28.6

Note 1: For further details and calculation related to the intangible asset, please refer to the paragraph headed “Description of selected items of combined balance sheets – Intangible asset” of this section and “Notes to the historical financial information – 13. Intangible asset” of Appendix I to this prospectus.

Note 2: Other expenses under administrative and operating expenses cover also bank charges, courier fee, etc.

Finance costs

Finance costs mainly includes interest expenses on finance lease of motor vehicles, forklifts and bank borrowings.

The following table sets out a breakdown of our finance costs for the years indicated:

	FY2016		FY2017		FY2018	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Interest expense on finance leases	23	100.0	31	36.9	36	24.2
Interest expense on bank borrowings	–	–	53	63.1	113	75.8
Total finance costs	23	100.0	84	100.0	149	100.0

FINANCIAL INFORMATION

Income tax expenses

Our Group is subject to Hong Kong profits tax at a rate of 16.5% on the estimated assessable profits arising in Hong Kong. The tax charge for the Track Record Period can be reconciled to the profit before tax per the combined statements of profit or loss and other comprehensive income as follows:

	FY2016 <i>HK\$'000</i>	FY2017 <i>HK\$'000</i>	FY2018 <i>HK\$'000</i>
Profit before taxation	<u>7,563</u>	<u>13,692</u>	<u>14,975</u>
Tax at Hong Kong Profits Tax rate of 16.5%	1,248	2,259	2,471
Tax effect of deductible temporary differences not recognised	7	–	–
Utilisation of deductible temporary differences previously not recognised	–	(8)	–
Tax effect of expenses not deductible	–	–	1,603
Tax concession	<u>(20)</u>	<u>(40)</u>	<u>(90)</u>
Income tax expenses for the year	<u>1,235</u>	<u>2,211</u>	<u>3,984</u>

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

FY2017 compared with FY2016

Revenue

Our revenue increased from approximately HK\$76.3 million for FY2016 to approximately HK\$79.3 million for FY2017, representing an increase of approximately HK\$3.0 million or 3.9%.

Among the above figure, while the revenue contributable to sea freight forwarding and related logistics services remained largely intact, the revenue contributable to our air freight forwarding and related logistics services decreased from approximately HK\$53.9 million for FY2016 to approximately HK\$38.9 million for FY2017, representing a decrease of approximately HK\$15.0 million or 27.9%. Such decrease was mainly due to (i) a large-scale reorganisation of one of our largest customer, Customer A, in which some of our contact points left such customer during the reorganisation and we suffered loss of business from them; and (ii) a reduction in market demand for personal computers, of which were the major product type of Customer B, being one of our major customers, by then reduced needs for our shipping services.

The revenue contributable to our warehousing and related value-added services increased from approximately HK\$8.0 million for FY2016 to approximately HK\$25.5 million for FY2017, representing an increase of approximately HK\$17.5 million or 218.8%. Such increase was because (i) there is a significant increase in our customer base in FY2017; and (ii) we successfully secured a two-year service agreement with our major customer, Customer E, for the provision of warehousing and related value-added services in March 2016, which contributed a considerable amount to our total revenue in FY2017.

FINANCIAL INFORMATION

Cost of services

The cost of services decreased from approximately HK\$62.0 million for FY2016 to approximately HK\$57.0 million for FY2017, representing a decrease of 8.1%, or approximately HK\$5.0 million, primarily due to the decrease in sub-contracting charges incurred under air freight forwarding and related logistics services; partially offset by the increase in direct booking charges incurred under sea freight forwarding and related logistics services and warehousing and related value-added services.

Sub-contracting charges incurred from air freight forwarding and related logistics services decreased by approximately HK\$17.6 million, or 38.9%, from approximately HK\$45.2 million for FY2016 to approximately HK\$27.6 million for FY2017. Such decrease in sub-contracting charges was mainly due to our decrease in revenue for freight forwarding and related logistics services.

Direct booking charges incurred from sea freight forwarding and related logistics services increased by approximately HK\$2.2 million, or 22.7%, from approximately HK\$9.7 million for FY2016 to approximately HK\$11.9 million for FY2017. Such increase in direct booking charges was primarily due to increase in sea freight forwarding and related value-added business.

Costs incurred in the provision of warehousing and related value-added services increased by approximately HK\$10.5 million, or 150.0%, from approximately HK\$7.0 million for FY2016 to approximately HK\$17.5 million for FY2017. Such increase was due to (i) an increase in rental by approximately HK\$2.8 million, or 254.5%, which was primarily attributable to the new lease of the 5/F of the Previous Warehouses from February 2016 and the increase in monthly rental of the 3/F of the Previous Warehouses from April 2016 onwards; (ii) our increase in utilities by approximately HK\$0.2 million, or 839.3%, which was primarily attributable to the installation of a 24-hour air-conditioning system in the 5/F of the Previous Warehouses; and (iii) an increase in other cost of services by approximately HK\$1.7 million, or 262.0%, which was primarily attributable to the increase of revenue of our warehousing and related value-added services which led to the increase in x-ray charges and the purchase of warehousing material.

Gross profit and gross profit margin

Our gross profit increased from approximately HK\$14.3 million for FY2016 to approximately HK\$22.3 million for FY2017, representing an increase of approximately HK\$8.0 million or 55.9%. Our gross profit margin increased from approximately 18.7% for FY2016 to approximately 28.2% for FY2017.

In particular, the gross profit of air freight forwarding and related logistics services increases from approximately HK\$8.7 million for FY2016 to approximately HK\$11.3 million for FY2017, representing an increase of approximately HK\$2.6 million or 29.9%. Apart from the increased gross profit, the gross profit margin increased from approximately 16.2% for FY2016 to approximately 29.1% for FY2017. Both were primarily because of an increase in the pricing we charged our customers.

Furthermore, the gross profit of sea freight forwarding and related logistics services decreased from approximately HK\$4.5 million for FY2016 to approximately HK\$3.0 million for FY2017, representing a decrease of approximately HK\$1.5 million, or 33.3%. Such decrease is attributable to the increase in price charged by our suppliers, which causes the increase in cost of services to be greater than the increase in revenue.

FINANCIAL INFORMATION

The gross profit of warehousing and related value-added services increases from approximately HK\$1.0 million for FY2016 to approximately HK\$8.0 million for FY2017, representing an increase of approximately HK\$7.0 million or 700.0%. Apart from the increased gross profit, the gross profit margin increased from approximately 12.7% for FY2016 to approximately 31.5% for FY2017. Due to the nature of warehousing business, the cost is not directly proportionate to the revenue since certain elements, including but not limited to rent and utilities cost, remain largely unchanged regardless of the sales amount. As such, while there is no material change in our cost, we have better utilised our warehousing facilities by securing more customers, and thus, it gives rise to both the gross profit and gross profit margin.

Marketing expenses

Our marketing expenses decreased from approximately HK\$1.2 million for FY2016 to approximately HK\$0.4 million for FY2017, representing a decrease of approximately HK\$0.8 million or 66.7%. During FY2016, we have put more effort on business development and soliciting new customers for Fu Yo upon its incorporation in May 2015. Since Fu Yo was on track to operate its warehousing and value-added business, the marketing expenses incurred in FY2017 was lower when compared to FY2016.

Administrative and operating expenses

Our administrative and operating expenses increased from approximately HK\$5.4 million for FY2016 to approximately HK\$8.1 million for FY2017, representing an increase of approximately HK\$2.7 million or 50.0%. Such increase was primarily due to (i) an increase in staff cost by approximately HK\$2.2 million, or 73.4%, which was primarily attributable to the increase in performance related incentive payments of Directors' remuneration; (ii) an increase in rent, rates & management fees by approximately HK\$0.1 million, or 37.2%, which was primarily attributable to the rise in rent of our TML Inspection Centre in Tsuen Wan, Hong Kong; (iii) an increase in depreciation by approximately HK\$0.1 million, or 35.6%, which was primarily attributable to the purchase of vehicle for Union Air; and (iv) an increase in audit fee by approximately HK\$0.1 million, or 257.1% due to the change of auditor.

Finance costs

Our finance costs increased from approximately HK\$23,000 for FY2016 to approximately HK\$84,000 for FY2017, representing an increase of approximately HK\$61,000, or 265.2%. Such increase is mainly attributable to the obtainment of a bank borrowing of HK\$2.0 million for working capital purpose.

Income tax expenses

Income tax expenses increased by approximately HK\$1.0 million, or 83.3% from approximately HK\$1.2 million for FY2016 to approximately HK\$2.2 million for FY2017. The increase was in line with the increase in profit before taxation. The statutory profit tax rate in Hong Kong was 16.5% for the two years ended 31 March 2017, while our corresponding effective tax rates were approximately 16.3% and 16.1%, respectively. Our effective tax rates were slightly lower than the statutory tax rate for the two years ended 31 March 2017 mainly due to tax concession of HK\$20,000 and HK\$40,000 for FY2016 and FY2017, respectively.

Total profit and other comprehensive income for the year and net profit margin

As a result of the foregoing, particularly in light of the increase in revenue due to our introduction of warehousing and related value-added services, our Group's profit increased from approximately HK\$6.3 million for FY2016 to approximately HK\$11.5 million for FY2017, representing an increase of approximately HK\$5.2 million or 82.5%, on a year-on-year basis. Our net profit margin also increased from 8.3% for FY2016 to 14.5% for FY2017.

FINANCIAL INFORMATION

FY2018 compared to FY2017

Revenue

Our revenue increased from approximately HK\$79.3 million for FY2017 to approximately HK\$197.9 million for FY2018, representing an increase of approximately HK\$118.6 million or 149.6%.

The revenue contributable to our air freight forwarding and related logistics services increased from approximately HK\$38.9 million for FY2017 to approximately HK\$152.8 million for FY2018, representing an increase of approximately HK\$113.9 million or 293.0%. Such increase was primarily due to (i) the acquisition of Orient Zen, our subsidiary which focuses on the provision of air freight forwarding and related logistics services to other freight forwarders, on 31 March 2017; and (ii) the contribution from the increase in revenue of Union Air from approximately HK\$38.9 million for FY2017 to approximately HK\$54.5 million for FY2018, representing an increase of approximately HK\$15.6 million or 40.1%, mainly contributable to the increase in sales to one of our Group's major customers, Customer A/Supplier H, by exploring new cargo route destinations to countries such as Italy, Romania, Spain and Portugal in Europe and handling a wider portfolio of products. For further discussion on the financial performance of Orient Zen, please refer to the paragraph headed "Period to period comparison of results of operations for Orient Zen" in this section.

Our revenue contributable to our sea freight forwarding and related logistics services increased from HK\$14.9 million for FY2017 to HK\$17.6 million for FY2018, representing an increase of approximately HK\$2.7 million or 18.1%. Such slight increase was primarily due to a significant increase in revenue contributable to the increase in sales volume for the cargo route to Oakland, U.S.; partially offset by the decrease in sales volume for the cargo route to Long Beach.

The revenue derived from our warehousing and related value-added services increased slightly from HK\$25.5 million for FY2017 to approximately HK\$27.5 million for FY2018, representing a modest increase of approximately HK\$2.0 million or 7.7%. Such increase was contributable to the increase in price we charged our current customers and the increase in sales volume of our existing warehouse customers.

Cost of services

The cost of services increased from approximately HK\$57.0 million for FY2017 to approximately HK\$155.3 million for FY2018, representing an increase of HK\$98.3 million, or approximately 172.5%. Such increase was primarily due to the increase in sub-contracting charges incurred under air freight forwarding and related logistics services, direct booking charges incurred under sea freight forwarding and related logistics services and the cost incurred in the provision of warehousing and related value-added services.

Sub-contracting charges incurred from air freight forwarding and related logistics services increased from approximately HK\$27.6 million for FY2017 to approximately HK\$124.9 million for FY2018, representing an increase of approximately HK\$97.3 million, or 352.5%. Such increase in sub-contracting charges was mainly due to the increase in sales volume of our air freight forwarding and related logistic services brought along by our recently acquired subsidiary, Orient Zen, on 31 March 2017. At each of the company level, the subcontracting charges contributed by Union Air increased from approximately HK\$27.6 million for FY2017 to approximately HK\$35.5 million for FY2018, representing an increase of approximately HK\$7.9 million, or 28.6%; whereas the subcontracting charges contributed by Orient Zen increased from approximately nil million for FY2017 to approximately HK\$89.4 million for FY2018, representing an increase of approximately HK\$89.4 million, or 100.0%. Both increases were in line with each of their increase in revenue.

FINANCIAL INFORMATION

Direct booking charges incurred from sea freight forwarding and related logistics services increased from approximately HK\$11.9 million for FY2017 to approximately HK\$12.1 million for FY2018, representing an increase of approximately HK\$0.2 million, or 1.7%. The increase in cost of services was contributed by the increase in revenue; partially offset by a reduction in price offered by some of our suppliers.

Costs incurred in the provision of warehousing and related value-added services increased from approximately HK\$17.5 million for FY2017 to approximately HK\$18.3 million for FY2018 representing an increase of approximately HK\$0.8 million or 4.6%. Such increase was primarily due to (i) the increase in cargo import orders from customers where we settle terminal charges on our customers' behalf and require them to reimburse us for the cost afterwards; and (ii) an increase in cost of material used in our packaging activities.

Gross profit and gross profit margin

Our gross profit increased from approximately HK\$22.3 million for FY2017 to approximately HK\$42.7 million for FY2018, the increase was primarily due to (i) the acquisition of Orient Zen which brought in revenue of approximately HK\$98.3 million and (ii) increase in revenue in all business segments of the Group; while the profit margin decreased from approximately 28.2% for FY2017 to approximately 21.6% for FY2018, primarily due to (i) some new cargo routes taken up by Union Air have a lower profit margin than our previous businesses; and (ii) the nature of the business model of our newly acquired subsidiary, Orient Zen, of which its profit margin is lower than other operating subsidiary of our Group.

In particular, the gross profit of air freight forwarding and related logistics services increased from approximately HK\$11.3 million for FY2017 to approximately HK\$28.0 million for FY2018, representing an increase of approximately HK\$16.7 million or 147.8%. Such increase was primarily due to a significant increase in revenue contributed by both Union Air and Orient Zen. However, the gross profit margin decreased from approximately 29.1% for FY2017 to approximately 18.3% for FY2018. Such decrease was attributable to (i) some new cargo routes taken up by Union Air have a lower profit margin than our previous businesses and (ii) our acquisition of our subsidiary, Orient Zen, of which the gross profit margin per transaction is lower than other operating subsidiaries of our Group. Orient Zen was recently acquired on 31 March 2017, and it majors in the cargo space consolidation and co-loading business. Instead of serving direct shippers, it purchases cargo space from agents and resell to other distributors, such as other freight forwarders. The distributor and the retailer incur their own costs in bringing the product and/or service to customers, and both need to recover these costs and earn adequate margins, therefore, the more the number of intermediaries, the lower the markup margins the product and/or service can carry. In this regard, the business model of Orient Zen captured a profit margin of 12.6% and 13.3% for FY2017 and FY2018, whilst our Group managed to achieve 29.1% and 18.3% for its air freight forwarding business for the same period of time; the profit margin for each order in Orient Zen is lower.

Furthermore, the gross profit of sea freight forwarding and related logistics services increased from approximately HK\$3.0 million for FY2017 to approximately HK\$5.5 million for FY2018, representing an increase of approximately HK\$2.5 million, or 83.3%. The gross profit margin increased from approximately 20.1% for FY2017 to approximately 31.0% for FY2018. Such increase is primarily due to a reduction in price offered by Customer A/Supplier H, and in turn, a reduction in our cost of service.

The gross profit of warehousing and related value-added services increased from approximately HK\$8.0 million for FY2017 to approximately HK\$9.2 million for FY2018, representing an increase of approximately HK\$1.2 million or 15.0%. The gross profit margin also increased from approximately 31.5% for FY2017 to approximately 33.6% for FY2018. For the nature of warehousing business, the cost is not directly proportionate to the revenue. Since certain elements, including but not limited to rent and utilities cost, remain largely unchanged regardless of the sales amount. As such, while there is no material change in our cost structure, and we have better utilised our warehousing facilities by securing more customers, in particular, we signed a two-year service agreement in March 2016 with customer E, which brought along an increase in revenue, and thus, both our gross profit and gross profit margin increased.

FINANCIAL INFORMATION

Marketing expenses

Our marketing expenses increased from approximately HK\$0.4 million for FY2017 to approximately HK\$3.1 million for FY2018, representing an increase of approximately HK\$2.7 million or 675.0%. Such increase was attributed to the effort dedicated to solicit new customers, to renew our customer contracts and to maintain business relationship with the existing customers for our operating subsidiaries, namely Union Air, Fu Yo and Orient Zen, in search of new business opportunities.

Administrative and operating expenses

Our administrative and operating expenses increased from approximately HK\$8.1 million for FY2017 to approximately HK\$15.7 million for FY2018 representing an increase of approximately HK\$7.6 million or 93.8%. Such increase was primarily due to (i) an increase in staff costs and benefits by approximately HK\$4.1 million, or 79.1%, which was primarily due to (a) the increase in staff along with the recent acquisition of Orient Zen, (b) the recruitment for the finance team of our Group, including a director and three accountants, and (c) the increase in Directors' remuneration; (ii) an increase in professional charges including the consultation fee for the engagement of financial advisory services and accounting services of approximately HK\$0.8 million, or 510.5% which was primarily for the assistance to our listing preparation; (iii) an increase in audit fee in the engagement of Deloitte Touche Tohmatsu as auditor for each of our subsidiaries; (iv) the increase in rent, rates and management fee due to (a) the payment of rent for two new office premises in Tsim Sha Tsui; (b) the increase in rental expenses of the TML Inspection Centre; and (c) the increase in rental expenses of the Trans Asia Workshop; (v) the increase in depreciation due to the purchase of motor vehicle for Orient Zen; and (vi) the increase in amortisation of intangible asset of approximately HK\$0.9 million, or 100.0%, which was due to the recognition of intangible asset along with the acquisition of Orient Zen on 31 March 2017.

Other expenses

For FY2018, the other expenses of approximately HK\$8.7 million was mainly attributable to (i) listing expense of approximately HK\$8.3 million, which had been charged to our combined statements of profits or loss and other comprehensive income while no listing expense was incurred for FY2017, and (ii) impairment loss on trade receivable of approximately HK\$0.4 million.

Finance costs

Our finance costs increased from approximately HK\$84,000 for FY2017 to approximately HK\$149,000 for FY2018, representing an increase of approximately HK\$65,000, or 77.4%. Such increase is mainly attributable to (i) an obtainment of bank borrowings of HK\$1.0 million by Orient Zen for working capital purpose; (ii) the purchase of motor vehicle through obligations under finance leases; and (iii) the acquisition of Orient Zen which had a motor vehicle under finance lease, which altogether led to an increase in interest paid on finance lease.

Income tax expenses

Our income tax increased from approximately HK\$2.2 million for FY2017 to approximately HK\$4.0 million for FY2018, representing an increase of approximately HK\$1.8 million, or 81.8%. The increase was due to the expenses incurred as central administrative expenses and listing expenses of approximately HK\$9.5 million are not deductible in determining taxable income. The statutory profit tax rate in Hong Kong was 16.5% for FY2017 and FY2018. Our effective tax rate increased from 16.1% for FY2017 to 26.6% for FY2018.

Total profit and other comprehensive income for the year and net profit margin

As a result of the foregoing, particularly in light of the increase in revenue mainly due to our recent acquisition of Orient Zen, our Group's profit decreased from approximately HK\$11.5 million

FINANCIAL INFORMATION

for FY2017 to approximately HK\$11.0 million for FY2018, representing a decrease of approximately HK\$0.5 million or 4.3%, on a year-on-year basis. Our net profit margin decreased from 14.5% for FY2017 to 5.6% for FY2018. Such decrease was primarily attributable to the increase in administrative expenses and listing expenses for the assistance to the Group's listing preparation.

NET CURRENT ASSETS

We recorded net current assets of approximately HK\$5.2 million, HK\$22.1 million, and HK\$24.7 million as at 31 March 2016, 2017 and 2018, respectively. The table below sets forth our current assets and current liabilities as of the dates indicated:

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
CURRENT ASSETS			
Trade and other receivables	14,182	26,681	44,491
Amounts due from directors	637	22,345	—
Amount due from a related company	84	—	—
Bank balances and cash	1,919	6,778	7,044
	<u>16,822</u>	<u>55,804</u>	<u>51,535</u>
	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
CURRENT LIABILITIES			
Trade payables and accrued expenses	5,875	16,151	22,793
Amounts due to directors	3,511	13,792	—
Amounts due to a related company	1,243	30	—
Bank borrowings	—	2,017	1,672
Obligations under finance leases	185	397	366
Tax payable	777	1,313	2,036
	<u>11,591</u>	<u>33,700</u>	<u>26,867</u>
Net current assets	<u>5,231</u>	<u>22,104</u>	<u>24,668</u>

As at 31 March 2016, we recorded net current assets of approximately HK\$5.2 million.

As at 31 March 2017, we recorded net current assets of approximately HK\$22.1 million, which increased by approximately HK\$16.9 million or 325.0% from approximately HK\$5.2 million as at 31 March 2016. In addition to the profit generated during FY2017, the increase in net current assets was attributable to the recent acquisition of Orient Zen on 31 March 2017, in which we obtained assets of trade and other receivables, amounts due from Directors and bank balances and cash; and recognised liability of trade payables and accrued expenses. The consideration of the acquisition was settled by Mr. Thomas Loy, which also led to the increase in amount due to Directors.

As at 31 March 2018, we recorded net current assets of approximately HK\$24.7 million, which increased by approximately HK\$2.6 million or 11.8% from approximately HK\$22.1 million as at 31 March 2017, primarily attributable to the increase in deferred listing costs, increase in bank balance and cash, the decrease in amounts due to directors and the decrease in bank borrowings; partially offset by the increase in trade payables and accrued expenses and the increase in tax payable.

FINANCIAL INFORMATION

DESCRIPTION OF SELECTED ITEMS OF COMBINED BALANCE SHEETS

Further discussion of the fluctuation in the key components of our net current assets are set forth in the following paragraphs.

Property, plant and equipment

Property, plant and equipment of our Group represent leasehold improvement, office equipment, furniture and equipment, and motor vehicles. The following table set forth the carrying values of our property, plant and equipment as of the dates indicated:

	As at 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Office equipment	926	842	581
Furniture and equipment	68	50	39
Leasehold improvement	1,113	884	560
Motor vehicles	531	1,393	983
	<u> </u>	<u> </u>	<u> </u>
Total	<u>2,638</u>	<u>3,169</u>	<u>2,163</u>

Our carrying amount of property, plant and equipment increased from approximately HK\$2.6 million as at 31 March 2016 to approximately HK\$3.2 million as at 31 March 2017, primarily attributable to the purchase of motor vehicle for Union Air, and the obtainment of motor vehicle alongside with the acquisition of Orient Zen, both of which led to the increase of the carrying amount of motor vehicle from approximately HK\$0.5 million as at 31 March 2016 to approximately HK\$1.4 million as at 31 March 2017.

Our carrying amount of property, plant and equipment decreased from approximately HK\$3.2 million as at 31 March 2017 to approximately HK\$2.2 million as at 31 March 2018. Such decrease was mainly due to the depreciation of our property, plant and equipment during the year ended 31 March 2018.

Intangible Asset

On 31 March 2017, Ever Metro acquired 73% of Orient Zen's equity interest from Mr. HM Loy at a consideration of paid total amount. Orient Zen provides freight forwarding services in Hong Kong. Mr. HM Loy is the younger brother of Mr. Thomas Loy and the Acquisition is deemed as a related party transaction.

A valuation was performed by an independent professional valuer engaged by the Directors of the Company, to arrive the fair value of the net assets acquired.

The concluded intangible asset arising from the acquisition reported an estimate of HK\$2.2 million, which represents the business relationship established between Orient Zen and its customers (excluding any Group entities or activities with prior relationship with our Group) since incorporation. The valuer has taken into consideration that Orient Zen has been recording recurring revenue from long-term customers from 2014 to 2017, and that such stable customer relationship is expected to bring future economic benefit to Orient Zen. Such customer relationship is recognised as an intangible asset. For the measurement, the customer relationship is measured via multi-period excess earning method, which is a prevailing valuation method used in assessing intangible asset and is prescribed in International Valuation Standard 210-Intangible Assets. In particular, the valuer has firstly adopted a set of financial projection of Orient Zen, and has segregated and assigned the expected net profit of Orient Zen to each contributory asset class. The residual profit is assigned to

FINANCIAL INFORMATION

customer relationship, whereas the summed present value of the residual profit assigned to customer relationship represents the concluded fair value. Such treatment is in line with Hong Kong Accounting Standard (HKAS) 38 – Intangible Assets. For further details of the calculation, please refer to the paragraph headed “Notes to the historical financial information – 13. Intangible asset” of Appendix I to this prospectus.

Rental deposits (Non-current asset)

Our rental deposits, which were classified as non-current assets, as at 31 March 2016, 31 March 2017 and 31 March 2018 amounted to approximately HK\$0.8 million, HK\$0.8 million and HK\$38,000, respectively. Such significant change as at 31 March 2018 was due to the reduction in the duration of tenancy agreement of our 5/F of the Previous Warehouses by our landlord to until August 2018.

Trade and other receivables

Our Group’s trade and other receivables as at 31 March 2016, 31 March 2017 and 31 March 2018 amounted to approximately HK\$14.2 million, HK\$26.7 million and HK\$44.5 million, respectively, details of which are set out below:

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Trade receivables	14,007	26,196	38,963
Less: allowance for doubtful debts	—	—	(360)
	14,007	26,196	38,603
Prepayments, deposits and other receivables	175	485	1,623
Rental deposits classified as current assets	—	—	955
Deferred listing costs	—	—	3,310
	14,182	26,681	44,491

Trade receivables

Our trade receivables recorded an increase of approximately HK\$12.2 million or 87.1%, from approximately HK\$14.0 million as at 31 March 2016 to approximately HK\$26.2 million as at 31 March 2017. Such increase was mainly due to our recent acquisition of Orient Zen, alongside with its trade receivables.

Our trade receivables recorded an increase of approximately HK\$12.4 million or 47.3%, from approximately HK\$26.2 million as at 31 March 2017 to approximately HK\$38.6 million as at 31 March 2018. Such increase was primarily contributable to the late repayment of service fee of approximately HK\$5.1 million by Customer A/Supplier H, of which the invoice sum was subsequently settled on the next day after the end of the period and the late settlement of approximately HK\$1.2 million by Customer E for two days due to the difference in bank working days for different regions.

FINANCIAL INFORMATION

The following table sets forth the ageing analysis of our trade receivables net of allowance for doubtful debts, presented based on invoice date at the end of each reporting period:

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Within 30 days	5,008	12,872	14,176
31-60 days	4,108	9,442	14,383
61-90 days	3,019	3,445	6,899
Over 90 days	1,872	437	3,145
	<u>14,007</u>	<u>26,196</u>	<u>38,603</u>

The following table sets forth our trade receivables turnover days for the years indicated:

	FY2016	FY2017	FY2018
Trade receivables turnover days <i>(Note)</i>	<u>70 days</u>	<u>93 days</u>	<u>60 days</u>

Note: Trade receivables turnover days for each of the three years ended 31 March 2018 are calculated by the average trade receivables divided by the total revenues for the year and multiplied by 365 days. Average trade receivables are calculated as the average of the beginning and ending trade receivables balances for the respective periods.

We generally offer credit terms to customers ranging from 0-90 days, following our issue of invoice. Our trade receivables turnover days for FY2016 and FY2018 were within our general credit terms granted to customers.

For FY2017, the increase in trade receivables turnover days was mainly due to the increase in trade receivables of our Group subsequent to the acquisition of Orient Zen on 31 March 2017. However, given the fact that Orient Zen was acquired on 31 March 2017, the revenue of Orient Zen for FY2017 was not reflected in our Group's combined statements of profit or loss and other comprehensive income for FY2017.

As at 31 March 2016, 2017 and 2018, trade receivables of approximately HK\$13.2 million, HK\$16.0 million and HK\$29.2 million, respectively, were past due but not impaired. In FY2018, a customer of us had defaulted the payment of its trade receivables. As the trade receivables was considered to be highly irrecoverable, as at 31 March 2018, a provision for impairment loss of approximately HK\$360,000 has been recognised. Based on past experience, we believe that no further impairment allowance is required as there has not been a significant change in credit quality and the balances are still recoverable based on historical experience. As at the Latest Practicable Date, approximately HK\$38.6 million or 100% of our trade receivables as at 31 March 2018 have been settled.

Deposits, prepayments and other receivables

As at 31 March 2016, 31 March 2017 and 31 March 2018, our recorded deposits, prepayments and other receivables were approximately HK\$175,000, HK\$485,000 and HK\$1.6 million. The increase as at 31 March 2017 was primarily attributable to the deposit of HK\$350,000 to one of our top five suppliers, Supplier E. The increase as at 31 March 2018 was primarily due to (i) the reclassification of the rental deposits of our Previous Warehouses from non-current asset to current asset, since rental deposits within 12 months were considered as current asset; and (ii) the rental deposit of Orient Zen's office brought along by the acquisition of Orient Zen on 31 March 2017.

FINANCIAL INFORMATION

Amounts due from/(to) Directors

The following table sets forth the amounts due from/(to) Directors as of the dates indicated:

Amounts due from Directors

Name of Director	As at 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Mr. Thomas Loy	637	9,358	–
Mr. HM Loy	–	12,987	–
	<u>637</u>	<u>22,345</u>	<u>–</u>

Amounts due to Directors

Name of Director	As at 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Mr. Thomas Loy	3,511	13,792	–
Mr. HM Loy	–	–	–
	<u>3,511</u>	<u>13,792</u>	<u>–</u>

During the Track Record Period, we had balances due from and to our Directors, namely Mr. Thomas Loy and Mr. HM Loy. All the above balances are denominated in HK\$, non-trade nature, unsecured, interest free and repayable on demand.

The increase in amount due from Directors from approximately HK\$0.6 million as at 31 March 2016 to approximately HK\$22.3 million as at 31 March 2017.

The amount due from Mr. Thomas Loy of approximately HK\$9.4 million as at 31 March 2017 represented the fund from Union Air to Fu Yo and Ever Metro on behalf of Mr. Thomas Loy. Mr. Thomas Loy injected his own source of fund with the fund from Union Air into Fu Yo and Ever Metro. The capital injected to Fu Yo was for working capital to facilitate the business operation; while that to Ever Metro was for the acquisition of the subsidiaries of our Group.

In respect of the amount due from Mr. HM Loy of approximately HK\$13.0 million as at 31 March 2017, it was set off by the dividend of Orient Zen and Fu Cheng payable to Mr. HM Loy.

The increase in amount due to Directors from approximately HK\$3.5 million as at 31 March 2016 to approximately HK\$13.8 million as at 31 March 2017 was also primarily attributable to the settlement of the consideration of the acquisition of Orient Zen on 31 March 2017 by the Director on behalf of our Group.

All balance due from and to Directors have been settled. As at 31 March 2018, there was no amount due from and to Directors.

FINANCIAL INFORMATION

Amounts due from/(to) related companies

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Amount due from a related company			
– Orient Zen	84	–	–
Amount due to a related company			
– Orient Zen	1,243	–	–
– Fu Cheng	–	30	–

Our Group's amounts due from/to related companies mainly consist of trade-related balances with related companies of our Group, reimbursement of administrative expenses, and advances to related companies of our Group for financing their daily operations.

Prior to Listing, all related companies have been acquired by our Group, and all balances with the related companies were eliminated within our Group. Further details on the structure of our Group, please refer to the section headed "History, Reorganisation and Group Structure" in this prospectus.

The aforesaid amounts were unsecured, interest-free and fully eliminated within our Group at 31 March 2018.

Trade payables and accrued expenses

The trade payables and accrued expenses breakdown of our Group as of the dates indicated is as follow:

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Trade payables	5,623	15,470	19,653
Accrued expenses	252	681	3,140
Total trade payables and accrued expenses	5,875	16,151	22,793

Trade payables mainly represent amounts payable to suppliers such as subcontracting charges and direct booking charges.

The following table sets forth our trade payables turnover days for the years indicated:

	FY2016	FY2017	2018
Trade payables turnover days ^(Note)	54 days	68 days	41 days

Note: Trade payables turnover days for each of the three years ended 31 March 2018 are calculated by the average trade payables divided by the cost of services for the year and multiplied by 365 days. Average trade payables are calculated as the average of the beginning and ending trade payables balances for the respective periods.

FINANCIAL INFORMATION

For FY2017, the increase in trade payables turnover days was mainly due to the increase in trade payables of our Group subsequent to the acquisition of Orient Zen on 31 March 2017. However, given the fact that Orient Zen was acquired on 31 March 2017, the cost of services of Orient Zen for FY2017 was not reflected in our Group's combined statements of comprehensive income for FY2017.

Ageing analysis of our Group's trade payables based on invoice dates at the end of each reporting period is as follows:

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	2,647	8,797	9,524
31-60 days	2,051	5,389	8,358
61-90 days	907	1,273	1,749
Over 90 days	18	11	22
	<u>5,623</u>	<u>15,470</u>	<u>19,653</u>

As at the Latest Practicable Date, approximately 100% of the trade payables as at 31 March 2018 had been subsequently settled.

Accrued expense mainly represent the staff welfare payables and accrued operating expenses.

As at 31 March 2016, 31 March 2017 and 31 March 2018, our recorded accrued expenses were approximately HK\$0.3 million, HK\$0.7 million and HK\$3.1 million.

Tax payable

Our income tax payables, representing our current income tax liabilities, were approximately HK\$0.8 million, HK\$1.3 million and HK\$2.0 million as at 31 March 2016, 31 March 2017, and 31 March 2018, respectively. Such increase was mainly attributable to the acquisition of Orient Zen, which brought an increase in our taxable profit.

FINANCIAL INFORMATION

LIQUIDITY AND CAPITAL RESOURCES

Overview

During the Track Record Period, our Group's operations were generally financed through a combination of shareholder's equity, internally generated cash flows, bank borrowings and amounts due to related parties. Our Directors believe that in the long term, our operation will be funded by internally generated cash flows and, if necessary, additional equity financing.

Cash flows

The following table sets forth selected cash flows data from our Group's combined statements of cash flows for the years indicated:

	FY2016 <i>HK\$'000</i>	FY2017 <i>HK\$'000</i>	FY2018 <i>HK\$'000</i>
Operating cash flows before movements in working capital	8,296	14,595	17,463
Net cash from operating activities	2,126	11,524	5,895
Net cash used in investing activities	(3,359)	(6,689)	(3,455)
Net cash from/(used in) financing activities	447	24	(2,174)
Net (decrease)/increase in cash and cash equivalents	(786)	4,859	266
Cash and cash equivalents at beginning of the year	2,705	1,919	6,778
Cash and cash equivalents at end of the year	1,919	6,778	7,044

Net cash from operating activities

We derived our cash flow from operating activities primarily through receipt of payments of delivery of our services. Cash outflow in operating activities primarily comprises payment of subcontracting charges and staff costs. Our net cash generated from operating activities reflects our profit before taxation, as adjusted for non-cash items, such as depreciation, amortisation of intangible assets, impairment loss on trade receivables, interest expenses and the effects of movements in working capital items.

Net cash generated from operating activities for FY2016 amounted to approximately HK\$2.1 million while our profit before taxation amounted to approximately HK\$7.6 million. The difference of approximately HK\$5.5 million was primarily due to (a) the increase in rental deposits; (b) the decrease in trade and other receivables; (c) the decrease in trade payables and accrued expenses; and (d) the change in amounts due from/to related companies.

Net cash generated from operating activities for FY2017 amounted to approximately HK\$11.5 million while our profit before taxation amounted to approximately HK\$13.7 million. The difference of approximately HK\$2.2 million was primarily due to (a) the increase in trade and other receivables; (b) the decrease in trade payables and accrued expenses; and (c) the change in amounts due from/to related companies.

Net cash generated from operating activities for FY2018 amounted to approximately HK\$5.9 million while our profit before taxation amounted to approximately HK\$15.0 million. The difference of approximately HK\$9.1 million was primarily due to (a) the increase in trade and other receivables; (b) the increase in trade payables and accrued expenses; and (c) the decrease in amounts due to a related company.

FINANCIAL INFORMATION

Net cash (used in) investing activities

Our cash flow generated from investing activities primarily comprises repayment from Directors, acquisition of a subsidiary and interest received from banks. Cash outflow from investing activities primarily comprises payment of purchases of property, plant and equipment and advance to Directors.

Net cash used in investing activities for FY2016 amounted to approximately HK\$3.4 million, primarily attributable to (a) the advance to Directors; (b) the purchase of property, plant and equipment; and (c) the repayment from Directors.

Net cash used in investing activities for FY2017 amounted to approximately HK\$6.7 million, primarily attributable to (a) the advance to Directors; (b) the purchase of property, plant and equipment; (c) the repayment from Directors; and (d) the acquisition of Orient Zen.

Net cash used in investing activities for FY2018 amounted to approximately HK\$3.5 million, primarily attributable to (a) the purchase of property, plant and equipment, and (b) the repayment from Directors.

Net cash generated from (used in) financing activities

Our cash flow generated from financing activities primarily comprises advances from a Director, and new bank borrowing raised. Cash outflow from financing activities primarily comprises repayments to a Director, issue of shares of subsidiaries, dividend paid, repayment of finance lease obligations, repayment of bank borrowings, interest paid and payment of deferred listing costs.

Net cash generated from financing activities for FY2016 amounted to approximately HK\$0.4 million, primarily attributable to (a) the advance from Mr. Thomas Loy; (b) the repayments to Mr. Thomas Loy; (c) the dividend paid; (d) the repayment of finance lease obligations; and (e) issue of shares of a subsidiary.

Net cash generated from financing activities for FY2017 amounted to approximately HK\$24,000, primarily attributable to (a) the advance from Mr. Thomas Loy; (b) the repayments to Mr. Thomas Loy; (c) the repayment of finance lease obligations; (d) the repayment of bank borrowings; (e) new bank borrowing raised; and (f) the interest paid.

Net cash used in financing activities for FY2018 amounted to approximately HK\$2.2 million, primarily attributable to (a) the repayments to Mr. Thomas Loy; (b) the repayment of finance lease obligations; (c) the repayment of bank borrowings; (d) the interest paid; (e) the investment of approximately HK\$12 million from Pre-IPO Investors; (f) payment of deferred listing costs and (g) new bank borrowing raised.

FINANCIAL INFORMATION

INDEBTEDNESS

The following table sets out our Group's indebtedness as at the respective financial position dates:

	As at 31 March			As at
	2016	2017	2018	30 June
	HK\$'000	HK\$'000	HK\$'000	2018
				HK\$'000
Indebtedness				
Amounts due to Directors	3,511	13,792	–	–
Bank borrowings, unsecured and guaranteed	–	2,017	1,672	2,793
Obligations under finance leases, secured and unguaranteed	417	1,093	690	587
Total	3,928	16,902	2,362	3,380

As at 30 June 2018, being the latest practicable date on which such information was available to us, our Group had outstanding indebtedness amounting to approximately HK\$3.4 million which comprised bank borrowings and obligations under finance leases.

Amounts due to Directors

The amounts due to Directors are unsecured and unguaranteed. All of the amounts are denominated in HKD, non-trade in nature, interest-free and repayable on demand.

Bank borrowings

As at 31 March 2016, 2017 and 2018 and 30 June 2018, our bank loan amounted to approximately nil, HK\$2.0 million, HK\$1.7 million and HK\$2.8 million. The bank loan was repayable on demand and carried at fixed interest rate of 3.60% and 4.53% per annum calculated on a monthly basis as at 31 March 2017, and 3.60% per annum calculated on a monthly basis as at 31 March 2018 and 30 June 2018. The contractual repayment schedule of the bank borrowings is repayable by 12 monthly installments from the date of drawn down and with a repayable on demand clause according to the loan agreements. As at 30 June 2018, the bank borrowings were guaranteed by a) the personal guarantee given by Mr. HM Loy and/or Mr. Thomas Loy and b) the corporate guarantee issued by Orient Zen or Union Air. The personal guarantees stated above will be released and replaced by a corporate guarantee provided by our Company upon the Listing.

As at the Latest Practicable Date, our banking facilities had been fully utilised.

Obligations under finance leases

During the Track Record Period, we acquired certain motor vehicles by way of entering into finance leases arrangement with lease terms of one to five years mainly through motor vehicles providers. The Group's obligations under finance leases were secured by certain of the Group's motor vehicles.

FINANCIAL INFORMATION

As at 31 March 2016, 2017 and 2018 and 30 June 2018, our obligations under finance leases (including both current and non-current portions) were approximately HK\$0.4 million, HK\$1.1 million, HK\$0.7 million and HK\$0.6 million respectively. The carrying amount of all obligations under finance leases are denominated in HK dollars.

	As at 31 March			As at 30 June 2018
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)
Due within one year, included under current liabilities	185	397	366	334
Due in the second to fifth year, included under non-current liabilities	232	696	324	253
	<u>417</u>	<u>1,093</u>	<u>690</u>	<u>587</u>

The underlying interest rates of these finance lease liabilities ranged from 1.80% to 2.25%, 1.40% to 2.25%, 1.40% to 2.25% and 1.40% to 2.25% per annum as at 31 March 2016, 2017 and 2018 and as at 30 June 2018, respectively.

Save as disclosed above, and apart from intra group liabilities, as at 30 June 2018, we did not have any other borrowings, mortgages, charges, debentures, or debt securities, issued or outstanding, or authorised or otherwise created but unissued, or other similar indebtedness, finance lease commitment, liabilities under acceptance, acceptance credits, hire purchase commitments, contingent liabilities or guarantees.

OFF-BALANCE SHEET ARRANGEMENTS AND COMMITMENTS

Our Directors confirm that our Group did not have any material off-balance sheet transactions or arrangements during the Track Record Period.

SELECTED KEY FINANCIAL RATIOS

	FY2016/ As at 31 March 2016	FY2017/ As at 31 March 2017	FY2018/ As at 31 March 2018
Gross profit margin ^(Note 1)	18.7%	28.2%	21.6%
Net profit margin ^(Note 2)	8.3%	14.5%	5.6%
Current ratio ^(Note 3)	1.45 times	1.66 times	1.92 times
Return on assets ^(Note 4)	31.3%	18.5%	20.0%
Return on equity ^(Note 5)	75.5%	42.4%	39.8%
Gearing ratio ^(Note 6)	44.1%	59.8%	7.4%

Notes:

- Gross profit margin is calculated by the gross profit divided by the revenue for the respective year and multiplied by 100%.
- Net profit margin is calculated by the profit for the year divided by the revenue for the respective year and multiplied by 100%.
- Current ratio is calculated based on the current assets divided by current liabilities.

FINANCIAL INFORMATION

4. Return on assets is calculated by the total profit and other comprehensive income for the year divided by total assets multiplied by 100%.
5. Return on equity is calculated by the total profit and other comprehensive income for the year divided by total equity multiplied by 100%.
6. Gearing ratio is the current debt (including bank borrowings, obligations under finance leases, and amount due to Directors) divided by total equity and multiplied by 100%.

Gross profit margin

Our gross profit margin was 18.7% for FY2016, 28.2% for FY2017 and 21.6% for FY2018, representing an increase of 9.5% and a decrease of 6.6%. Please refer to the paragraph headed “Period to period comparison of results of operations” in this section for a discussion of the material changes in our Group’s gross profit margin during the Track Record Period.

Net profit margin

Our net profit margin was 8.3% for FY2016, 14.5% for FY2017 and 5.6% for FY2018, representing an increase of 6.2% and a decrease of 8.9%.

Please refer to the paragraph headed “Period to period comparison of results of operations” in this section for a discussion of the material change in our Group’s net profit margin during the Track Record Period.

Current ratio

Our current ratios as at 31 March 2016, 31 March 2017 and 31 March 2018 were approximately 1.45 times, 1.66 times, and 1.92 times respectively. Our current ratio improved from 1.45 as at 31 March 2016 to 1.66 as at 31 March 2017, such improvement was caused by the acquisition of Orient Zen, which had a higher current ratio at 2.2 as at 31 March 2017; and our current ratio improved from 1.66 as at 31 March 2017 to 1.92 as at 31 March 2018, such increase was mainly due to (i) the increase trade receivables which was in line with our increase in sales; and (ii) the decrease in amount due to a director and a related company.

Return on assets

Our return on asset decreased from 31.3% for FY2016 to 18.5% for FY2017, and increased to 20.0% for FY2018. The decrease for FY2017 was mainly attributable to the increase in total asset value of our Group subsequent to the acquisition of Orient Zen on 31 March 2017. However, given the fact that Orient Zen was acquired on 31 March 2017, the profit of Orient Zen for FY2017 was not reflected in our Group’s Combined Statements of Profit or Loss and Other Comprehensive income for FY2017. The increase for FY2018 was mainly due to the greater decrease in total assets, including property, plant, and equipment, intangible asset and amount due from directors.

Return on equity

Our Group’s return on equity ratio decreased from approximately 75.5% for FY2016 to approximately 42.4% for FY2017, and further decreased to approximately 39.8% for FY2018. The decrease for FY2017 was attributable to the increase in total equity value of our Group accumulated from the retained profit subsequent to the acquisition of Orient Zen on 31 March 2017. However, given the fact that Orient Zen was acquired on 31 March 2017, the profit of Orient Zen for FY2017 was not reflected in our Group’s Combined Statements of Profit or Loss and Other Comprehensive income for FY2017. The decrease for FY2018 was mainly due to the decrease in total profit and other comprehensive income.

FINANCIAL INFORMATION

Gearing ratio

Our gearing ratios as at 31 March 2016, 2017 and 2018 were approximately 44.1%, 59.8% and 7.4% respectively. The increase as at 31 March 2017 was due to the increase in amount due to a Director and an obtainment of a new bank loan; partially offset by an increase in total equity brought along by the acquisition of Orient Zen on 31 March 2017. The decrease as at 31 March 2018 was primarily due to the full settlement of the amount due to a Director; partially offset by a decrease in total equity caused by the declaration of dividend.

RESULTS OF OPERATIONS OF ORIENT ZEN

SELECTED ITEMS FROM STATEMENTS OF PROFITS OR LOSS AND OTHER COMPREHENSIVE INCOME OF ORIENT ZEN

The acquisition of Orient Zen allows our Group to grow our customer base to include also freight forwarders. In addition to the provision of general import and export freight services by air and sea, we have expanded to provide also consolidation and co-loading service of cargo space. Riding on the close business relationship between Orient Zen and its suppliers, i.e. other freight forwarders, our Group becomes more capable in securing supply of cargo space when cargo space is in high demand. We expect that Orient Zen will continue to be able to bring to our Group new suppliers and customers, which will therefore generate significant revenue to our Group. For details of the business operations of Orient Zen and the impact of the acquisition on our Group, please refer to the section headed “Business – Strategic acquisition of major operating subsidiaries” in this prospectus.

The table below sets out Orient Zen’s statements of profit or loss and other comprehensive income during the Track Record Period:

	FY2016 <i>HK\$'000</i> (audited)	FY2017 <i>HK\$'000</i> (audited)	FY2018 <i>HK\$'000</i> (audited)
Revenue	99,162	100,706	103,464
Cost of services	(89,231)	(88,026)	(89,654)
Gross profit	9,931	12,680	13,810
Other income	1	5	–
Marketing expenses	(686)	(525)	(1,357)
Administrative and operating expenses	(2,332)	(2,951)	(3,504)
Other expenses	–	–	(360)
Finance costs	–	(21)	(55)
Profit before taxation	6,914	9,188	8,534
Income tax expense	(1,133)	(1,494)	(1,391)
Total profit and other comprehensive income for the year	<u>5,781</u>	<u>7,694</u>	<u>7,143</u>

Revenue

During the Track Record Period, Orient Zen’s revenue was mainly generated from air freight forwarding and related logistics services, in particular, consolidation and co-loading business.

For FY2016, FY2017 and FY2018, Orient Zen’s total revenue amounted to approximately HK\$99.2 million, HK\$100.7 million and HK\$103.5 million, respectively, whilst for the respective periods, the total net profit amounted to approximately HK\$5.8 million, HK\$7.7 million and HK\$7.1 million, respectively.

FINANCIAL INFORMATION

Costs of services

Orient Zen's cost of services primarily consists of sub-contracting charges.

For FY2016, FY2017 and FY2018, Orient Zen's total cost of services amounted to approximately HK\$89.2 million, HK\$88.0 million and HK\$89.7 million, respectively.

Gross profit and gross profit margin

For FY2016, FY2017 and FY2018, Orient Zen's gross profit amounted to approximately HK\$9.9 million, HK\$12.7 million and HK\$13.8 million, respectively, whilst for the respective periods, the gross profit margin amounted to approximately 10.0%, 12.6% and 13.3%, respectively.

Marketing expenses

Marketing expenses mainly include cost of business development and soliciting new customers.

For FY2016, FY2017 and FY2018, the total marketing expenses of Orient Zen amounted to approximately HK\$0.7 million, HK\$0.5 million and HK\$1.4 million, respectively.

Administrative and operating expenses

Administrative and operating expenses mainly include staff costs and benefits, audit fee, depreciation, utilities and others. The following table sets out a breakdown of the administrative and operating expenses of Orient Zen for the years indicated:

	FY2016		FY2017		FY2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Staff costs and benefits (including director's remuneration)	1,698	72.8	1,987	67.3	2,425	69.2
Depreciation	–	0	185	6.3	187	5.3
Office expenses and utilities	68	2.9	64	2.2	135	3.8
Rental and rates	315	13.5	176	6.0	157	4.5
Audit fee	40	1.7	210	7.1	210	6.0
Travelling	61	2.6	95	3.2	177	5.1
Printing and stationery	52	2.3	50	1.7	50	1.4
Others	98	4.2	184	6.2	163	4.7
	<u>2,332</u>	<u>100.0</u>	<u>2,951</u>	<u>100.0</u>	<u>3,504</u>	<u>100.0</u>

For FY2016, FY2017 and FY2018, the administrative and operating expenses of Orient Zen amounted to approximately HK\$2.3 million, HK\$3.0 million and HK\$3.5 million, respectively.

FINANCIAL INFORMATION

Income tax expense

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits during FY2016, FY2017 and FY2018. The tax charge of Orient Zen for the Track Record Period can be reconciled to the profit before tax per the statement of profit or loss and other comprehensive income as follows:

	FY2016 HK\$'000	FY2017 HK\$'000	FY2018 HK\$'000
Profit before income tax	6,914	9,188	8,534
Tax on profit before taxation, calculated at the rate applicable to profits in the tax jurisdictions concerned	1,141	1,516	1,408
Others	(8)	(22)	(17)
Income tax expenses	<u>1,133</u>	<u>1,494</u>	<u>1,391</u>

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS FOR ORIENT ZEN

FY2017 compared with FY2016

Revenue

For FY2016 and FY2017, the revenue of Orient Zen remained fairly stable and moderate at approximately HK\$99.2 million for FY2016 and approximately HK\$100.7 million for FY2017, representing a slight increase of approximately HK\$1.5 million or 1.5%. The increase in the revenue of Orient Zen was primarily attributed to the slight increase in sales volume with some of Orient Zen's then existing customers.

Cost of services

For FY2016 and FY2017, the cost of services of Orient Zen decreased from approximately HK\$89.2 million for FY2016 to approximately HK\$88.0 million for FY2017, representing a modest decrease of approximately HK\$1.2 million or 1.3%. The decrease in cost of services for the year ended 31 December 2016 was mainly due to the reduction in cargo fuel surcharge.

Gross Profit

For FY2016 and FY2017, the gross profit of Orient Zen increased from approximately HK\$9.9 million for FY2016 to approximately HK\$12.7 million for FY2017, representing an increase of approximately HK\$2.8 million or 28.3%. The gross profit margin of Orient Zen increased from approximately 10.0% for FY2016 to approximately 12.6% for FY2017. Such increase was attributable to the increase in revenue together with the decrease in cost of services, driven by the reduction in cargo fuel surcharge.

Marketing expenses

For FY2016 and FY2017, the marketing expenses of Orient Zen decreased from approximately HK\$0.7 million for FY2016 to approximately HK\$0.5 million for FY2017, representing a decrease of approximately HK\$0.2 million or 28.6%. Due to the backdrop of slower growth in the general air freight forwarding market environment in FY2016, the director of Orient Zen considered that it was necessarily to incur extra marketing effort in business development and soliciting new customers. With reference to the relatively stable market environment in FY2017, the marketing cost incurred was reduced accordingly.

FINANCIAL INFORMATION

Administrative and operating expenses

The administrative and operating expenses of Orient Zen increased from approximately HK\$2.3 million for FY2016 to approximately HK\$3.0 million for FY2017, representing an increase of approximately HK\$0.7 million or 30.4%. Such increase was primarily due to (i) a rise in director's remuneration of HK\$0.2 million; and (ii) the change of auditor which gave a significant increment of approximately HK\$0.2 million in audit fee.

Finance Costs

There was no finance cost recorded in FY2016; whereas the finance cost recorded by Orient Zen was approximately HK\$21,000 for FY2017. The increase in finance costs was due to the reason that Orient Zen leased a motor vehicle in April 2016 under finance lease. The lease term was four years.

Income tax expenses

For FY2016 and FY2017, income tax expenses of Orient Zen increased from approximately HK\$1.1 million for FY2016 to approximately HK\$1.5 million for FY2017, representing an increase of approximately HK\$0.4 million, or 36.4%. The increase was in line with the increase in profit before taxation. While the corresponding effective tax rates were approximately 16.4% and 16.3%, respectively, the effective tax rates were slightly lower than the statutory tax rate for FY2016 and FY2017 mainly due to tax concession of HK\$20,000 and HK\$20,000 for FY2016 and FY2017, respectively.

Total profit and other comprehensive income for the year

For FY2016 and FY2017, as a result of the foregoing, particularly in light of the increase in revenue due to the increase in sales volume, Orient Zen's profit increased from approximately HK\$5.8 million for FY2016 to approximately HK\$7.7 million for FY2017, representing an increase of approximately HK\$1.9 million or 32.8%, on a year-on-year basis. The net profit margin of Orient Zen also increased from 5.8% for FY2016 to 7.6% for FY2017.

FY2018 compared with FY2017

Revenue

For FY2017 and FY2018, the revenue of Orient Zen increased from approximately HK\$100.7 million for FY2017 to approximately HK\$103.5 million for FY2018, representing an increase of approximately HK\$2.8 million or 2.8%. The slight increase was contributable to the increase in sales volume for the cargo routes in South East Asia.

Cost of services

For FY2017 and FY2018, the cost of services of Orient Zen increased from approximately HK\$88.0 million for FY2017 to approximately HK\$89.7 million for FY2018, representing an increase of approximately HK\$1.7 million or 1.9%. The increase was in line with the increase in revenue benefiting from the increase in sales volume for the cargo routes in South East Asia.

Gross Profit

For FY2017 and FY2018, the gross profit of Orient Zen increased from approximately HK\$12.7 million for FY2017 to approximately HK\$13.8 million for FY2018, representing an increase of approximately HK\$1.1 million or 8.7%. The gross profit margin of Orient Zen increased slightly from approximately 12.6% for FY2017 to approximately 13.3% for FY2018 as the increase in revenue due to the increased volume of transactions was partially offset by the relatively smaller increase in cost of services.

FINANCIAL INFORMATION

Marketing expenses

For FY2017 and FY2018, the marketing expenses of Orient Zen increased from approximately HK\$0.5 million for FY2017 to approximately HK\$1.4 million for FY2018, representing an increase of approximately HK\$0.9 million or 180.0%. The increase in marketing expenses was primarily incurred for maintaining close business relationship with existing customers and suppliers, which in turn resulted in an introduction of Orient Zen's customers to engage also in our warehousing and related value-added services, as well as for the soliciting of potential customers for our future expansion in freight forwarding and related logistics services and warehousing and related value-added services.

Administrative and operating expenses

For FY2017 and FY2018, the administrative and operating expenses of Orient Zen increased from approximately HK\$3.0 million for FY2017 to approximately HK\$3.5 million for FY2018, representing an increase of approximately HK\$0.5 million or 16.7%. Such increment was primarily due to (i) the increase in staff cost, contributed by the increase in Directors' remuneration and the recruitment of new staff; and (ii) the payment of rent for two premises during the relocation of Orient Zen's office.

Other expenses

For FY2017 and FY2018, the other expenses of Orient Zen increased from nil to approximately HK\$0.4 million, representing an increase of HK\$0.4 million or 100.0%. The increase was attributable to an impairment loss on trade receivable of Orient Zen of approximately HK\$0.4 million, which was considered to be highly irrecoverable.

Finance Costs

For FY2017 and FY2018, the finance costs of Orient Zen increased from approximately HK\$21,000 for FY2017 to approximately HK\$55,000 for FY2018, representing an increase of HK\$34,000 or 161.9%. The increase in finance costs was attributable to (i) the obtainment of a bank loan of HK\$1.0 million for working capital purpose; and (ii) the motor vehicle leased under finance lease.

Income tax expenses

For both FY2017 and FY2018, income tax expenses were recorded at HK\$1.5 million and HK\$1.4 million, respectively, with the corresponding effective tax rate of approximately 16.3%. The effective tax rates were slightly lower than the statutory tax rate for FY2017 and FY2018 mainly due to the award of government incentives.

Total profit and other comprehensive income for the year

For FY2017 and FY2018, Orient Zen's profit decreased from approximately HK\$7.7 million for FY2017 to approximately HK\$7.1 million for FY2018, representing a decrease of approximately HK\$0.6 million or 7.8%. The net profit margin of Orient Zen also decreased from 7.6% for FY2017 to 6.9% for FY2018.

FINANCIAL INFORMATION

SELECTED ITEMS FROM BALANCE SHEETS OF ORIENT ZEN

The table below sets out Orient Zen's statement of financial position during the Track Record Period:

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Audited)
Non-current assets			
Property, plant and equipment	–	677	505
Deferred tax asset	–	–	14
Rental deposit	35	35	38
	<u>35</u>	<u>712</u>	<u>557</u>
Current assets			
Trade receivables, deposits and prepayments	13,178	12,433	12,684
Amounts due from Union Air	1,243	1,356	648
Amount due from Fu Cheng	–	–	16
Amounts due from Mr. HM Loy	6,214	12,987	–
Bank balances and cash	2,237	2,163	2,912
	<u>22,872</u>	<u>28,939</u>	<u>16,260</u>
Current liabilities			
Trade payables and accrued expenses	11,989	11,238	8,301
Amounts due to Union Air	–	89	20
Amounts due to Fu Yo	84	143	442
Obligation under a finance lease	–	166	171
Bank borrowing	–	1,000	–
Tax payables	1,021	426	162
	<u>13,094</u>	<u>13,062</u>	<u>9,096</u>
Net current assets	<u>9,778</u>	<u>15,877</u>	<u>7,164</u>
Total assets less current liabilities	<u>9,813</u>	<u>16,589</u>	<u>7,721</u>
Non-current liabilities			
Obligation under a finance lease	–	286	116
Deferred tax liability	–	43	–
	<u>–</u>	<u>329</u>	<u>116</u>
Net Assets	<u><u>9,813</u></u>	<u><u>16,260</u></u>	<u><u>7,605</u></u>
Capital and reserve			
Share capital	2,000	2,000	2,000
Retained profits	7,813	14,260	5,605
	<u><u>9,813</u></u>	<u><u>16,260</u></u>	<u><u>7,605</u></u>

FINANCIAL INFORMATION

As at 31 March 2017, Orient Zen recorded net current assets of approximately HK\$15.9 million, which increased by approximately HK\$6.1 million or 62.2% from approximately HK\$9.8 million as at 31 March 2016. Orient Zen recorded net current assets of approximately HK\$7.2 million as at 31 March 2018, which decreased by approximately HK\$8.7 million or 54.7% from approximately HK\$15.9 million as at 31 March 2017.

Trade receivables, deposits and prepayments

	FY2016 HK\$'000	As at 31 March FY2017 HK\$'000	FY2018 HK\$'000
Trade receivables	13,013	12,066	12,677
Less: allowance for doubtful debts	—	—	(360)
	<u>13,013</u>	<u>12,066</u>	<u>12,317</u>
Deposits and prepayments	200	402	405
	<u>13,213</u>	<u>12,468</u>	<u>12,722</u>
Less: rental deposit classified as non-current asset	(35)	(35)	(38)
	<u><u>13,178</u></u>	<u><u>12,433</u></u>	<u><u>12,684</u></u>

The trade receivables of Orient Zen decreased from approximately HK\$13.0 million as at 31 March 2016 to approximately HK\$12.1 million as at 31 March 2017. Such decrease was mainly due to Orient Zen's effort in closely monitoring the account balance, which resulted in timely payment of the purchase price by the customers. The trade receivables of Orient Zen increased from approximately HK\$12.1 million as at 31 March 2017 to approximately HK\$12.3 million as at 31 March 2018.

The deposits and prepayments mainly refer to the rental deposit of the office of Orient Zen and prepayment to a supplier. Such deposits and prepayments of Orient Zen increased from approximately HK\$0.2 million as at 31 March 2016 to approximately HK\$0.4 million as at 31 March 2017. Such increase was mainly due to a prepayment of approximately HK\$0.4 million prepaid to Supplier E in 25 November 2016. The deposits and prepayments of Orient Zen increased from approximately HK\$402,000 as at 31 March 2017 to approximately HK\$405,000 as at 31 March 2018. Such slight increase was primarily due to the increase in our car insurance premium.

Amount due from Union Air

The amount due from Union Air to Orient Zen increased from approximately HK\$1.2 million as at 31 March 2016 to approximately HK\$1.4 million as at 31 March 2017. Since Orient Zen majors in the cargo routes with U.S. as destination, such increase was mainly due to Union Air's increase in customer orders with U.S. as destination, and thus, an increase in supply orders from Orient Zen. The amount due from Union Air to Orient Zen decreased from approximately HK\$1.4 million as at 31 March 2017 to approximately HK\$0.6 million as at 31 March 2018. Such decrease was mainly due to Union Air's decrease in supply orders from Orient Zen with the decrease in customer orders with U.S. as destination. The amount due from Union Air to Orient Zen is trade in nature, unsecured, interest free and repayable according to the credit term.

Amount due from Mr. HM Loy

The amount due from Mr. HM Loy to Orient Zen increased from approximately HK\$6.2 million as at 31 March 2016 to approximately HK\$13.0 million as at 31 March 2017. Such increase was primarily due to a receivable with the amount of HK\$8.1 million advanced by Orient Zen to Mr. HM Loy. Mr. HM Loy repaid HK\$1.3 million during FY2017. As at 31 March 2018, the amount has already been fully settled by cash and declaration of dividend. The amount due from Mr. HM Loy to Orient Zen is non-trade in nature, unsecured, interest free and repayable on demand.

FINANCIAL INFORMATION

Trade payables and accrued expenses

	As at 31 March		
	FY2016	FY2017	FY2018
	HK\$'000	HK\$'000	HK\$'000
Trade payables	11,856	11,028	7,757
Accrued expenses	133	210	544
	<u>11,989</u>	<u>11,238</u>	<u>8,301</u>

The trade payables of Orient Zen remained relatively stable at approximately HK\$11.9 million as at 31 March 2016 and approximately HK\$11.0 million as at 31 March 2017. The trade payables of Orient Zen decreased from approximately HK\$11.0 million as at 31 March 2017 to approximately HK\$7.8 million as at 31 March 2018. Such decrease was mainly brought along by (i) a decrease in revenue in the first quarter of 2018; and (ii) the application of our trade receivables from Customer H to set off against of our trade payables to Customer H. The other payables and accrued expenses of Orient Zen increased from approximately HK\$133,000 as at 31 March 2016 and approximately HK\$210,000 as at 31 March 2017. Such increase was primarily due to the change of auditor of Orient Zen. The accrued expenses of Orient Zen increased from approximately HK\$210,000 as at 31 March 2017 to approximately HK\$544,000 as at 31 March 2018. Such increase was mainly due to the additional accrued audit fee of approximately HK\$210,000.

Bank borrowings

There was no bank borrowing of Orient Zen as at 31 March 2016. The bank borrowings of Orient Zen was recorded at approximately HK\$1.0 million as at 31 March 2017. Such increase was due to the obtainment of a bank loan repayable within 12 months and subject to a flat rate of 4.53% per annum calculated on a monthly basis. The bank borrowings of Orient Zen decreased from approximately HK\$1.0 million as at 31 March 2017 to nil as at 31 March 2018. Such decrease was mainly due to Orient Zen's monthly repayment of the above bank loan.

CAPITAL EXPENDITURES AND COMMITMENTS

Operating Lease Commitments

Our Group as lessee

At the end of each reporting period, our Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of offices, warehouses and car parks which fall due as follows:

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Within one year	3,958	4,216	2,484
In the second to third year inclusive	<u>4,920</u>	<u>1,164</u>	<u>6</u>
	<u>8,878</u>	<u>5,380</u>	<u>2,490</u>

Operating lease payments represent rentals payable by our Group for our office premises, warehouses and car parks. Leases are negotiated and rentals are fixed for the period of six months to four years.

FINANCIAL INFORMATION

CONTINGENT LIABILITIES

Our Group did not have any significant contingent liabilities as at 31 March 2018. Our Directors confirm that there has not been any significant contingent liabilities as at the Latest Practicable Date.

LISTING EXPENSES

Our Directors expect that our total Listing expenses, which are non-recurring in nature, will amount to approximately HK\$24.6 million (assuming the Offer Price of HK\$0.30 per Offer Share; being the mid-point of the indicative Offer Price range stated in this prospectus), of which approximately HK\$8.3 million was recorded in our Group's profit and loss accounts for FY2018 and HK\$5.5 million in our Group's profit and loss accounts for FY2019, and the remaining estimated Listing expenses in the amount of approximately HK\$10.8 million will be deducted from equity upon the Listing.

Accordingly, the financial results of our Group for FY2019 are expected to be significantly affected by the estimated expenses in relation to the Listing, as a result, it is expected that there will be a significant decrease in net profit for FY2019. Our Directors would like to emphasise that this predicted cost of Listing is a current estimate for reference only. As such, the actual amount may differ from these estimates and the final amount to be recognized in the combined statement of comprehensive income of our Group for FY2019 are subject to adjustment based on audit and the then changes in variables and assumptions.

NO MATERIAL ADVERSE CHANGE

Save for the total expenses for the Listing estimated to be approximately HK\$24.6 million, of which approximately HK\$8.3 million was recorded in our Group's profit and loss accounts for FY2018 and HK\$5.5 million will be recorded in our Group's profit and loss for FY2019, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 March 2018 (being the date to which the latest audited combined financial statements of our Group were prepared), and there is no event since 31 March 2018 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

WORKING CAPITAL

Taking into consideration our Group's internal resources, available facilities and the estimated net proceeds from the Share Offer, our Group has sufficient working capital for its present requirements, for at least the next 12 months from the date of this prospectus.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 10 August 2017, therefore, our Company had no distributable reserves available for distribution to the Shareholders.

FINANCIAL INFORMATION

RELATED PARTY TRANSACTIONS

Our related party transactions during the Track Record Period are summarised in Note 28 to the Accountants' Report set out in Appendix I to this prospectus. Related parties which conducted transactions with our Group during the Track Record Period, and their relationship with our Group are summarised as follows:

Related parties	Relationship with our Group
Orient Zen	Company controlled by Mr. HM Loy prior to the Acquisition
Fu Cheng	Company controlled by Mr. HM Loy prior to the Assets Acquisition

During the Track Record Period, our transactions with related parties include the following:

	FY2016 HK\$'000	FY2017 HK\$'000	FY2018 HK\$'000
(1) <i>Ever Metro acquired from Mr. HM Loy</i>			
– 73% of the issued share capital of Orient Zen on 31 March 2017	–	11,275	–
– 27% of the issued share capital of Orient Zen on 28 July 2017	–	–	(Note 1)
(2) <i>Ever Metro acquired entire issued shares of Fu Cheng on 28 July 2017</i>	–	–	(Note 2)
(3) <i>Union Air provided freight forwarding and related logistic services to:–</i>			
– Orient Zen	2,945	1,378	N/A
(4) <i>Orient Zen provided logistics services to:–</i>			
– Union Air	9,860	7,693	N/A
– Fu Yo	11	–	N/A
(5) <i>Fu Yo provided warehousing and transportation services to:–</i>			
– Orient Zen	720	956	N/A
(6) <i>Fu Cheng provided human resources manpower to:–</i>			
– Fu Yo	N/A	2,068	941
Total	13,536	23,370	941

Note 1: On 28 July 2017, Ever Metro allotted and issued 18,493 new shares in Ever Metro to Mr. HM Loy for the acquisition of the 27% interests in Orient Zen.

Note 2: On 28 July 2017, Ever Metro acquired entire issued shares of Fu Cheng from Mr. HM Loy by issuing one new share of Ever Metro to Mr. HM Loy.

Before the acquisition of Orient Zen on 31 March 2017, Union Air and Fu Yo have provided freight forwarding and related logistics services and warehousing and related value-added services to Orient Zen respectively; whereas Orient Zen has provided logistics services to both Union Air and Fu Yo.

We have obtained fee quotes from other service providers in the logistics industry that would be able to provide similar freight forwarding and related logistics services as well as warehousing and transportation services as incurred under the related party transactions above. Since our Directors consider that the charges paid to our Group companies are within the market range as compared these fee quotes for similar services during a particular period as the services would require. Our Directors

FINANCIAL INFORMATION

are therefore of the view that the respective consideration for the above transactions was determined after arm's length negotiation between the relevant parties and with reference to the obtained fee quotes. The respective related party transactions have been discontinued and became inter-company transactions after the above acquisition.

Since the incorporation of Fu Cheng on 6 July 2016, it principally engaged in the provision of human resources services to Fu Yo, its sole customer, and Fu Yo engaged no human resources support from companies other than Fu Cheng. For the human resources service provided to Fu Yo, Fu Cheng charged Fu Yo based on its actual expenditure.

Our Directors thereby confirm, and the Sole Sponsor thereby concurs, that each of such transactions was conducted on normal commercial terms and/or that such terms that were no less favourable to our Group than term available from Independent Third Parties which are fair and reasonable and in the interest of the Shareholders as a whole. These related party transactions have been eliminated within our Group.

For more information on our related parties transactions, see the Note 28 to our historical financial information included in "Appendix I – Accountants' Report".

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The major financial risks arising from our Group's normal course of business include interest rate risk, credit risk, liquidity risk and foreign currency risk. For details, please refer to Note 30 – "Accountants' Report – Financial risk management" to the Appendix I of this prospectus.

DIVIDEND

In July 2017, Union Air declared dividends amounting to HK\$17,500,000 to the individual shareholder.

In July 2017, Orient Zen declared dividends amounting to HK\$15,800,000 to its shareholders, of which, HK\$11,534,000 attributable to Ever Metro and HK\$4,266,000 attributable to the non-controlling interest.

No dividend was paid or declared by our Company since its incorporation.

DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

Our Directors have confirmed that, except as otherwise disclosed in this prospectus, as at the Latest Practicable Date, they were not aware of any circumstances which could give rise to a disclosure obligation pursuant to Rules 17.15 to 17.21 of the GEM Listing Rules.

RECENT DEVELOPMENTS

We continued to focus on strengthening our market position in the logistics industry in Hong Kong. As far as we are aware, our industry remained relatively stable after the Track Record Period. There was no material adverse change in the general economic and market conditions in the industry in which we operate that had affected or would affect our business operations or financial condition materially and adversely.

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have continued to focus on developing our business of freight forwarding and related logistics services and warehousing and related value-added services in Hong Kong.

Since the tenancy agreements of our Previous Warehouses both expired on 14 August 2018 and the capacity of our warehouses were close to saturation with a utilisation rate of 122.6% in average for FY2018, we decided to relocate to a larger warehouse to cope with our business expansion. On

FINANCIAL INFORMATION

3 July 2018, we entered into a tenancy for HLC Warehouse and HLC Office at a monthly rent of approximately HK\$517,000 for three years until 2 July 2021. Our HLC Office and HLC Warehouse, located also in Kwai Chung, Hong Kong near the Kwai Chung Container Terminal, have a gross floor area of approximately 5,503 and 33,856 sq.ft., respectively. They are important in meeting our future operation and enhancing our corporate image and our standard of management.

Since most of our equipment is mobile equipment such as forklifts and packaging equipment, which were relatively easy to relocate, only a few of our equipment required transportation services for relocation purpose. The costs and time of relocation from Previous Warehouses and office premises to our HLC Warehouse and HLC Office were efficiently controlled and that normal operation of our warehousing and value-added business was not disrupted. In addition, the majority of our top customers and suppliers have already been notified of our relocation, and have further confirmed that such relocation plan will not affect our continuous business relationship.

During the Track Record Period and up the Latest Practicable Date, our Directors have been actively seeking new business opportunities with our existing and potential customers and suppliers. Amongst which, we have signed four letters of intent, respectively with Customer A/Supplier H, Customer H, Customer J and an existing supplier, Supplier A, being a freight forwarder in Hong Kong, for our warehousing and related value-added services with a minimum purchase. The letters of intent signed with the above customers are valid for one year with effective from February 2018. Pursuant to the above letters of intent, it is proposed that, upon the expansion of our warehouses with sufficient capacity, these customers will altogether assign a daily cargo volume of 21 containers for our Group to handle (equivalent to approximately HK\$5.3 million recognisable revenue per month in nominal value). As our HLC Warehouse does not have enough capacity to handle these large amount of cargos, the abovementioned customers will not assign the cargos to us until our further expansion of warehouse with the use of proceeds. As at the Latest Practicable Date, based on the latest listing timetable, we expect that the revenue be recognised from these letters of intent to be approximately HK\$26.5 million for FY2019.

Save for the future plans listed in the section headed “Future Plans and Use of Proceeds – Implementation plan”, our cost structure has remained unchanged since 31 March 2018. Our Directors consider that our Group’s financial performance for FY2019 will be significantly affected by the increase in listing expenses. The one-off listing expenses of approximately HK\$5.5 million will be charged to the combined statement of profit or loss and other comprehensive income for FY2019, respectively, upon Listing. Subsequent to the Track Record Period, on 13 June 2018, we obtained a new banking facility with an aggregate amount of approximately HK\$1.7 million to be utilised as general working capital. The new banking facility is secured by (i) personal guarantees from Mr. Thomas Loy and Mr. HM Loy and (ii) corporate guarantee from Union Air. The relevant bank will release the above guarantees and replace them with corporate guarantee provided by our Company upon the Listing.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma financial information prepared in accordance with paragraph 7.31 of the GEM Listing Rules and Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants is for illustrative purposes only, and is set out herein to provide prospective investors with further illustrative financial information about how the Share Offer might have affected the combined net tangible assets of our Group after the completion of the Share Offer as if the Share Offer had taken place on 31 March 2018. Because of its hypothetical nature, the unaudited pro forma financial information may not give a true picture of the financial position of our Group had the Share Offer been completed on 31 March 2018 or at any future dates.

FINANCIAL INFORMATION

The unaudited pro forma statement of adjusted combined net tangible assets of our Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of our Group attributable to the owners of the Company as at 31 March 2018 or at any future dates following the Share Offer. It is prepared based on the audited combined net tangible assets of our Group attributable to the owners of the Company as at 31 March 2018 as shown in the Accountants' Report on Historical Financial Information as set out in Appendix I to this prospectus and adjusted as described below.

	Audited combined net tangible assets of our Group attributable to owners of the Company as at 31 March 2018 HK\$'000	Estimated net proceeds from the Share Offer HK\$'000	Unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of the Company as at 31 March 2018 HK\$'000	Unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of the Company as at 31 March 2018 per Share HK\$
Based on an Offer Price of HK\$0.25	26,341	47,497	73,838	0.09
Based on an Offer Price of HK\$0.35	26,341	71,059	97,400	0.12

Notes:

1. The audited combined net tangible assets of our Group attributable to the owners of the Company as at 31 March 2018 is based on the combined net assets of our Group attributable to owners of the Company amounted to HK\$27,606,000, deducted by intangible assets of HK\$1,265,000 extracted from the accountants' report set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Share Offer are based on 252,000,000 Offer Shares at indicative Offer Prices of HK\$0.25 and HK\$0.35 per Offer Share, after deduction of the estimated underwriting fees and other related fees and expenses incurred by our Group or expected to be incurred and borne by our Group (excluding approximately HK\$8,303,000 of listing expenses which have been charged to profit or loss up to 31 March 2018 by our Group). It does not take into account of any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme, any Shares which may be issued upon the exercise of the Offer Size Adjustment Option or any Shares which may be issued or repurchased by the Company pursuant to the Company's general mandates.
3. The unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of the Company as at 31 March 2018 per Share has been arrived at after making the adjustments referred to in note 2 above and on the basis of 840,000,000 Shares in issue assuming that the Reorganisation, Share Offer and the Capitalisation Issue have been completed on 31 March 2018. It does not take into account of any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme, any Shares which may be issued upon the exercise of the Offer Size Adjustment Option or any Shares which may be issued or repurchased by the Company pursuant to the Company's general mandates.
4. No adjustment have been made to the unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of the Company at 31 March 2018 to reflect any trading result or other transactions of the Group entered into subsequent to 31 March 2018.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Share which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any option which may be granted under the Share Option Scheme), Ho Tat will be entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of our Company. Ho Tat is an investment holding company, wholly owned by Mr. Thomas Loy. As such, Mr. Thomas Loy and Ho Tat are regarded as the Controlling Shareholders.

To eliminate the risk of having any potential inconsistency or even conflict between Mr. Thomas Loy and Mr. HM Loy in the management or the exercise of voting powers in operating our Company which may cause concerns to the future investors and/or independent Shareholders, Mr. Thomas Loy and Mr. HM Loy executed the Acting in Concert Confirmation, whereby, among other things, they (i) confirmed that for the purpose of the Listing and with the effect from the Share Offer becoming unconditional, they (a) would be acting in concert with each other in exercising and implementing the management and operation of our Group; and (b) acknowledged that Mr. Thomas Loy shall continue to make final and binding decisions on their behalf for the overall management and operation of our Group in all events as he has been since the acquisition of Orient Zen and Fu Yo; and (ii) have further undertaken that, so long as they remain interested in the share capital of any company in our Group, they will maintain the acting-in-concert relationship, including but not limited to giving casting unanimous vote collectively for or against all resolutions in all meetings and discussions of our Group. To enhance the confidence of the Shareholders, the Directors believe that it is in the best interest of the Shareholders and our Company as a whole for Mr. Thomas Loy and Mr. HM Loy to execute the Acting in Concert Confirmation.

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Share which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any option which may be granted under the Share Option Scheme), Mr. HM Loy will be holding 7.12% of the issued share capital of our Company through Yo Tat, an investment company wholly owned by Mr. HM Loy. As such, Mr. Thomas Loy through Ho Tat and Mr. HM Loy through Yo Tat, will act in concert to exercise their voting rights in our Company and they together will be interested in a total of 57.28% of the issued share capital of our Company upon completion of the Capitalisation Issue and the Share Offer (without taking into account any Share which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any option which may be granted under the Share Option Scheme).

Mr. Thomas Loy and Ho Tat have been at all material times the Controlling Shareholders of our Group entitled to exercise of more than 30% of the voting powers and there has been no change since the beginning of FY2017 up to the time immediately before the Listing. Mr. HM Loy and Yo Tat will only become Controlling Shareholders pursuant to the Acting in Concert Confirmation with the effect from the Share Offer becoming unconditional. The Company thus has satisfied the ownership continuity and control requirement under Rule 11.12A(2) of the GEM Listing Rules.

Our Directors are of the view that to the best of their knowledge and belief, none of our Controlling Shareholders or their respective close associates have interests in businesses which compete, or are likely to compete, either directly or indirectly, with our business.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Our Directors believe that our Group is capable of carrying on its businesses independently of, and does not place undue reliance on, the Controlling Shareholders and their respective close associates (other than members of our Group) taking into account the following factors:

Financial independence

Our Group has an independent financial system and makes financial decisions according to its business needs. Our Group has sufficient capital to operate its business independently, and has adequate internal resources to support its day-to-day operations.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

During the Track Record Period and up to the Latest Practicable Date, our Group had relied principally on shareholders' equity, cash generated from operations and bank borrowings to finance its business. Upon completion of the Share Offer, our Group expects that its operations will be financed mainly by the net proceeds from the Share Offer, internally generated funds and borrowings from financial institutions.

The non-trade related amounts due to or from the Controlling Shareholders and their respective close associates (other than members of our Group) had been fully settled prior to the Listing and there was no outstanding loans to or from the Controlling Shareholders and their respective close associates (other than members of our Group) as at Latest Practicable. The loan guarantees to or from the Controlling Shareholders and their respective close associates (other than members of our Group) will be released upon the Listing.

During the Track Record Period, there were historical transactions with related parties. Below is the summary of relevant transactions and please refer to the Accountant's Report set out in Appendix I to this prospectus for details.

	FY2016 HK\$'000	FY2017 HK\$'000	FY2018 HK\$'000
(1) <i>Ever Metro acquired from Mr. HM Loy</i>			
– 73% of the issued share capital of Orient Zen on 31 March 2017	–	11,275	–
– 27% of the issued share capital of Orient Zen on 28 July 2017	–	–	–
			(Note 1)
(2) <i>Ever Metro acquired entire issued shares of Fu Cheng on 28 July 2017</i>	–	–	–
			(Note 2)
(3) <i>Union Air provided freight forwarding and related logistic services to:–</i>			
– Orient Zen	2,945	1,378	N/A
(4) <i>Orient Zen provided logistics services to:–</i>			
– Union Air	9,860	7,693	N/A
– Fu Yo	11	–	N/A
(5) <i>Fu Yo provided warehousing and transportation services to:–</i>			
– Orient Zen	720	956	N/A
(6) <i>Fu Cheng provided human resources manpower to:</i>			
– Fu Yo	N/A	2,068	941
Total	13,536	23,370	941

Note 1: On 28 July 2017, Ever Metro allotted and issued 18,493 new shares in Ever Metro to Mr. HM Loy for the acquisition of the 27% interests in Orient Zen.

Note 2: On 28 July 2017, Ever Metro acquired entire issued shares of Fu Cheng from Mr. HM Loy by issuing one new share of Ever Metro to Mr. HM Loy.

Our Directors confirmed that these historical transactions with related parties were conducted on arm's length basis and would not distort our results during the Track Record Period, as supported by the fact that the terms of transactions between Group Companies were generally in line with those which did not involve connected person and/or related parties as counterparties. As such, our Directors are of the view that the impact of these historical transactions with related parties on our Group's financial independence is minimal.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Operational independence

Our Group carried out sales, marketing, administrative and operational functions relating to our business independently. Our Group has sufficient operational capacity in terms of resource, equipment and employees to operate its businesses independently of the Controlling Shareholders and their respective close associates (other than members of our Group).

Management independence

Our Group's management and operational decisions are made by our Board and the senior management. Our Board comprises of three executive Directors and three independent non-executive Directors. Other than being the executive Directors, Mr. Thomas Loy is director of Ho Tat, our Controlling Shareholder and Mr. HM Loy is director of Yo Tat, our Controlling Shareholder. Both Ho Tat and Yo Tat are investment holding companies without operations other than respectively holding the Shares for Mr. Thomas Loy and Mr. HM Loy. Save as disclosed above, none of our Directors serves any executive or managerial role in Ho Tat or Yo Tat.

Each of our Directors is aware of his fiduciary duties as a Director which require, among other things, that he acts for the best interest of our Group and not to allow any conflict between his duties as a Director and his personal interests. Our independent non-executive Directors all have extensive experience in different fields and they have been appointed pursuant to the requirements under the GEM Listing Rules to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions. Our Directors believe that the presence of Directors with different backgrounds provides a balance of views and opinions. Please refer to the section headed "Directors and Senior Management – Directors" in this prospectus for the background of our Directors. Our Board acts collectively by majority decisions in accordance with the Articles and applicable laws, and no single Director will have any decision making power unless otherwise authorised by our Board.

In the event that there is a potential conflict of interest arising from any transaction to be entered into between our Group and any of our Directors or their respective close associates (other than members of our Group), the interested Director(s) shall abstain from voting at the relevant Board meetings in respect of such transaction and shall not be counted in the quorum.

In addition, our Group has a team of senior management independent of the Controlling Shareholders and the backgrounds of the senior management are set out in the section headed "Directors and Senior Management – Senior management" in this prospectus. None of the senior management serves any executive or managerial role in Ho Tat or Yo Tat.

In view of the aforesaid, our Directors are of the view that the management independence is upheld despite Mr. Thomas Loy also serving as director of Ho Tat and Mr. HM Loy also serving as director of Yo Tat.

RULE 11.04 OF THE GEM LISTING RULES

Our Controlling Shareholders and our Directors do not have do not have any interest in a business apart from Our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

DEED OF NON-COMPETITION

The Controlling Shareholders have entered into the Deed of Non-competition in favour of our Company (for ourselves and as trustee for each of our subsidiaries from time to time), under which the Controlling Shareholders have undertaken to our Company that they shall not, and shall procure that none of their respective close associates (other than members of our Group) shall, during the

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Restricted Period (as defined below), directly or indirectly, either on their own account, in conjunction with, on behalf of, or through any person, firm or company, among other things, carry on, participate or be interested, engaged or otherwise involved in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business in competition with or likely to be in competition with our Group's existing business activity and any business activities which may be undertaken by our Group from time to time (the "**Restricted Business**").

The Deed of Non-competition does not apply to the relevant Controlling Shareholder in the circumstances where it/he has:

- (a) any interest in the shares of any member of our Group; or
- (b) interest in the shares of a company other than our Group provided that:
 - (i) any Restricted Business conducted or engaged in by such company (and assets relating to any Restricted Business) accounts for less than 5% of that company's consolidated sales or consolidated assets, as shown in that company's latest audited accounts; and
 - (ii) the total number of shares held by the Controlling Shareholders and their respective close associates (other than members of our Group) in aggregate does not exceed 5% of the issued shares of that class of the company in question and the Controlling Shareholders and their respective close associates (other than members of our Group) are not entitled to appoint a majority of the directors of that company.

The "**Restricted Period**" stated in the Deed of Non-competition refers to the period during which:

- (a) the Shares remain listed on the Stock Exchange;
- (b) either the Controlling Shareholders and their respective close associates (other than members of our Group), individually or jointly, are entitled to exercise, or control the exercise of, not less than 30% of the voting power at general meetings of our Company; or
- (c) any of the Controlling Shareholders or their respective close associates remains as a director of any member of our Group.

The Controlling Shareholders have further undertaken to procure that, during the Restricted Period, any business investment or other commercial opportunity relating to the Restricted Business (the "**New Opportunity**") identified by or offered to the Controlling Shareholders and/or any of their respective close associates (other than members of our Group) (the "**Offeror**") shall first be referred to our Group in the following manner:

- (a) the Controlling Shareholders are required to, and shall procure their respective close associates (other than members of our Group) to, promptly refer, or procure the referral of, the New Opportunity to our Group, and shall promptly give written notice to our Company of any New Opportunity containing all information reasonably necessary for our Group to consider whether (i) the New Opportunity would constitute competition with the business of our Group and/or any other new business which our Group may undertake at the relevant time; and (ii) it is in the interest of our Group to pursue the New Opportunity, including but not limited to the nature of the New Opportunity and the details of the investment or acquisition costs (the "**Offer Notice**"); and
- (b) the Offeror will be entitled to pursue the New Opportunity only if (i) the Offeror has received a written notice from our Company declining the New Opportunity and

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

confirming that the New Opportunity would not constitute competition with the business of our Group; or (ii) the Offeror has not received the notice from our Company within ten business days from our Company's receipt of the Offer Notice. If there is a material change in the terms and conditions of the New Opportunity pursued by the Offeror, the Offeror shall refer the New Opportunity as so revised to our Group in the manner as set out above.

Upon receipt of the Offer Notice, our Company will seek opinions and decisions from a committee of our Board consisting of our independent non-executive Directors as to whether (a) the New Opportunity would constitute competition with the business of our Group; (b) it is in the interest of our Company and the Shareholders as a whole to take up the New Opportunity; and (c) to take up or decline the New Opportunity.

With a view to avoiding competition of businesses between our Group and the Controlling Shareholders, our independent non-executive Directors will, at least on an annual basis, review the compliance with and enforcement of the terms of the Deed of Non-competition by the Controlling Shareholders and the results of such review will be included in our Company's annual reports.

The Controlling Shareholders have further jointly and severally undertaken to promptly:

- (a) provide all relevant information for the annual review by our independent non-executive Directors for compliance with and enforcement of the terms of the Deed of Non-competition;
- (b) allow, subject to confidentiality restrictions imposed by any third party, the representatives, the auditors and (if necessary) the compliance adviser of our Company to have access to its/his/her business, financial and/or corporate records as may be necessary for the independent non-executive Directors to determine whether the Controlling Shareholders and their respective close associates (other than members of our Group) have complied with the terms of the Deed of Non-competition;
- (c) make an annual declaration in our Company's annual report on compliance with and enforcement of the terms of the Deed of Non-competition in accordance with the GEM Listing Rules; and
- (d) address such other enquiries as may be made by the Stock Exchange, the SFC, any other regulatory bodies or our Company from time to time.

The Controlling Shareholders, for themselves and on behalf of their respective close associates (other than members of our Group), have acknowledged that our Company may be required by the relevant laws, and the rules and regulations of the stock exchange(s) on which the Shares may be listed and the regulatory bodies in effect from time to time to:

- (a) disclose, from time to time, information on the New Opportunity, including but not limited to disclosure in our Company's annual reports or announcements the decision of the independent non-executive Directors to pursue or decline the New Opportunity, together with the reason in case of decline, and the Controlling Shareholders have agreed to the disclosure to the extent necessary to comply with any such requirement; and
- (b) comply with such further legal or regulatory requirements in connection with the Deed of Non-competition and the Controlling Shareholders have agreed to do all such acts to facilitate our Company to comply with the same.

The Controlling Shareholders have jointly and severally undertaken that it/he will not, and will procure its/his respective close associates not to, directly or indirectly, solicit, interfere with or entice away from any member of our Group, any natural person, legal entity, enterprise or otherwise who, to any of the Controlling Shareholders' knowledge, as at the date of the Deed of Non-competition, is or has been or will after the date of the Deed of Non-competition be, a customer, supplier, distributor or management, technical staff or employee (of managerial grade or higher) of any member of our Group.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

Each of the Controlling Shareholders has confirmed that it/he fully comprehends its/his obligations to act in the best interests of our Company and the Shareholders as a whole. To avoid potential conflicts of interest, our Group will implement the following measures:

- (a) 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 Directors shall abstain from voting at the relevant Board meeting and shall not be counted in the quorum;
- (b) the Controlling Shareholders will make an annual confirmation as to compliance with its/his/her undertaking under the Deed of Non-competition for inclusion in the annual report of our Company;
- (c) our Board is committed to the view that our Board should include a balanced composition of executive and independent non-executive Directors so that our Board which can effectively exercise independent judgement. Our Company has appointed three independent non-executive Directors. Our Directors believe that our independent non-executive Directors are of sufficient caliber, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide impartial and professional advice to protect the interests of the minority Shareholders. Details of our independent non-executive Directors are set out in the section headed “Directors and Senior Management – Directors – Independent non-executive Directors” in this prospectus;
- (d) our Company has appointed Huabang Corporate Finance Limited as our compliance adviser, which will provide advice and guidance to our Company in respect of compliance with the applicable laws and the GEM Listing Rules including various requirements relating to directors’ duties and internal controls. Please refer to the section headed “Directors and Senior Management – Compliance adviser” in this prospectus for further details in relation to the appointment of our compliance adviser;
- (e) the Controlling Shareholders undertake to provide all information requested by our Group which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition; and
- (f) our independent non-executive Directors will, based on the information available to them, review on an annual basis (i) the compliance with the Deed of Non-competition; and (ii) all the decisions made in relation to whether to pursue the New Opportunity under the Deed of Non-competition. Findings of such review will be disclosed in the annual report of our Company.

SHARE CAPITAL

SHARE CAPITAL

The following is a description of the authorised share capital of our Company as at the Latest Practicable Date and the issued share capital of our Company (including Shares in issue and to be issued as fully paid or credited as fully paid) immediately following the completion of the Capitalisation Issue and the Share Offer (assuming that no Shares being allotted and issued upon the exercise of the Offer Size Adjustment Option and any option which may be granted under the Share Option Scheme):

Authorised share capital

	<i>HK\$</i>
<u>10,000,000,000</u> Shares	<u>100,000,000</u>

The issued 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

	<i>HK\$</i>
10,000 Shares in issue as at the date of this prospectus	100
587,990,000 Shares to be allotted and issued pursuant to the Capitalisation Issue	5,879,900
<u>252,000,000</u> Shares to be allotted and issued pursuant to the Share Offer	<u>2,520,000</u>
<u>840,000,000</u>	<u>8,400,000</u>

MINIMUM PUBLIC FLOAT

At least 25% of the total number of issued Shares must at all times be held by the public. The 252,000,000 Offer Shares represent 30% of the issued share capital of our Company upon the Listing.

RANKING

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

GENERAL MANDATE TO ISSUE SHARES

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

- (a) 20% of the number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding any Share which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any option which may be granted under the Share Option Scheme); and
- (b) the number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares as described below.

SHARE CAPITAL

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

For further details of this general mandate, please refer to the paragraph headed “A. Further information about our Group – 4. Written resolutions of the Shareholders” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the aggregate number of the Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (excluding any Share which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any option which may be granted under the Share Option Scheme).

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

The general mandate to issue Shares and repurchase Shares will respectively expire:

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

For further details of these general mandates, please refer to the paragraphs headed “A. Further information about our Group – 4. Written resolutions of the Shareholders” and “A. Further information about our Group – 6. Repurchase of our Company’s own securities” in Appendix IV to this prospectus.

SHARE OPTION SCHEME

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

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of 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 the paragraph headed “2. Articles of Association” in Appendix III to this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer, the following persons will have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group:

Long position in the Shares

Name	Capacity/nature of interest	Number of Shares held as at 15 June 2018 ^(Note 1)	Percentage of shareholding as at 15 June 2018 ^(Note 1)	Number of Shares held/ interested immediately following completion of the Capitalisation Issue and the Share Offer ^(Note 2)	Percentage of shareholding immediately following completion of the Capitalisation Issue and the Share Offer
Ho Tat	Beneficial Owner	88	88%	481,101,600 ^(Note 3) (L)	57.28%
Yo Tat	Beneficial Owner	12	12%	481,101,600 ^(Note 4) (L)	57.28%
Mr. Thomas Loy	Interest in a controlled corporation	88	88%	481,101,600 ^(Note 3) (L)	57.28%
Mr. HM Loy	Interest in a controlled corporation	12	12%	481,101,600 ^(Note 4) (L)	57.28%
Ms. Kong Sau Ming (江秀明)	Interest of spouse ^(Note 5)	88	88%	481,101,600 (L)	57.28%
Ms. Siu Pui Sum (邵佩心)	Interest of spouse ^(Note 6)	12	12%	481,101,600 (L)	57.28%

Notes:

1. The date of filing of the application proof of this prospectus and prior to completion of the Reorganisation.
2. The letter “L” denotes long position of the Shares.
3. Ho Tat is wholly and beneficially owned by Mr. Thomas Loy. By virtue of the SFO, Mr. Thomas Loy is deemed to be interested in all the Shares held by Ho Tat under the SFO. Mr. Thomas Loy and Mr. HM Loy are parties acting in concert pursuant to and subject to the terms and conditions of the Acting in Concert Confirmation.
4. Yo Tat is wholly and beneficially owned by Mr. HM Loy. By virtue of the SFO, Mr. HM Loy is deemed to be interested in all the Shares held by Yo Tat under the SFO. Mr. Thomas Loy and Mr. HM Loy are parties acting in concert pursuant to and subject to the terms and conditions of the Acting in Concert Confirmation.
5. Ms. Kong Sau Ming (江秀明) is the spouse of Mr. Thomas Loy, and is deemed to be interested in the Shares which are interested by Mr. Thomas Loy under the SFO.
6. Ms. Siu Pui Sum (邵佩心) is the spouse of Mr. HM Loy, and is deemed to be interested in the Shares which are interested by Mr. HM Loy under the SFO.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Capitalisation Issue and the Share Offer, have interests or short positions in the 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 who will be directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Upon Listing, our Board will consist of six Directors, comprising three executive Directors and three independent non-executive Directors. Our Board is responsible and has general powers for the management and conduct of our Group's business. The following table sets forth information regarding our Directors:

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Director(s) or senior management
Mr. Loy Hak Yu Thomas (呂克宜)	48	Executive Director, chairman	31 March 2014	10 August 2017	Managing and formulating overall strategic planning and development of our Group	Elder brother of Mr. Loy Hak Moon
Mr. Loy Hak Moon (呂克滿)	45	Executive Director, chief executive officer	10 March 2008	10 August 2017	Responsible for the operations & business expansion of our Group	Younger brother of Mr. Loy Hak Yu Thomas
Mr. Lo Wing Sang (勞永生)	52	Executive Director	1 November 2017	1 November 2017	Responsible for the corporate development, strategic planning, and accounts and financial activities of our Group	None
Mr. Ng Kam Tsun (伍鑑津)	45	Independent non-executive Director	14 August 2018	14 August 2018	Participating in making significant decisions and giving independent advice on corporate governance, connected transactions and remuneration and nomination of Directors and senior management of our Group	None
Dr. Wu Ka Chee Davy (胡家慈)	49	Independent non-executive Director	14 August 2018	14 August 2018	Participating in making significant decisions and giving independent advice on corporate governance, connected transactions and remuneration and nomination of Directors and senior management of our Group	None
Dr. Chow Ho Wan Owen (周浩雲)	42	Independent non-executive Director	14 August 2018	14 August 2018	Participating in making significant decisions and giving independent advice on corporate governance, connected transactions and remuneration and nomination of Directors and senior management of our Group	None

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Loy Hak Yu Thomas (呂克宜), aged 48, was appointed as a Director of the Company on 10 August 2017 and re-designated as executive Director and appointed as chairman of our Board on 1 November 2017. Mr. Thomas Loy served as general manager of Union Air since 1 May 2014 and was appointed as the sole director of Union Air on 20 June 2015. He was appointed as the sole director of Fu Yo since its incorporation on 21 May 2015. Mr. Thomas Loy is responsible for the overall business development, strategy and management of our Group. Mr. Thomas Loy is the elder brother of Mr. HM Loy.

Mr. Thomas Loy has over 30 years of experience in the logistics industry and has obtained valuable knowledge in the overall development of sales and operations management and procedures in the industry, details of his previous working experiences relevant to his present positions, prior to the incorporation of Union Air and Fu Yo, are set out in the table below:–

Company Name	Principal Business	Position	Roles and responsibilities	Date of Commencement	Date of Resignation
PFL Pacific Forwarding Limited	Air freight forwarding and cargo agent	Operation clerk	Handling import and export documentations; handling import clearances and deliveries; responding to customer enquiries and service issues; quoting and billings	July 1986	August 1988
		Airfreight salesman	Sales	August 1988	October 1990
ACS Logistics Forwarding Limited	Air freight forwarding and logistics	Assistance sales manager	Assisting the sales manager in sales management; implementing sales plan; and providing necessary training to sales team	October 1990	July 1992
Jet Leader Forwarder Co. Ltd	Air and sea freight forwarding	Sales manager	Managing the sales department; establishing solid relationships with customers and freight and transportation partners; formulating sales plan to increase the company's sales	July 1992	October 1994
PFL Pacific Forwarding Limited	Air freight forwarding and cargo agent	Assistant sales manager	Assisting the sales manager in sales management; implementing sales plan; and providing necessary training to sales team	Nov 1994	April 1995

DIRECTORS AND SENIOR MANAGEMENT

Company Name	Principal Business	Position	Roles and responsibilities	Date of Commencement	Date of Resignation
UAC Freight Limited	Air freight forwarding and cargo agent	Assistant sales manager	Sales and customer service duties; liaising with clients, airlines; follow-up of shipments	May 1995	February 2002
		Director	Overall management; and formulating strategic corporate and business development plan	March 2002	April 2014

Prior to commencing his career in airfreight and logistics, Mr. Thomas Loy undertook his secondary education at Ning Po College in Hong Kong.

As of the Latest Practicable Date Mr. Thomas Loy is a Controlling Shareholder and he holds 71.65% of our Company through Ho Tat. According to the Acting in Concert Confirmation, Mr. Thomas Loy and Mr. HM Loy will act in concert to exercise their voting rights in our Company upon the Share Offer becoming unconditional and they together will be interested in a total of 57.28% of the issued share capital of our Company upon completion of the Share Offer.

Mr. Loy Hak Moon (呂克滿), aged 45, was appointed as Director on 10 August 2017 and re-designated as executive Director and appointed as the chief executive officer on 1 November 2017, primarily responsible for operations and business expansions of our Group. Mr. HM Loy is the founder of Orient Zen and Fu Cheng. He is the younger brother of Mr. Thomas Loy.

Mr. HM Loy has accumulated more than 25 years of experience in the logistics industry and has obtained comprehensive knowledge and experience in its business development and operation management, details of his previous working experiences relevant to his present positions, prior to the incorporation of Orient Zen and Fu Cheng, are set out in the table below:–

Company Name	Principal Business	Position	Roles and responsibilities	Date of Commencement	Date of Resignation
Hatro Hanse Transport Limited	Freight shipping and cargo logistics	Warehouse keeper	Assisting in monitoring and overseeing warehouse operations	May 1991	May 1992
PFL Pacific Forwarding Limited	Air freight forwarding and cargo agent	Operation clerk	Handling import and export documentations; handling import clearances and deliveries; responding to customer enquiries and service issues; quoting and billings	June 1992	May 1995
UAC Freight Limited	Air freight forwarding and cargo agent	Operation supervisor	Front-line supervision of all assigned staffs, and assuring conformity to established standard operating procedures and daily operation schedule, and compliance with relevant laws and regulations	May 1995	May 1997

DIRECTORS AND SENIOR MANAGEMENT

Company Name	Principal Business	Position	Roles and responsibilities	Date of Commencement	Date of Resignation
Circle International Limited	Air freight forwarding and cargo agent	Operation supervisor	Front-line supervision of all assigned staffs, and assuring conformity to established standard operating procedures and daily operation schedule, and compliance with relevant laws and regulations	November 1997	November 1998
EGL Eagle Global Logistics (H.K.) Limited	International air freight forwarding, sea freight forwarding, local trucking, logistic management & consultancy	Operations supervisor	Front-line supervision of all assigned staffs, and assuring conformity to established standard operating procedures and daily operation schedule, and compliance with relevant laws and regulations	November 1998	April 2000
Multi-gold Air & Sea Express Ltd.	International air and sea freight forwarding	Assistant operation manager	Assisting the operation manager in enforcing, reviewing and managing company fleet and operations; reviewing and implementing suitable work flow to ensure cost effectiveness in various departments; managing complaint, incident and accident and providing necessary report to the operation manager	May 2000	May 2001
G. E. Logistics Limited	International air freight forwarding, sea freight forwarding, local trucking, and warehouse service	Assistant operation manager	Enforcing, reviewing and managing company operations; formulating, reviewing and implementing suitable workflow to ensure cost effectiveness in various departments; managing and conducting investigation in complaints, incidents and accidents; implementation of effective management system to ensure compliance with relevant laws and regulations	May 2001	May 2006

DIRECTORS AND SENIOR MANAGEMENT

Company Name	Principal Business	Position	Roles and responsibilities	Date of Commencement	Date of Resignation
Seamodal Express Limited ^(Note)	Air and sea freight forwarding and logistics	Manager	Overall management, formulating strategic corporate and business development plan	May 2006	February 2008
		Director	Overall management, formulating strategic corporate and business development plan	February 2008	August 2012

Note: Seamodal Express Limited was dissolved on a voluntary basis by way of deregistration on 24 August 2012. Immediately prior to deregistration, Seamodal Express Limited was owned as to 30% by Mr. HM Loy. As confirmed by Mr. HM Loy, there was no wrongful act on his part leading to the dissolution and he is not aware of any actual or potential claim that has been or will be made against him as a result of such dissolution.

Prior to commencing his career in airfreight and logistics, Mr. HM Loy undertook his secondary education at Delia Memorial School and Maria College in Hong Kong.

Mr. HM Loy has also completed and passed the following training courses:

- Cargo Services for HAFFA Agents provided by Cathay Pacific in May 1993;
- Basic Training in Dangerous Goods Handling provided by Cathay Pacific Airways Training School in November 1993; and
- Dangerous Goods Awareness for General Cargo Acceptance Staff Course provided by LTK Consultant Ltd in February 2009.

As at the Latest Practicable Date, Mr. HM Loy holds 10.17% of our Company through Yo Tat. According to the Acting in Concert Confirmation, Mr. Thomas Loy and Mr. HM Loy will act in concert to exercise their voting rights in our Company upon the Share Offer becoming unconditional and they together will be interested in a total of 57.28% of the issued share capital of our Company upon completion of the Share Offer.

Mr. Lo Wing Sang (勞永生), aged 52, was appointed as an executive Director on 1 November 2017. He is primarily responsible for corporate development, strategic planning and accounts and financial activities of our Group.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lo has more than 25 years of experience in corporate finance, management and accounting. Details of his work experiences are set out in the table below:

Company Name	Principal Business	Position	Roles and responsibilities	Date of Commencement	Date of Resignation
Pico Far East Holdings Limited	Event marketing, organizing exhibition	Senior accountant	Preparing financial report	December 1995	November 1997
		Chief accountant	Responsible for the group's financial reporting procedures and ensuring compliance with Hong Kong's accounting practice and the financial reporting requirements of the Hong Kong listing rules	November 1997	April 2000
		Vice president in finance (group accounts)	Responsible for the group's financial reporting procedures and ensuring compliance with Hong Kong's accounting practice and the financial reporting requirements of the Hong Kong listing rules; managing the group's property portfolio, and ad hoc internal audit assignments	April 2000	August 2004
		Company secretary	Administration of the company and ensuring compliance with statutory and regulatory requirements and for ensuring that decisions of the board of directors are implemented	February 1996	August 2004
Winning Metal Products Manufacturing Company Limited	Design and production of branded watches	Chief financial officer	Responsible for group financial reporting to shareholders; funds raising from commercial banks and shares markets; merger and acquisitions; compliance with the listing rules in Singapore; and tax matters	July 2006	October 2007
Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited	Manufacture and sale of welded steel pipes, property development and investment	Chief financial officer	Advising and assisting the company in its listing application in Hong Kong	November 2007	June 2009
Time Watch Investments Limited	Manufacturer and retailer of branded watches	Chief operating officer	Advising on and participating in the group's strategic and tactical plan in respect of its corporate and business development; assisting on its listing application	August 2011	October 2011
		Deputy chief executive officer	Ensuring group's compliance with relevant regulations and Hong Kong listing rules; participating in the group's corporate strategic development plan and operations	November 2011	October 2014

DIRECTORS AND SENIOR MANAGEMENT

Company Name	Principal Business	Position	Roles and responsibilities	Date of Commencement	Date of Resignation
		Company secretary	Administration of the company and ensuring compliance with statutory and regulatory requirements and for ensuring that decisions of the board of directors are implemented	January 2013	July 2014
China New Energy Power Group Limited (presently known as Lamtex Holdings Limited)	Property development and investment in securities	Chief operation officer	Advising on and participating in the group's strategic and tactical plan in respect of its corporate and business development	October 2014	October 2014
		Chief executive officer	Advising on and participating in the group's strategic and tactical plan in respect of its corporate and business development	October 2014	July 2015
HK Guoxin Investment Group Limited	Investment	Chief financial officer	Financial planning; financial report to shareholders and the board	August 2016	May 2017
Elite Industrial Holdings Limited	Development and production of mechanical, electronic, optical equipment, precision machinery, business machines and high technology products	Chief financial officer	Financial planning; financial report to shareholders and the board; managing financial risks; and fund raising	May 2017	August 2018

Mr. Lo had been a director of the following listed companies in Hong Kong in the last three years:

Name of company	Stock Code	Position	Period
Time Watch Investments Limited	2033	Executive director	10 January 2013 to 15 October 2014
PPS International (Holdings) Limited	8201	Independent non-executive director	4 August 2014 to 19 November 2014
China New Energy Power Group Limited (presently known as Lamtex Holdings Limited)	1041	Executive director	29 October 2014 to 28 July 2015

Mr. Lo was awarded a Bachelor of Arts in accountancy by the City Polytechnic of Hong Kong (presently known as City University of Hong Kong) in December 1994. He has been a practicing member of the Hong Kong Institute of Certified Public Accounts since February 1994; an associate member of both the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Chartered Secretaries, since January 2008 and October 1995, respectively. He has also been a fellow member of The Association of Chartered Certified Accountants since November 1998.

DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Mr. Ng Kam Tsun (伍鑑津), aged 45, was appointed as our independent non-executive Director on 14 August 2018. He is responsible for participating in making significant decisions and giving advice on corporate governance, connected transactions and remuneration and nomination of Directors and senior management of our Group.

Mr. Ng has over 20 years of experience in finance and accounting. Mr. Ng served as an authorized representative and joint company secretary of China Cosco Holdings Company Limited (Stock Code: 1919) from April 2006 to April 2010. He then joined Shengli Oil & Gas Pipe Holdings Limited (Stock Code: 1080) in May 2010 and left in December 2013 with his last position as company secretary and chief financial officer. Mr. Ng was also the chief financial officer and company secretary of SMI Holdings Group Limited (Stock Code: 0198) from January 2014 to June 2015.

Since September 2015, Mr. Ng has been serving Fulum Group Holdings Limited (Stock Code: 1443) as the chief financial officer, company secretary and authorized representative, responsible for corporate finance management, corporate governance, investor relations management and company secretarial function.

Further, Mr. Ng had been a director of the following listed company in Hong Kong in the last three years:

Name of company	Stock Code	Position	Period
SMI Holdings Group Limited	0198	Executive director	6 June 2014 to 30 June 2015

Mr. Ng was awarded a Bachelor of Business by Monash University on January 2003; a Master degree in Management by the Shanghai University of Finance and Economics on March 2006; and a Master of Laws by the Chinese University of Hong Kong on November 2014. Mr. Ng has been a certified practising accountant and fellow of CPA Australia since July 2002 and December 2010, respectively. He has also been a member and fellow of the Hong Kong Institute of Certified Public Accountants since December 2002 and September 2009, respectively.

Dr. Wu Ka Chee Davy (胡家慈), aged 49, was appointed as our independent non-executive Director on 14 August 2018. He is responsible for participating in making significant decisions and giving advice on corporate governance, connected transactions and remuneration and nomination of Directors and senior management of our Group.

Dr. Wu had been a lecturer in the School of Law of City University of Hong Kong from March 1997 to August 1999. He has been a lecturer of the Department of Accountancy and Law at the Hong Kong Baptist University since September 1999, with his current position as a senior lecturer since September 2009.

Dr. Wu was awarded a Bachelor of Laws by the University of Hong Kong on November 1993; a Postgraduate Certificate in Laws on June 1994; and a Doctor of Philosophy on December 2003. He was also awarded a Master of Business Administration by the Hong Kong Polytechnic University on October 2013.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Wu had been a director of the following listed companies in Hong Kong in the last three years:

Name of company	Stock Code	Position	Period
Convoy Global Holdings Limited	1019	Independent non-executive director	16 March 2010 to 9 June 2015
Goal Rise Logistics (China) Holdings Limited	8457	Independent non-executive director	26 September 2017 to present

Dr. Chow Ho Wan Owen (周浩雲), aged 42, was appointed as our independent non-executive Director on 14 August 2018. He is responsible for participating in making significant decisions and giving independent advice on corporate governance, connected transactions and remuneration and nomination of Directors and senior management of our Group.

Dr. Chow worked as staff accountant at Deloitte Touche Tohmatsu from January 2000 to July 2000, mainly responsible for audit testing of profit and loss account and balance sheet items. Dr. Chow also worked as a personal banker in the preferred banking department at ABN Amro Bank from September 2003 to November 2003 and a personal banker at Citibank (Hong Kong) Limited from August 2004 to June 2005. Dr. Chow then joined Hang Seng Bank Limited in September 2007 and left in April 2009 with his last position as a relationship manager in the private banking department. Dr. Chow was the Head of Global Markets at Sunwah Kingsway from August 2011 to August 2013, mainly responsible for underwriting debt and equities securities in primary and secondary markets.

Dr. Chow has been a director of the following listed companies in Hong Kong in the last three years:

Name of company	Stock Code	Position	Period
CCT Land Holdings Limited	0261	Independent non-executive director	13 January 2017 to 30 September 2017
Hong Wei (Asia) Holdings Company Limited	8191	Independent non-executive director	1 August 2016 to present

Dr. Chow was awarded a Bachelor of Commerce by the University of Toronto in June 1999, a Postgraduate Certificate in Chinese Law and a Postgraduate Diploma in Chinese Law by the University of Hong Kong (School of Professional and Continuing Education) in December 2000 and December 2002, respectively, a Master of Science in Finance by the Chinese University of Hong Kong on December 2003, a Bachelor of Laws by Tsinghua University in January 2006 and a Doctorate of Business Administration by the European University in August 2011.

Dr. Chow has been the chairman of the Association of International Certified Financial Consultants since September 2014. Dr. Chow also holds the following professional qualifications and memberships:

- Fellow member of the Chartered Banking Risk Management of International Association of Education since June 2010;
- Certified Financial Management Planner of the Hong Kong Institute of Bankers since February 2011;
- Certified Financial Consultant of the Institute of Financial Consultants since October 2011;
- Fellow of the Hong Kong Institute of Directors since October 2011;

DIRECTORS AND SENIOR MANAGEMENT

- Ordinary Member of Hong Kong Securities and Investment Institute since August 2013;
- Member of CPA Australia since February 2016; and
- International affiliate of the Hong Kong Institute of Certified Public Accountants since September 2017.

Disclosure under Rule 17.50(2) of the GEM Listing Rules

Save as disclosed above, each of our Directors confirms in respect of himself that:

- (i) for the three years preceding the Latest Practicable Date, he has not held directorship in any other public company the securities of which are listed on any securities market in Hong Kong or overseas;
- (ii) he does not hold any interests in the Shares within the meaning of Part XV of the SFO;
- (iii) he is not related to and is independent from any other Directors, members of senior management, Substantial Shareholders and/or Controlling Shareholders;
- (iv) to his best knowledge, belief and information and having made all reasonable enquiries, there is no other matter with respect to the appointment of our Directors that needs to be brought to the attention to the Shareholders as at the Latest Practicable Date; and
- (v) there is no other information which is required to be disclosed pursuant to any of the requirements under Rules 17.50(2) of the GEM Listing Rules.

SENIOR MANAGEMENT

The following table sets out certain information concerning our senior management:

Name	Age	Position	Date of joining our Group	Roles and responsibilities	Relationship with other Director(s) or senior management
Mr. Wong Ka Man (黃家文)	50	Chief financial officer	1 August 2017	Setting financial plan; preparing financial report to shareholders and the board; managing financial risks; and being responsible for fund raising	None
Ms. Fung Nga Fong (馮雅芳)	43	Financial controller/ company secretary	23 October 2017	Managing accounts and monitoring internal controls	None
Mr. Ip Hung Kwong (葉鴻光)	37	Operation manager	1 May 2014	Managing the inbound and outbound logistics operations of our air transport sector, including safe execution of our daily operational plans and strategies, managing, directing and allocating resources, disseminating information to teammates, warehouse activities, safety performance, and quality management	None

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of joining our Group	Roles and responsibilities	Relationship with other Director(s) or senior management
Mr. Yeung Tak Kuen (楊德權)	45	Sales manager	1 May 2014	Formulating sales plan, including setting sales strategy; setting profit-based sales targets, quotas and sales forecasting; and being responsible for demand management and execution of sales plan.	None
Mr. Pun Chun Yan (潘俊恩)	37	General manager	13 April 2016	Conducting effective planning, delegating, coordinating, staffing, organizing, and decision making to attain desirable profit making results for our Group, oversees the day-to-day operations our business	None

Mr. Wong Ka Man (黃家文), aged 50, was appointed as our chief financial officer on 1 August 2017, primarily responsible for financial planning, financial report to shareholders and the board, managing financial risks and fund raising.

Mr. Wong has about 27 years of experience in audit and accounting. He joined Chow & Lee CPA in July 1990 as an audit assistant, and left in April 1994 as an audit senior. For the period between April 1994 to November 2016, he had been working in various companies, including Yue Sik Development Limited, as an accountant from April 1994 to June 1995; Henderson Real Estate Agency Limited, as an assistant supervisor in the accounts department from June 1995 to November 1995; Stelux Holdings Limited, the principal subsidiary of Stelux Holdings International Limited (a company listed in Hong Kong, Stock Code 0084, and a parent company of City Chain and Optical 88 Group), from December 1995 to September 2009 with his last position as group accountant; Sun Fook Kong Construction Management Limited as an accountant from January 2010 to October 2010; Finet Holdings Limited (a member of Finet Group Limited, a company listed in Hong Kong, Stock Code 8317), as a senior accountant from December 2010 to October 2011; AECOM Asia Group Holdings Limited (a member of AECOM Group, a company listed in New York Stock Exchange, stock code ACM) as an accountant from April 2012 to August 2014; and De Rucci (International) Company Limited, as an accounting manager from January 2015 to November 2016.

Mr. Wong was awarded a higher diploma in accountancy from the Hong Kong Polytechnic University on November 2000. He has been a member of The Association of Chartered Certified Accountants since November 2003, and a certified public accountant of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) since February 2004.

Ms. Fung Nga Fong (馮雅芳), aged 43, was appointed as the company secretary of our Company on 1 November 2017. She has been our financial controller since 23 October 2017, primarily responsible for managing accounts and monitoring internal controls.

Ms. Fung has more than 10 years of experience in audit and accounting. Since 2004, she had worked in five private accounting firms (namely K.M. Chan & Company, Nexia Charles Mar Fan & Co., JBPB & Company, BDO Limited and RSM Nelson Wheeler (presently known as RSM Hong Kong)). She had also worked in two listed companies in Hong Kong (namely Sky Forever Supply

DIRECTORS AND SENIOR MANAGEMENT

Chain Management Group Limited (presently known as China Ocean Fishing Holdings Limited) (Stock Code: 8047) from July 2014 to May 2015 and Man Yue Electronics Company Limited, a subsidiary of Man Yue Technology Holdings Limited (Stock Code: 0894) from September 2016 to April 2017).

Ms. Fung was awarded a Bachelor of Arts by The University of Hong Kong in December 1997; a postgraduate diploma in professional accounting from the City University of Hong Kong in November 2001; a Master of Arts in professional accounting and information system from the City University of Hong Kong in November 2002; and a Master of Arts in quantitative analysis for business on November 2005. Further, she has been a member of the Hong Kong Institute of Certified Public Accountants since February 2008 and a practicing certified public accountant since July 2015, and has been admitted to The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators as an associate in May 2011.

Mr. Ip Hung Kwong (葉鴻光), aged 37, has been our operation manager since 1 May 2014, primarily responsible for managing our inbound and outbound logistics operations, including safe execution of our daily operational plans and strategies, to manage, lead and allocate resources, disseminate information to teammates, warehouse activities, safety performance, and quality management.

Mr. Ip has more than 15 years of experience in the industry of airfreight transportation and logistics. Prior to joining our Group, he worked as operation clerk at UAC Freight Limited from May 2000 and left the company in March 2014 with his last position as operation manager (airfreight department), primarily responsible for airfreight import and export documentation and arrangement of local delivery.

Mr. Ip was the sole director of Union Air at the time of its incorporation. Even though he resigned as a director of Union Air on 24 June 2015, he remained to play an important role in the management of our Group. Mr. Ip mainly oversees the operation of our Group. He supervised the operation of Fu Yo since its incorporation and assisted the operation of Orient Zen since the acquisition of 73% shareholding in Orient Zen on 31 March 2017 by Ever Metro and the operation of Fu Cheng since the acquisition of Fu Cheng by our Group on 28 July 2017. Other than the responsibilities above provided, he also handles client complaints, participates in the recruitment process of our Group and he is an authorised signatory to sign off arrangements for daily operations under a specified limit. Our Company regards him as a member of our core management team all along his tenure with us. Examples of the continuing services of Mr. Thomas Loy and Mr. Ip illustrated that our Group was under substantially the same management throughout the two full financial years immediately preceding the issue of the listing document and up until the date of Listing.

Mr. Ip completed and successfully passed with distinction the following training courses conducted by Alliance Knowledge Management Limited:

- Regulated Agent Regime (RAR) Security Training conducted in accordance with the training programme required by the Civil Aviation Department of Hong Kong on February 2012 and March 2015, respectively;
- Dangerous Goods Awareness Training (for Category 4 and Category 5 Personnel) conducted in accordance with the training programme required by the Civil Aviation Department of Hong Kong, on May 2013, May 2015 and May 2017, respectively; and
- Lithium Battery Certification for Air Transport Professional Training on February 2017.

Mr. Yeung Tak Kuen (楊德權), aged 45, has been our sales manager since 1 May 2014, primarily responsible for sales planning, including setting sales strategy; setting profit-based sales targets, quotas, sales forecasting, demand management; and the execution of sales plan.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Yeung has more than 20 years of experience in operation, sales and customer service in the industry of sea and airfreight transportation and logistics.

Prior to joining our Group, Mr. Yeung had worked as an operation clerk in various freight and logistics companies, namely, Everpole Forwarding Co. Ltd, Jardine Freight Services (H.K.) Ltd and Seabridge Container Line Ltd. He was a supervisor at Modern Century Forwarding Limited from September 1995 to March 1996; an assistant freight manager at TFI Forwarding (H.K.) Co. Ltd from May 1996 to April 2000; a senior sales executive at Trans Van Line Limited from April 2000 to October 2004; an operation clerk at Unionpower Shipping (Far East) Ltd from October 2004 to January 2005; a senior customer service at Guangdong Transport Limited from March 2005 to August 2005 and a sales manager at Yatai Shipping Limited from February 2006 to September 2006. He then joined UAC Freight Limited in October 2006 as a sales supervisor and left the company in April 2014 with his last position as a sales manager.

Mr. Pun Chun Yan (潘俊恩), aged 37, has been our general manager since 13 April 2016, primarily responsible for effective planning, delegating, coordinating, staffing, organizing, and decision making to attain desirable profit making results for our Group and overseeing the day-to-day operations our business.

Mr. Pun has over 15 years of experience in shipping and logistics. Prior to joining our Group, he had been serving as shipping supervisor at Wintech Toys Company Limited, a company engaged in toys manufacturing, from September 2000 to April 2009. He then joined Spread Logistics Limited in June 2009, and left the company in April 2016 with his last position as business development manager, primarily responsible for building and maintaining close relationship with clients, exploring and developing new business opportunities, conducting market research and analysis; and project implementation.

Mr. Pun was awarded a professional diploma in business logistics in February 2007 by the School of Professional and Continuing Education of The University of Hong Kong and a Bachelor of Business (Management) in August 2009 by Royal Melbourne Institute Of Technology.

In the three years preceding the Latest Practicable Date, none of the above Senior Management has held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

COMPANY SECRETARY

Ms. Fung Nga Fong (馮雅芳), our financial controller, was appointed as the secretary of our Company on 1 November 2017. For details of her biography, please refer to the section headed “Directors and Senior Management – Senior Management” of this prospectus.

COMPLIANCE OFFICER

Mr. Lo Wing Sang (勞永生), our executive Director, was appointed as the compliance officer of our Company on 1 November 2017. Please refer to the paragraph headed “Directors” above in this section for the biographical details of Mr. Lo.

BOARD COMMITTEES

Audit Committee

We have established an audit committee on 14 August 2018 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraph C3.3 of the CG Code as set out in Appendix 15 of the GEM Listing Rules. The audit committee consists of three members Mr. Ng Kam Tsun, Dr. Wu Ka Chee Davy, and Dr. Chow Ho Wan Owen, all are independent non-executive Directors. The audit committee is chaired by Mr. Ng Kam Tsun.

DIRECTORS AND SENIOR MANAGEMENT

The primary duties of the audit committee are to assist our Board in providing an independent view of the effectiveness of the financial reporting process, risk management and internal control systems of our Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

We have established a remuneration committee on 14 August 2018 with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and paragraph B1.2 of the CG Code as set out in Appendix 15 of the GEM Listing Rules. The remuneration committee consists of three members, whom are independent non-executive Director, being Mr. Ng Kam Tsun, Dr. Wu Ka Chee Davy and Dr. Chow Ho Wan Owen. The remuneration committee is chaired by Dr. Chow Ho Wan Owen.

The primary duties of the remuneration committee include (but without limitation): (a) making recommendations to our Directors regarding our policy and structure for the remuneration of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (b) making recommendations to our Board on the remuneration packages of our Directors and senior management; (c) reviewing and approving the management's remuneration proposals with reference to our Board's corporate goals and objectives; and (d) considering and approving the grant of share options to eligible participants pursuant to the Share Option Scheme.

During the Track Record Period, our remuneration policy for our Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of our Group and the individual performance of our Directors and senior management members. We intend to adopt the same remuneration policy after the Listing, subject to review by and the recommendations of our remuneration committee.

Nomination Committee

We have established a nomination committee on 14 August 2018 with written terms of reference in compliance with paragraph A.5.2 of the CG Code as set out in Appendix 15 of the GEM Listing Rules. The nomination committee consists of three members, of which two are independent non-executive Directors and one executive Director, being Dr. Wu Ka Chee Davy, Mr. Ng Kam Tsun and Mr. Thomas Loy, respectively. The nomination committee is chaired by Dr. Wu Ka Chee Davy.

The primary duties of the nomination committee is to identify individuals suitably qualified to become Board members and select, or make recommendations to our Board on the selection of, individuals nominated for directorships.

CORPORATE GOVERNANCE

Our Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

Our Company has adopted the code provisions stated in the CG Code as set forth in Appendix 15 to the GEM Listing Rules. Our Company is committed to the view that our Board should include a balanced composition of executive and independent non-executive Directors so that there is a strong independent element on our Board, which can effectively exercise independent judgment.

Our Directors are aware that upon Listing, we are expected to comply with such code provision. Any such deviation shall however be carefully considered, and the reasons for such deviation shall be given in the interim report and the annual report in respect of the relevant period. We are committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders as a whole. Save as disclosed in the above, we will comply with the code provisions set out in the CG Code in Appendix 15 to the GEM Listing Rules after the Listing.

DIRECTORS AND SENIOR MANAGEMENT

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our executive Directors and senior management, who are also our employees, receive, in their capacity as our employees, compensation in the form of salary, cash bonus and other allowances.

For FY2016, FY2017 and FY2018, the aggregate amount of remuneration including fees, salaries, contributions to pension schemes, housing allowances and other allowances, benefits in kind and discretionary bonuses paid by our Group to our Directors were approximately HK\$538,000, HK\$658,000 and HK\$2,528,000, respectively.

For FY2016, FY2017 and FY2018, the aggregate amount of remuneration including fees, salaries, contributions to pension schemes, housing allowances and other allowances, benefits in kind and discretionary bonuses which were paid by our Group to our five highest paid individuals other than Directors was approximately HK\$1,684,000, HK\$1,580,000 and HK\$1,497,000, respectively.

No remuneration was paid by our Group to our Directors or past directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in respect of FY2016, FY2017 and FY2018. Further, none of our Directors waived any remuneration during the same periods.

Under our arrangements currently in force, the aggregate remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind) of our Directors for FY2019 is estimated to be no more than HK\$3,330,000.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on 14 August 2018. For details of the Share Option Scheme, please refer to the paragraph headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus.

COMPLIANCE ADVISER

Our Company has appointed Huabang Corporate Finance Limited as its compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules and Huabang Corporate Finance Limited assumes responsibility for acting as our Company’s compliance adviser. Pursuant to Rule 6A.19 of the GEM Listing Rules, the compliance adviser will advise us in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (iii) where we propose to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate (if any) or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our listed securities under Rule 17.11 of the GEM Listing Rules.

The term of the appointment shall commence on the Listing Date and end on the date which we distribute our annual report of our financial results for the second full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS OBJECTIVES AND STRATEGIES

The business objective of our Group is to enhance our current market position as a logistics services provider with global network while basing our core business in Hong Kong. We plan to leverage on and improve our competitive advantages by (i) expanding our warehouses and parking lots in Hong Kong, (ii) attracting and retaining talented and experienced personnel, (iii) developing our trucking fleet, and (iv) further enhancing our information technology systems. Please refer to the section headed “Business – Business strategies and future plans” in this prospectus for details.

Our Directors believe that the listing of our Shares on GEM will enhance our corporate profile and the net proceeds from the Share Offer will strengthen our financial position and will enable us to implement our business plans set out in the paragraph headed “Implementation plan” in this section below.

IMPLEMENTATION PLAN

In light of the business objectives of our Group, we will seek to attain the milestones contained in this paragraph from the Latest Practicable Date to 30 September 2020. Prospective investors should note that the milestones and their scheduled times for attainment are formulated on the bases and assumptions referred to in the paragraph headed “Bases and assumptions” in this section. These bases and assumptions are inherently subject to many uncertainties, variables and unpredictable factors, in particular the risk factors set out in the section headed “Risk Factors” in this prospectus.

Our Group’s actual course of business may vary from the business objectives set out in this prospectus. There can be no assurance that the plans of our Group will materialise in accordance with the expected time frame or that the objectives of our Group will be accomplished at all. Based on the current state of the logistics industry, our Directors intend to carry out the following implementation plans:

For the period from the Latest Practicable Date to 30 September 2018

Nil

For the six months ending 31 March 2019

Business strategies	Implementation activities	Allocation of net proceeds from the Share Offer
Further expanding our warehouses in Hong Kong	Entering into a new lease of warehouse in October 2018: <ul style="list-style-type: none">– Settling commission, deposits and rental payments of new warehouse– Conducting renovation work– Installing anti-theft system– Purchasing burglary, flood and fire insurance– Purchasing forklift trucks and scales	Approximately HK\$ 5.2 million Approximately HK\$1.6 million Approximately HK\$0.2 million Approximately HK\$0.2 million Approximately HK\$1.2 million
Attracting and retaining talented and experienced personnel	<ul style="list-style-type: none">– Settling additional staff costs of the new employees– Purchasing group insurance covering employee’s compensation and medical– Introducing occupational safety and health training and other vocational training	Approximately HK\$ 1.3 million Approximately HK\$0.8 million Approximately HK\$0.1 million

FUTURE PLANS AND USE OF PROCEEDS

Business strategies	Implementation activities	Allocation of net proceeds from the Share Offer
Further enhancing our information technology systems	<ul style="list-style-type: none"> – Upgrading warehouse management system – Installing a new server and strengthening the firewall and personal computer 	<p>Approximately HK\$1.8 million</p> <p>Approximately HK\$0.6 million</p>

For the six months ending 30 September 2019

Business strategies	Implementation activities	Allocation of net proceeds from the Share Offer
Further expanding our warehouses in Hong Kong	<ul style="list-style-type: none"> – Settling rental payments of new warehouse 	<p>Approximately HK\$3.4 million</p>
Attracting and retaining talented and experienced personnel	<ul style="list-style-type: none"> – Additional staff costs of the new employees – Introducing occupational safety and health training and other vocational training – Purchasing group insurance covering employees' compensation and medical 	<p>Approximately HK\$4.2 million</p> <p>Approximately HK\$0.1 million</p> <p>Approximately HK\$0.2 million</p>
Developing our trucking fleet	<ul style="list-style-type: none"> – Acquiring vehicles for transportation <ul style="list-style-type: none"> • two cargo vans • a 5.5 tons light-duty truck • two 24 tons heavy-duty truck • a truck tractor – Settling deposits and rental payments of six parking slots 	<p>Approximately HK\$0.8 million</p> <p>Approximately HK\$0.4 million</p> <p>Approximately HK\$1.7 million</p> <p>Approximately HK\$0.8 million</p> <p>Approximately HK\$0.5 million</p>
Further enhancing our information technology	<ul style="list-style-type: none"> – Installing GPS vehicle devices on the trucking fleet 	<p>Approximately HK\$0.7 million</p>

FUTURE PLANS AND USE OF PROCEEDS

For the six months ending 31 March 2020

Business strategies	Implementation activities	Allocation of net proceeds from the Share Offer
Further expanding our warehouses in Hong Kong	– Settling rental payments of new warehouse	Approximately HK\$3.0 million
	– Purchasing burglary, flood and fire insurance	Approximately HK\$0.1 million
Attracting and retaining talented and experienced personnel	– Settling additional staff costs of the new employees	Approximately HK\$6.6 million
	– Purchasing group insurance covering employees' compensation and medical	Approximately HK\$0.9 million
Developing our trucking fleet	– Acquiring vehicles for transportation	
	• a 5.5 tons light-duty truck	Approximately HK\$0.4 million
	• four 24 tons heavy-duty truck	Approximately HK\$3.5 million
	• a truck tractor	Approximately HK\$0.8 million
	– Settling deposits and rental payments of six parking slots	Approximately HK\$1.1 million

For the six months ending 30 September 2020

Business strategies	Implementation activities	Allocation of net proceeds from the Share Offer
Further expanding our warehouses in Hong Kong	– Settling rental payments of new warehouse	Approximately HK\$2.3 million
Attracting and retaining talented and experienced personnel	– Settling additional staff costs of the new employees	Approximately HK\$4.6 million
Developing our trucking fleet	– Settling deposits and rental payments of six parking slots	Approximately HK\$0.2 million

Our Directors considered that the above implementation plan will not cause any significant changes in our Group's business focus, where our Group will continue to provide logistics services in Hong Kong, focusing on both (a) freight forwarding and related logistics services; and (b) warehousing and related value-added services.

FUTURE PLANS AND USE OF PROCEEDS

Union Air was incorporated in March 2014 and it commenced its provision of freight forwarding services in April 2014, which was over a year earlier than the commencement of our Group's provision of warehousing and related value-added services. Considering that (a) our freight forwarding business is relatively more established, taking up approximately 89.5%, 67.8% and 86.1% of our total revenue for FY2016, FY2017 and FY2018 respectively; and (b) according to the F&S Report, the CAGR for sea freight forwarding market, air freight forwarding market and warehouse servicing market are anticipated to be 6.1%, 5.9% and 14.0% respectively, our Directors are of the view that it is appropriate for our Group to invest a larger amount of capital expenditure on the warehousing and related value-added services segment, therefore our Group intends to invest 33.8% and 20.0% of the net proceeds in the expansion of our warehouses and development of our trucking fleet, respectively.

Our Previous Warehouses in Kwai Chung, Hong Kong cover a total gross floor area of approximately 19,838 sq.ft., which the tenancy agreements expired on 14 August 2018 and the capacity of our warehouses had been close to saturation with a utilisation rate of 122.6% in average for FY2018. We relocated to a larger warehouse to cope with our business expansion, which is located at Kwai Chung Container Terminal with a gross floor area of approximately 33,856 sq.ft.. On 3 July 2018, we entered into a tenancy for HLC Warehouse and HLC Office at a monthly rent of approximately HK\$462,000 and HK\$55,000, respectively, for three years until 2 July 2021. Among the gross floor area of approximately 33,856 sq.ft., approximately 3,000 sq.ft. will be used as staff lounge area and administrative area. The expected utilisation rate for this HLC Warehouse is calculated to be approximately 81.6%.

Given the recorded strong growth of warehouse servicing market in the past five years and the expected strong growth in the coming years due to the new infrastructure projects in Hong Kong area, our Directors are positive about the future development of our warehousing and related value-added services business. Our customers checked with us from time to time regarding our provision of warehousing and related value-added services, but since our Previous Warehouses have been recording high utilisation rate of 122.6% in average for FY2018, and our expected utilisation rate for our HLC Warehouse is estimated to be approximately 81.6%, we are of the view that we were unable to serve more number of customers prior to relocation. We intend to utilise, from the net proceeds of the Share Offer (based on the Offer Price of HK\$0.30 per Offer Share, being the mid-point of the indicative Offer Price range), approximately HK\$17.2 million, representing 33.8% of the total proceed to enter into a new lease for another 31,000 sq.ft., in which approximately 4,000 sq.ft. will be used as office for administrative purpose, giving a total increment in storage capacity of approximately 27,000 sq.ft.. With the expanded warehouse capacity, we will therefore be able to take up more business orders and serve a larger number of customers.

During the Track Record Period and up to the Latest Practicable Date, we have signed four letters of intent, respectively with Customer A/Supplier H, Customer H, Customer J and an existing supplier, Supplier A, for our warehousing and related value-added services upon the introduction of our expanded warehouse with sufficient capacity. In particular, Customer A/Supplier H has launched a new business plan on the transportation of festive goods and servers, and therefore, they engaged us for the provision of freight forwarding and warehousing services for their new types of goods. Our Directors are of the view that with the continuous development of Customer A/Supplier H's business plan, their demand for our warehousing and related value-added services will increase accordingly. As neither the Previous Warehouses nor the HLC Warehouse have enough capacity to handle these large amount of cargos, the abovementioned customers will start assigning cargos to us upon our further expansion of warehouse with the use of proceeds. We expect these customers will take up and utilise over 50% of our expanded warehouse base on (i) the letter of intent signed with the abovementioned customers for the minimum daily delivery of 21 containers to our warehouse upon the expansion of our warehouse; (ii) the historical track record of the relevant customers; and (iii) the communication between our Directors and the customers. Our Directors consider that our Group's revenue and gross profit generated from our warehousing and related value-added services segment will further increase 122.8% and 122.2% in FY2019 respectively.

FUTURE PLANS AND USE OF PROCEEDS

We are exposed to the risk that we may incur losses when there is excess capacity of our warehousing facilities. However, given the track record of the average utilisation rate of approximately 113.7%^(Note), between March 2016 and March 2018 of our Previous Warehouses, our business operation is limited by the amount of available space, and therefore our Directors are of the view that with a larger warehouse and our own internal trucking fleet, our Group will be able to obtain more business orders for our warehousing and related value-added segment. Further with the enhancement in our information technology systems, we will introduce more automated processes into our system which will improve efficiency and capacity of our warehouses. We will then be more capable in allowing direct generation of customers' information using the online system, resulting in less manual effort and management resources required. We intend to hire eight warehouse staff and 24 truck drivers and supporting staff to maintain our trucking fleet. For further details, please refer to the section headed "Business – Business strategies and future plans" in this prospectus.

Note: Some units arriving at our warehouses may have been delivered to their destination on the same day, therefore, the incoming number of units may exceed the maximum capacity of our warehouses.

BASES AND ASSUMPTIONS

The business objectives set out by our Directors are based on the following bases and assumptions:

- our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which our future plans relate;
- there will be no change in the funding requirement for each of our future plans described in this prospectus from the amount as estimated by our Directors;
- there will be no material changes in existing laws and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates;
- there will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
- the Share Offer will be completed in accordance with and as described in the section headed "Structure and Conditions of the Share Offer" in this prospectus;
- our Group will be able to retain key staff in the management and the main operational departments;
- our Group will be able to continue its operation in substantially the same manner as our Group has been operating during the Track Record Period and our Group will also be able to carry out the development plans without disruptions adversely affecting its operations or business objectives in any way;
- there will be no disasters, natural, political or otherwise, which would materially disrupt the businesses or operations of our Group; and
- our Group will not be materially affected by the risk factors as set out under the section headed "Risk Factors" in this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

REASONS FOR THE LISTING

Our Directors believe the estimated net proceeds from the Share Offer of HK\$50.9 million (after deducting the related underwriting fees and expenses payable in relation to the Listing) will help us pursue our business objectives and implement our business strategies and plans, as set out above. We believe we have sufficient internal resources, including our cash and cash equivalents and cash flows derived from operating activities, to utilise for such actual capital expenditure. As at the Latest Practicable Date, we had approximately HK\$14.6 million in cash and cash equivalents available. Furthermore, during the Track Record Period, we had in total net cash from operating activities of approximately HK\$19.5 million.

Our Directors believe that the listing of the Shares on GEM will facilitate the implementation of our business strategies as stated in the section headed “Business – Business strategies and future plans” in this prospectus. The net proceeds from the Share Offer will provide financial resources to our Group to achieve such business strategies which will further strengthen our market position and expand our market share in the logistics industry in Hong Kong. Moreover, a public listing status will also enhance our corporate profile and assist us in reinforcing our brand awareness and market reputation. We believe that a public listing status on GEM is a complementary advertising for our Group to potential investors and customers and can enhance our corporate profile and our credibility with the public and potential business partners. Furthermore, the Listing will also enable our Group to have access to capital market for raising funds both at the time of Listing and at later stages, which would in turn assist us in our future business development. A public listing status on GEM may offer our Company a broader shareholder base which could potentially lead to a more liquid market in the trading of the Shares. We also believe that our internal control and corporate governance practices could be further enhanced following the Listing.

USE OF PROCEEDS

We estimate that the aggregate net proceeds of the Share Offer (after deducting underwriting fees and estimated expenses payable by us in connection with the Share Offer) based on the Offer Price of HK\$0.30 per offer share will be approximately HK\$50.9 million. We currently intend to apply such net proceeds in the following manner:

Our Directors presently intend to apply the aforesaid net proceeds as follows:

- (i) approximately 33.8% of the total estimated net proceeds, or approximately HK\$17.2 million, will be used to expand our warehouses;
- (ii) approximately 36.9% of the total estimated net proceeds, or approximately HK\$18.8 million, will be used to attract and retain talented and experienced personnel;
- (iii) approximately 20.0% of the total estimated net proceeds, or approximately HK\$10.2 million, will be used to develop our trucking fleet;
- (iv) approximately 6.1% of the total estimated net proceeds, or approximately HK\$3.1 million, will be used to further enhance our information technology systems; and
- (v) approximately 3.2% of the total estimated net proceeds, or approximately HK\$1.6 million, will be used as general working capital.

FUTURE PLANS AND USE OF PROCEEDS

For the period from the Latest Practicable Date to 30 September 2020, our net proceeds from the Share Offer will be used as follows:

	From the Latest Practicable Date to 30 September 2018 (HK\$ million)	For the six months ending 31 March 2019 (HK\$ million)	For the six months ending 30 September 2019 (HK\$ million)	For the six months ending 31 March 2020 (HK\$ million)	For the six months ending 30 September 2020 (HK\$ million)	Total (HK\$ million)
Further expanding our warehouses in Hong Kong	–	8.4	3.4	3.1	2.3	17.2
Attracting and retaining talented and experienced personnel	–	2.2	4.5	7.5	4.6	18.8
Developing our trucking fleet	–	–	4.2	5.8	0.2	10.2
Further enhancing our information technology systems	–	2.4	0.7	–	–	3.1
	<u>–</u>	<u>13.0</u>	<u>12.8</u>	<u>16.4</u>	<u>7.1</u>	<u>49.3</u>

Approximately 3.2% of the net proceeds from the issue of the Share Offer will be used as working capital and funding for other general corporate purposes according to our current business plans.

To the extent that the net proceeds from the Share Offer are not immediately required for the above purposes, it is the present intention of our Directors that such net proceeds will be placed as short-term deposits with authorised banks and/or financial institutions in Hong Kong. Our Directors consider that the net proceeds from the Share Offer together with the internal resources of our Group will be sufficient to finance the implementation of our Group's business plans as set out in the paragraph headed "Implementation Plan" in this section of this prospectus.

Investors should be aware that any part of the business plans of our Group may or may not proceed according to the timeframe as described under the paragraph headed "Implementation Plan" in this section of this prospectus due to various factors such as changes in customers' demand and changes in market conditions. Under such circumstances, our Directors will evaluate carefully the situations and will hold the funds as short-term deposits in authorised banks and/or financial institutions in Hong Kong until the relevant business plan materialises.

We will issue an appropriate announcement if there is any material change in the abovementioned use of proceeds.

UNDERWRITING

JOINT BOOKRUNNERS

Huabang Securities Limited
China Goldjoy Securities Limited

JOINT LEAD MANAGERS

Huabang Securities Limited
China Goldjoy Securities Limited
HK Monkey Securities Limited
Sincere Securities Limited

PUBLIC OFFER UNDERWRITERS

HK Monkey Securities Limited
Sincere Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Stock Exchange and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

If at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date:

- (a) there comes to the notice of Huabang Securities Limited (for itself and on behalf of China Goldjoy Securities Limited and the Public Offer Underwriters):
 - (i) any new law or regulation in Hong Kong, Macau, the British Virgin Islands and Cayman Islands comes into force, or there is any change in existing law or regulation in Hong Kong, Macau, the British Virgin Islands and Cayman Islands, or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, Macau, the British Virgin Islands and Cayman Islands; or
 - (ii) there is any material adverse change (including any event or series of events concerning or relating to or otherwise having an effect on) in Hong Kong financial, political, military, industrial, fiscal, legal, regulatory, economic or market conditions, stock or financial market conditions; or

UNDERWRITING

- (iii) there is any material adverse change in the conditions of the Hong Kong securities markets including, for the avoidance of doubt, any significant adverse change in the index level or value of turnover of such markets; or
- (iv) without prejudice to sub-paragraph (ii), (iii) and (v) of this sub-clause, there is imposed any moratorium, suspension on trading in securities generally on the Stock Exchange due to exceptional financial circumstance, or minimum prices having been established for securities traded in general thereon; or
- (v) without prejudice to sub-paragraph (ii), (iii) and (iv) above, a general banking moratorium is declared by Hong Kong authorities; or
- (vi) there is a material adverse change or development involving a prospective material adverse change in taxation or exchange controls in Hong Kong, Macau, British Virgin Islands, or the Cayman Islands; or
- (vii) there is any material investigation or litigation or claim being threatened or instituted against any executive Director or member of our Group; or
- (viii) there is any event or series of event of force majeure (including, but without limitation, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike, lockout, or outbreak of other diseases); or
- (ix) any statement contained in the Prospectus and any announcement or circular published by our Company in relation to the Share Offer was, when any of such documents was issued, or has become, untrue, incorrect or misleading in any material respect; or
- (x) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of the Prospectus, constitute a material omission therefrom in the context of the Share Offer or the Listing; or
- (xi) a contravention by any member of our Group of the Companies Ordinance, the SFO, or any of the GEM Listing Rules; or
- (xii) a prohibition on our Company for whatever reason from allotting the Shares pursuant to the terms of the Share Offer; or
- (xiii) a petition is presented or an order is made 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 material member of our Group,

which in the sole and reasonable opinion of Huabang Securities Limited (for itself and on behalf of China Goldjoy Securities Limited and the Public Offer Underwriters) has or will have a material adverse effect on the business or financial conditions or prospects of our Group taken as a whole or to the success of the Share Offer or the distribution of the Offer Shares, or

UNDERWRITING

- (b) Huabang Securities Limited (for itself and on behalf of China Goldjoy Securities Limited and the Public Offer Underwriters), the Sole Sponsor or any of the Underwriters becomes aware, or has reasonable cause to believe that:
- (i) there has occurred any breach, which is material and adverse in the context of the Share Offer or the Listing, of any of the obligations and provisions (save for those from the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor and/or any of the Underwriters) contained in the Public Offer Underwriting Agreement; or
 - (ii) there has occurred any material adverse change in the business or in the financial or trading positions or prospects of any member of our Group taken as a whole which is material and adverse in the context of the Share Offer and the Listing,

then and in any such case, Huabang Securities Limited (for itself and on behalf of the China Goldjoy Securities Limited and the Public Offer Underwriters) shall have the sole right upon giving notice in writing to our Company at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date to terminate their obligations under the Public Offer Underwriting Agreement.

Undertakings to the Stock Exchange under the GEM Listing Rules

(A) Undertakings by our Company

Pursuant to Rule 17.29 of the GEM Listing Rules, we have undertaken to the Stock Exchange that, except pursuant to the Capitalisation Issue, the Share Offer and the Share Option Scheme as described and contained in this prospectus, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for the circumstances as permitted by Rule 17.29 of the GEM Listing Rules.

(B) Undertakings by our Controlling Shareholder

Upon Listing and pursuant to the Acting in Concert Confirmation, Mr. Thomas Loy, Ho Tat, Mr. HM Loy and Yo Tat will become a group of Controlling Shareholders of our Company. Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of Mr. Thomas Loy and Ho Tat has undertaken to the Stock Exchange and our Company, and pursuant to the Acting in Concert Confirmation, each of Mr. HM Loy and Yo Tat has voluntarily undertaken to the Stock Exchange and our Company that, except for the circumstances permitted pursuant to Rule 13.18 of the GEM Listing Rules, it/he shall not and shall procure that the relevant registered shareholder(s) shall not:

- (a) in the period commencing on the date by reference to which disclosure of its/his shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares in respect of which it/he is shown by this prospectus to be the beneficial owners; or

UNDERWRITING

- (b) in the period of 12 months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he would cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company.

Pursuant to Rule 13.19 of the GEM Listing Rules, each of our Controlling Shareholders has also undertaken to the Stock Exchange and our Company respectively that, within the period commencing on the date by reference to which disclosure of its/his shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it/he will:

- (a) when it/he pledges or charges any Shares beneficially owned by it/him in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) as security for a bona fide commercial loan pursuant to Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, inform our Company immediately thereafter, disclosing the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
- (b) having pledged or charged any interest in the Shares under paragraph (a) above, inform our Company immediately in the event that he or it becomes aware that the pledgee or charge has disposed of or intends to dispose of such interest and of the number of Shares affected.

Undertakings pursuant to the Public Offer Underwriting Agreement

(A) Undertakings by our Company

Our Company have, pursuant to the Public Offer Underwriting Agreement, undertaken to each of the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that our Company will except pursuant to or contemplated under the Share Offer and the exercise of the options that may be granted under the Share Option Scheme, not, without the prior written consent of the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) and subject to the provisions of the GEM Listing Rules:

- (a) at any time from the date of this prospectus up to and including the date falling 12 months after the Listing Date (the “**First 12-Month Period**”):
 - (i) offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right, warrant or other rights to subscribe for any Shares or other securities of our Company over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its subsidiaries), either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares or such securities, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction;

UNDERWRITING

- (ii) issue or create any mortgage, pledge, charge or other security interest or any rights in favour of any other person over, directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any Shares or securities of our Company) or repurchase any Shares or securities of our Company agree to do any of the foregoing, except pursuant to the Share Offer or in compliance with the GEM Listing Rules;
- (b) at any time within the 12-month period immediately following the First 12-Month Period (the “**Second 12-Month Period**”) do any of the acts set out in paragraph (a) above such that our Controlling Shareholders together, directly or indirectly, would together cease to be a controlling shareholder of our Company (within the meaning defined in the GEM Listing Rules) except in compliance with the GEM Listing Rules; and
- (c) in the event that our Company does any of the acts set out in paragraph (a) above, after the expiry of the First 12-Month Period during Second 12-Month Period, as the case may be, take all reasonable steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

(B) Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has jointly and severally agreed, represented, warranted and undertaken to the Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Public Offer Underwriters and our Company that:

- (a) during the First 12-Month Period, he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates and companies controlled by him/it and any nominee or trustee holding in trust for himself/itself shall not, without the prior written consent of the Joint Bookrunners and the Joint Lead Managers or otherwise in compliance with the requirements of the GEM Listing Rules, (i) offer, pledge, charge, sell, 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, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Shares or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive any such Shares or such securities; or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Shares, whether any of the foregoing transactions is to be settled by delivery of Shares or such other securities, in cash or otherwise; or (iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above; or (iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above, except in the event of any of our Controlling Shareholders using securities of our Company beneficially owned by him/it as security (including a charge or pledge) in favour of any authorised institution (as defined in the Banking Ordinance of the Laws of Hong Kong) for a bona fide commercial loan or such other circumstances as permitted under the GEM Listing Rules;
- (b) he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates or companies controlled by him/it and any nominee or trustee holding in trust for himself/itself shall not, without the prior written consent of the Stock Exchange (if required under the GEM Listing Rules) during the Second 12-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any

UNDERWRITING

options, rights, interests or encumbrances in respect of, any Shares held by him/it or any of his/its associates or companies controlled by him/it or any nominee or trustee holding on trust for himself/itself if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be controlling shareholder (as defined in the GEM Listing Rules) of our Company or the aggregate interest of all members of our Controlling Shareholders would be less than 30% of our Company's issued share capital except in the event of any of our Controlling Shareholders using securities of our Company beneficially owned by him/it as security (including a charge or pledge) in favour of any authorised institution (as defined in the Banking Ordinance of the Laws of Hong Kong) for a bona fide commercial loan or such other circumstances as permitted under the GEM Listing Rules; and

- (c) in the event of a disposal of any Shares or securities of our Company or any interest therein within the Second 12-Month Period, he/it shall take all reasonable steps to ensure that such a disposal shall not create a disorderly or false market for any Shares or other securities of our Company.

Without prejudice to the above provisions, each of our Controlling Shareholders and executive Directors has jointly and severally undertaken to the Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Public Offer Underwriters and our Company that within the First 12-Month Period and the Second 12-Month Period, he or it shall:

- (i) if and when he or it pledges or charges, directly or indirectly, any Shares or other securities of our Company beneficially owned by him or it (or any beneficial interest therein), immediately inform our Company and the Joint Bookrunners and the Joint Lead Managers in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and
- (ii) if and when he or it receives indications, either verbal or written, from any pledgee or chargee that any Shares or other securities in our Company (or any beneficial interest therein) pledged or charged by him or it will be disposed of, immediately inform our Company and the Joint Bookrunners and the Joint Lead Managers in writing of such indications.

Our Company will notify the Stock Exchange as soon as our Company has been informed of such event and shall make a public disclosure by way of announcement in accordance with the GEM Listing Rules.

The Placing

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company will enter into the Placing Underwriting Agreement with, among others, the Placing Underwriters, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement and on the additional terms described below. Under the Placing Underwriting Agreement, the Placing Underwriters will agree to subscribe or purchase or procure subscribers or purchasers for the Placing Shares being offered pursuant to the Placing. The Placing Underwriting Agreement is expected to provide that it may be terminated on grounds similar to those provided in the Public Offer Underwriting Agreement. Potential investors are reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed.

It is expected that, pursuant to the Placing Underwriting Agreement, our Company, our executive Directors and our Controlling Shareholders will give undertakings similar to those given pursuant to the Public Offer Underwriting Agreement, as described in the paragraph headed "Underwriting Arrangements and Expenses – Undertakings pursuant to the Public Offer Underwriting Agreement" in this section.

UNDERWRITING

It is expected that each of our Controlling Shareholders will undertake to the Placing Underwriters not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of our Shares held by them in our Company for a period similar to that given by them pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed “Underwriting arrangements and expenses – Undertakings pursuant to the Public Offer Underwriting Agreement” in this section.

Underwriting commission and expenses

According to the Public Offer Underwriting Agreement, the Public Offer Underwriters will receive a gross underwriting commission of 6% of the aggregate Offer Price payable for the Public Offer Shares initially offered under the Public Offer, out of which they will pay any sub-underwriting commissions. The Placing Underwriters are expected to receive similar underwriting commission on the aggregate Offer Price payable for the Placing Shares subject to the terms and conditions of the Placing Underwriting Agreement.

Based on the Offer Price of HK\$0.30 per Offer Share, being the mid-point of the estimated Offer Price range, such underwriting commissions, together with the Stock Exchange listing fee, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing, and other expenses relating to the Share Offer which are estimated to be approximately HK\$24.6 million in aggregate and have been paid or are payable by our Company.

UNDERWRITERS’ INTERESTS IN OUR COMPANY

Save for their respective obligations and interests under the Underwriting Agreements as disclosed above and the appointment of the Sole Sponsor as our compliance adviser, none of the Underwriters has any shareholding interest in our Company or any of our subsidiaries or has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

SOLE SPONSOR’S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 6A.07 of the GEM Listing Rules.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

This prospectus is published in connection with the Public Offer as part of the Share Offer. Huabang Securities Limited and China Goldjoy Securities Limited are the Joint Bookrunners of the Share Offer.

The Share Offer consists of:

- (i) the Public Offer of 25,200,000 Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described below under the section headed “The Public Offer” below; and
- (ii) the Placing of 226,800,000 Offer Shares (subject to Offer Size Adjustment Option and reallocation as mentioned below) which will be conditionally placed with selected professional, institutional, and other investors, as further described in the paragraph headed “The Placing” below.

Investors may apply for the Public Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Placing Shares under the Placing, but may not do both. The Offer Shares will represent approximately 30% of the enlarged issued share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue (but without taking into account any Shares which may be issued pursuant to the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme). The number of Offer Shares to be offered under the Public Offer and the Placing, respectively, may be subject to reallocation as mentioned below.

CONDITIONS OF THE SHARE OFFER

The Share Offer is conditional upon, among others:

- (i) the Stock Exchange granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned herein on GEM;
- (ii) the Offer Price having been fixed on or around the Price Determination Date;
- (iii) the execution and delivery of the Underwriting Agreements on or around the Price Determination Date; and
- (iv) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including the waiver of any condition(s) by the Sole Sponsor and/or the Joint Lead Managers (for themselves and on behalf of the Underwriters)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise,

in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the 30th day after the date of this prospectus.

If such conditions have not been fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Share Offer will be published by our Company on the Stock Exchange’s website **www.hkexnews.hk** on the next business day following such lapse.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE PUBLIC OFFER

Number of Shares initially offered

Our Company is initially offering 25,200,000 Shares at the Offer Price, representing 10% of the 252,000,000 Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Public Offer will represent 3% of the total issued share capital of our Company immediately after completion of the Share Offer. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Public Offer is subject to the conditions set out in the paragraph headed “The Public Offer – Conditions of the Public Offer” in this section.

Conditions of the Public Offer

Acceptance of all applications for the Public Offer Shares in the Public Offer will be conditional on:

- (i) the Listing Division granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including any Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme) (which shall in any event not be later than the 30th day after the date of this prospectus;
- (ii) the Offer Price having been fixed on or around the Price Determination Date;
- (iii) the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and
- (iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional 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).

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming and remaining unconditional and not having been terminated in accordance with its respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be published by us in the websites of the Stock Exchange at **www.hkexnews.hk** and us at **www.wanleader.com** on the next day following such lapse. In such situation, all application monies will be refunded, without interest, on the terms set out in the section headed “How to Apply for the Public Offer Shares” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Pricing

The Offer Price will not be more than HK\$0.35 per Offer Share and is expected to be not less than HK\$0.25 per Offer Share, unless otherwise announced, as further explained below. Applicants under the Public Offer must pay, on application, the maximum Offer Price of HK\$0.35 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK\$3,535.27 for one board lot of 10,000 Shares. 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 minimum Offer Price stated in this prospectus.

The final Offer Price is expected to be determined by the Price Determination Agreement to be entered into between our Company and Huabang Securities Limited (for itself and on behalf of China Goldjoy Securities Limited and the Underwriters) on the Price Determination Date. Huabang Securities Limited (for itself and on behalf of China Goldjoy Securities Limited and the Underwriters) may, with the consent of our Company, reduce the indicative Offer Price range below that stated in this prospectus at any time prior to the Price Determination Date, which is expected to be on or around 30 August 2018, or such other date as may be agreed between our Company and Huabang Securities Limited (for itself and on behalf of China Goldjoy Securities Limited and the Underwriters). In such case, our Company will, as soon as practicable following the decision to make such reduction, publish the notice of such change on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.wanleader.com.

If, for any reason, the Offer Price is not agreed on or around 30 August 2018 between our Company and Huabang Securities Limited (for itself and on behalf of China Goldjoy Securities Limited and the Underwriters), the Share Offer will not proceed and will lapse.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming and remaining unconditional and not having been terminated in accordance with its respective terms.

Allocation

Allocation of the Public 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 could mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Multiple or suspected multiple applications under the Public Offer and any application for more than 25,200,000 Public Offer Shares, being the 100% of the Public Offer shares initially available under the Public Offer are liable to be rejected.

Reallocation

The allocation of the Shares between the Public Offer and the Placing is subject to adjustment. If the number of Shares validly applied for in the Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Shares initially available under the Public Offer, the total number of Shares available under the Public Offer will be increased to 75,600,000, 100,800,000 and 126,000,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Shares initially available under the Share Offer. In such cases, the number of Shares allocated in the Placing will be correspondingly reduced, in such manner as the Joint Bookrunners deem appropriate.

If the Public Offer Shares are not fully subscribed, the Joint Bookrunners have the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Joint Lead Managers deem appropriate. In addition, the Joint Bookrunners may reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners. In accordance with Guidance Letter HKEX-GL91-18, if such reallocation is done other than pursuant to paragraph (i), (ii) or (iii) above, the maximum total number of Offer Shares that may be allocated to the Public Offer following such reallocation shall be not more than double the initial allocation to the Public Offer i.e. 50,400,000 Offer Shares, representing 20% of the number of the Offer Shares initially available for subscription under the Share Offer.

Applications

The Joint Bookrunners 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 it 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 submitted by him that he and any person for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the Placing.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Public Offer.

THE PLACING

Number of Offer Shares offered

The number of Shares to be initially offered for subscription under the Placing will be 226,800,000 Offer Shares, representing 90% of the Offer Shares under the Share Offer. The Placing is subject to the Public Offer being unconditional.

Allocation

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, and/or hold or sell the Offer Shares after Listing. Such allocation may be made to professional, institutional and other investors and is intended to result in a distribution of the Offer 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.

Offer Size Adjustment Option

Pursuant to the Placing Underwriting Agreement, it is expected that we will grant to the Placing Underwriters the Offer Size Adjustment Option, which is exercisable by Huabang Securities Limited at any time from the date of the Placing Underwriting Agreement to the second last Business Day prior to the Listing Date, to require our Company to allot and issue up to 37,800,000 additional Shares at the Offer Price, representing 15% of the total number of Shares initially available for subscription under the Share Offer. Any such additional Shares may be issued to cover any excess demand in the Share Offer at the absolute discretion of the Huabang Securities Limited.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

For the avoidance of doubt, the purpose of the Offer Size Adjustment Option is to provide flexibility for the Joint Bookrunners to meet any excess demand in the Placing. The Offer Size Adjustment Option will not be used for price stabilisation purposes and will not be subject to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong). No purchase of the Shares in the secondary market will be effected to cover any excess demand in the Placing which will only be satisfied by the exercise of the Offer Size Adjustment Option in full or in part.

Our Company will disclose in our allotment results announcement whether and to what extent the Offer Size Adjustment Option has been exercised, and will confirm in the announcement that, if the Offer Size Adjustment Option is not exercised by then, the Offer Size Adjustment Option will lapse and cannot be exercised on any future date.

If the Offer Size Adjustment Option is exercised in full, 37,800,000 additional Shares will be issued resulting in a total number of 877,800,000 Shares in issue and the shareholding of the Shareholders will be diluted by approximately 2.47%. The additional net proceeds received from the placing of the additional Shares allotted and issued pursuant to the exercise of the Offer Size Adjustment Option would be applied on a pro-rata basis towards the respective uses as disclosed in the section headed “Future plans and use of proceeds” in this prospectus.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS AND BOARD LOT SIZE

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. on 5 September 2018, it is expected that dealings in the Shares on GEM will commence at 9:00 a.m. on 5 September 2018. The Shares will be traded in board lots of 10,000 Shares.

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;
- apply online via the **HK eIPO White Form** service at **www.hkeipo.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Lead Managers, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number. If you are a firm, the application must be in the individual members' names.

If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Lead Managers may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Public Offer Shares.

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of shares in our Company and/or any our subsidiaries;
- a Director or chief executive officer of our Company and/or any of our subsidiaries;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- a connected person (as defined in the GEM Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer;
- an associate or a close associate (as defined in the GEM Listing Rules) of any of the above; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 24 August 2018 to 12:00 noon on Wednesday, 29 August 2018 from:

- (i) the office of the following party:

Huabang Securities Limited

Unit 2901-02, 29th Floor
Enterprise Square Two
3 Sheung Yuet Road
Kowloon Bay
Kowloon
Hong Kong

China Goldjoy Securities Limited

Unit 1703-06
Infinitus Plaza
199 Des Voeux Road
Central
Hong Kong

- (ii) any of the following branches of Industrial and Commercial Bank of China (Asia) Limited Hong Kong Branch, the receiving bank for the Public Offer:

District	Branch name	Address
Hong Kong Island	Wanchai Branch	117-123 Hennessy Road Wanchai, Hong Kong
Kowloon	Mongkok Branch	G/F, Belgian Bank Building 721-725 Nathan Road Mongkok, Kowloon
New Territories	Sha Tsui Road Branch	Shop 4, G/F Chung On Building, 297-313 Sha Tsui Road, Tsuen Wan New Territories

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 Friday, 24 August 2018 until 12:00 noon on Wednesday, 29 August 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "ICBC (Asia) Nominee Limited – Wan Leader Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Friday, 24 August 2018 – 9:00 a.m. to 5:00 p.m.
- Saturday, 25 August 2018 – 9:00 a.m. to 1:00 p.m.
- Monday, 27 August 2018 – 9:00 a.m. to 5:00 p.m.
- Tuesday, 28 August 2018 – 9:00 a.m. to 5:00 p.m.
- Wednesday, 29 August 2018 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 29 August 2018, the last application day or such later time as described in "Effect of bad weather on the opening of the applications lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- i. undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Bookrunners and/or the Joint Lead Managers (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- ii. agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- iii. confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- iv. confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- v. confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- vi. agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- vii. undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing nor participated in the Placing;
- viii. agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- ix. if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- x. agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- xi. agree that your application will be governed by the laws of Hong Kong;
- xii. represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- xiii. warrant that the information you have provided is true and accurate;
- xiv. agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- xv. authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- xvi. declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- xvii. understand that our Company, the Joint Bookrunners and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- xviii. (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- xix. (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the Yellow Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in “Who can apply” section, may apply through the **HK eIPO White Form** service for the Public Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 24 August 2018 until 11:30 a.m. on Wednesday, 29 August 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 29 August 2018 or such later time under the “Effects of Bad Weather on the Opening of the Applications Lists” in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Lead Managers 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:

- i. HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- ii. HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association of our Company; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 10,000 Public Offer Shares. Instructions for more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Friday, 24 August 2018 – 9:00 a.m. to 8:30 p.m.
- Monday, 27 August 2018 – 8:00 a.m. to 8:30 p.m.
- Tuesday, 28 August 2018 – 8:00 a.m. to 8:30 p.m.
- Wednesday, 29 August 2018 – 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 24 August 2018 until 12:00 noon on Wednesday, 29 August 2018 (24 hours daily, except from 3:30 a.m. on Saturday, 25 August 2018 to 7:00 a.m. on Sunday, 26 August and on Wednesday, 29 August 2018, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, 29 August 2018, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Application Lists” in this section.

Note:

- (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.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bankers, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Wednesday, 29 August 2018.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through the **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“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 our Company;
- control more than half of the voting power of our Company; or
- hold more than half of the issued share capital of our Company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, 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 or through the **HK eIPO White Form** service in respect of a minimum of 10,000 Public Offer Shares. Each application or electronic application instruction in respect of more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and Conditions of the Share Offer – Determining the Offer Price” in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 29 August 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, 29 August 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Tuesday, 4 September 2018 (i) on our Company’s website at **www.wanleader.com**; and (ii) the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at **www.wanleader.com** and the Stock Exchange’s website at **www.hkexnews.hk** by no later than 9:00 a.m. on Tuesday, 4 September 2018;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Tuesday, 4 September 2018 to 12:00 mid-night on Monday, 10 September 2018;
- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, 4 September 2018 to Friday, 7 September 2018 on a business day;
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 4 September 2018 to Thursday, 6 September 2018 at all the receiving bank’s designated branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure and Conditions of the Share Offer” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Lead Managers, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Lead Managers believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 25,200,000 Public Offer Shares initially offered under the Public Offer.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.35 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with “Structure and conditions of the Share Offer – Conditions of the Share Offer” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Tuesday, 4 September 2018.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW**, 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 dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Tuesday, 4 September 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, 5 September 2018 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Personal Collection

(i) If you apply using a WHITE Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 4 September 2018 or such other date as notified by us on the website of our Company at www.wanleader.com or on the website of the Stock Exchange at www.hkexnews.hk.

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 Tuesday, 4 September 2018, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. 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 Tuesday, 4 September 2018, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, 4 September 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph headed "Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 4 September 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 4 September 2018, or such other date as notified by our Company on the website of our Company at **www.wanleader.com** or on the website of the Stock Exchange at **www.hkexnews.hk** as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Tuesday, 4 September 2018 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of 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, 4 September 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in the paragraph headed "Publication of results" above on Tuesday, 4 September 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 4 September 2018 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- 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, 4 September 2018. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including 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, 4 September 2018.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the Listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) is required to take place in CCASS on the second business day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-48, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

Deloitte.**德勤****ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF WAN LEADER INTERNATIONAL LIMITED AND HUABANG CORPORATE FINANCE LIMITED****Introduction**

We report on the historical financial information of Wan Leader International Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-48, which comprises the combined statements of financial position as at 31 March 2016, 31 March 2017 and 31 March 2018, the statement of financial position of the Company as at 31 March 2018 and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the three years ended 31 March 2018 (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-48 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 24 August 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting Accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 March 2016, 31 March 2017 and 31 March 2018, of the Company's financial position as at 31 March 2018 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on GEM of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance***Adjustments***

The Historical Financial Information is stated after making such adjustments to the Underlying Financial Statements as defined on page I-3 as were considered necessary.

Dividends

We refer to note 10 to the Historical Financial Information which contains information about the dividends declared by the Company's subsidiaries and states that no dividends was paid or declared by the Company since its incorporation.

No historical financial statements for the Company

No financial statements have been prepared for the Company since its date of incorporation.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 August 2018

HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information in this report was prepared based on the consolidated financial statements of Ever Metro International Limited ("Ever Metro") for the Track Record Period prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA ("Financial Statements of Ever Metro"), and management accounts of the Company for the period from 10 August 2017 (date of incorporation) to 31 March 2018 prepared in accordance with the accounting policies which conform with HKFRSs issued by the HKICPA (together collectively referred to as the "Underlying Financial Statements"). The Financial Statements of Ever Metro were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Hong Kong dollar ("HK dollar" or "HK\$") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 31 March		
		2016	2017	2018
		HK\$'000	HK\$'000	HK\$'000
Revenue	5	76,255	79,316	197,942
Cost of services		(61,991)	(56,975)	(155,285)
Gross profit		14,264	22,341	42,657
Bank interest income		—	—	3
Marketing expenses		(1,236)	(425)	(3,137)
Administrative and operating expenses		(5,442)	(8,140)	(15,736)
Other expenses	8	—	—	(8,663)
Finance costs	8	(23)	(84)	(149)
Profit before taxation		7,563	13,692	14,975
Income tax expenses	7	(1,235)	(2,211)	(3,984)
Total profit and other comprehensive income for the year	8	6,328	11,481	10,991
Attributable to:				
Equity holders of the Company		6,328	11,481	10,333
Non-controlling interest		—	—	658
		6,328	11,481	10,991

COMBINED STATEMENTS OF FINANCIAL POSITION/STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	NOTES	THE GROUP			THE COMPANY
		2016 HK\$'000	As at 31 March 2017 HK\$'000	2018 HK\$'000	As at 31 March 2018 HK\$'000
NON-CURRENT ASSETS					
Property, plant and equipment	12	2,638	3,169	2,163	–
Intangible asset	13	–	2,214	1,265	–
Rental deposits	14	778	813	38	–
Deferred tax assets	22	–	–	27	–
		3,416	6,196	3,493	–
CURRENT ASSETS					
Trade and other receivables	15	14,182	26,681	44,491	3,401
Amounts due from directors	16(i)	637	22,345	–	–
Amount due from a related company	17	84	–	–	–
Bank balances and cash	18	1,919	6,778	7,044	–
		16,822	55,804	51,535	3,401
CURRENT LIABILITIES					
Trade payables and accrued expenses	19	5,875	16,151	22,793	2,093
Amounts due to a director	16(ii)	3,511	13,792	–	–
Amounts due to a related company	17	1,243	30	–	10,472
Bank borrowings	20	–	2,017	1,672	–
Obligations under finance leases	21	185	397	366	–
Tax payable		777	1,313	2,036	–
		11,591	33,700	26,867	12,565
NET CURRENT ASSETS (LIABILITIES)		5,231	22,104	24,668	(9,164)
NON-CURRENT LIABILITIES					
Obligations under finance leases	21	232	696	324	–
Deferred tax liabilities	22	32	503	231	–
		264	1,199	555	–
NET ASSETS (LIABILITIES)		8,383	27,101	27,606	(9,164)
CAPITAL AND RESERVES					
Share capital	23	300	690	1,417	–
Other reserves		–	1,954	13,792	–
Retained profits (Accumulated loss)		8,083	19,564	12,397	(9,164)
Equity attributable to owners of the Company		8,383	22,208	27,606	(9,164)
Non-controlling interest	24	–	4,893	–	–
TOTAL EQUITY (DEFICIT OF EQUITY)		8,383	27,101	27,606	(9,164)

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company					Non-controlling interest HK\$'000	Total HK\$'000
	Share capital HK\$'000	Other reserve HK\$'000	Merger reserve HK\$'000 (Note iii)	Retained profits HK\$'000	Total HK\$'000		
At 1 April 2015	100	–	–	1,755	1,855	–	1,855
Total profit and other comprehensive income for the year	–	–	–	6,328	6,328	–	6,328
Incorporation of a subsidiary	200	–	–	–	200	–	200
At 31 March 2016	300	–	–	8,083	8,383	–	8,383
Total profit and other comprehensive income for the year	–	–	–	11,481	11,481	–	11,481
Acquisition of a subsidiary (Note i)	–	1,954	–	–	1,954	4,893	6,847
Incorporation of Ever Metro	390	–	–	–	390	–	390
As at 31 March 2017	690	1,954	–	19,564	22,208	4,893	27,101
Total profit and other comprehensive income for the year	–	–	–	10,333	10,333	658	10,991
Effect of Reorganisation (as defined in note 1)	326	–	(326)	–	–	–	–
Acquisition of an additional interest of a subsidiary (Note ii)	144	1,141	–	–	1,285	(1,285)	–
Dividend recognised as distribution	–	–	–	(17,500)	(17,500)	(4,266)	(21,766)
Allotment of shares by Ever Metro (Note iv)	257	11,023	–	–	11,280	–	11,280
As at 31 March 2018	1,417	14,118	(326)	12,397	27,606	–	27,606

Notes:

- (i) On 31 March 2017, Ever Metro acquired 73% equity interests of Orient Zen Logistics Services Limited (“Orient Zen”) from Mr. Loy Hak Moon (“Mr. HM Loy”) at a consideration of HK\$11,275,000. Details of the transaction are set out in note 25.
- (ii) On 28 July 2017, Ever Metro acquired 27% equity interests of Orient Zen by issue of 18,493 shares of Ever Metro as the consideration. The difference between the par value of the issued shares of Ever Metro and the decrease in non-controlling interest amounting to HK\$1,285,000 is recorded as other reserve. Further details are set out in notes 1 and 24.
- (iii) On 28 July 2017, Ever Metro acquired the entire issued share capital of Union Air Cargo Limited (“Union Air”) and Fu Yo Warehouse Logistics Company Limited (“Fu Yo”) from Mr. Thomas Loy by issue of new shares. Further details are set out in note 1.
- (iv) On 7 August 2017, Ever Metro entered into two separate subscription agreements (“First Subscription Agreements”) with two strategic investors (“First Investors”) and allotted and issued 6,100 shares respectively to the First Investors at a cash consideration of HK\$5,000,000 in aggregate (“First Subscription”).

On 13 October 2017, Ever Metro entered into two other separate subscription agreements with two other strategic investors (“Second Investors”) and allotted and issued 9,635 shares respectively to the Second Investors at a cash consideration of HK\$7,000,000 in aggregate (“Second Subscription”). With reference to the anti-dilution clause contained in the First Subscription Agreements, Ever Metro, at the same date, allotted and issued 790 shares respectively to each of the First Investors.

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
OPERATING ACTIVITIES			
Profit before taxation	7,563	13,692	14,975
Adjustments for:			
Depreciation of property, plant and equipment	710	819	1,033
Impairment loss on trade receivables	–	–	360
Amortisation of intangible asset	–	–	949
Bank interest income	–	–	(3)
Interest expense on finance leases	23	31	36
Interest expense on bank borrowings	–	53	113
Operating cash flows before movements in working capital	8,296	14,595	17,463
Increase in rental deposits	(716)	–	(180)
Decrease (increase) in trade and other receivables	1,137	(66)	(13,905)
(Decrease) increase in trade payables and accrued expenses	(6,841)	(962)	6,107
Increase in amounts due from a related company	(84)	(148)	–
Increase (decrease) in amounts due to a related company	1,243	143	(30)
Cash generated from operations	3,035	13,562	9,455
Hong Kong Profits Tax paid	(909)	(2,038)	(3,560)
NET CASH FROM OPERATING ACTIVITIES	2,126	11,524	5,895
INVESTING ACTIVITIES			
Advance to directors	(4,650)	(9,332)	(4,384)
Purchase of property, plant and equipment	(2,240)	(131)	(27)
Repayment from directors	3,531	611	953
Acquisition of a subsidiary (note 25)	–	2,163	–
Interest received	–	–	3
NET CASH USED IN INVESTING ACTIVITIES	(3,359)	(6,689)	(3,455)
FINANCING ACTIVITIES			
Advances from a director	4,966	3,002	173
Issue of shares by Fu Yo and Ever Metro (As defined in note 1)	200	–	12,000
Expenses on issue of shares	–	–	(720)
Repayments to a director	(3,970)	(3,606)	(9,955)
Dividend paid	(500)	–	–
Repayment of finance lease obligations	(226)	(305)	(403)
Interest paid	(23)	(84)	(149)
Repayment of bank borrowings	–	(983)	(2,825)
New bank borrowing raised	–	2,000	2,480
Payment of deferred listing costs	–	–	(2,775)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	447	24	(2,174)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(786)	4,859	266
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	2,705	1,919	6,778
CASH AND CASH EQUIVALENTS AT END OF THE YEAR			
represented by bank balances and cash	1,919	6,778	7,044

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 10 August 2017 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. At the date of incorporation, the Company had an authorised share capital of HK\$380,000 divided into HK\$0.01 each, of which one share was allotted and issued to a subscriber. On 10 August 2017, the subscriber transferred one share to Ho Tat Limited ("Ho Tat"), which is owned by Mr. Loy Hak Yu Thomas ("Mr. Thomas Loy"), the controlling shareholder of the Group. On the same date, the Company allotted 87 shares to Ho Tat and 12 shares to Yo Tat Limited, which is owned by Mr. HM Loy, the younger brother of Mr. Thomas Loy.

On 26 September 2017, a special resolution of the Company was approved for the change of the name of the Company from Leader International Limited to Wan Leader International Limited. It is effective from 29 September 2017. The address of the Company's registered office and the principal place of business is disclosed in the section "Corporate Information" in the Prospectus.

The Historical Financial Information has been prepared based on the accounting policies set out in note 3 which conform with HKFRSs issued by the HKICPA and the principles of merger accounting under Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG5") issued by the HKICPA.

Before the reorganisation as mentioned below ("Reorganisation"), Mr. Thomas Loy has 100% beneficial interests over Union Air and Fu Yo.

On 27 February 2017, Ever Metro was incorporated by Mr. Thomas Loy with issued share capital of 50,000 shares of US\$50,000. On 31 March 2017, Ever Metro has acquired 73% equity interests of Orient Zen from Mr. HM Loy. Details of which are set out in note 25.

On 28 July 2017, Ever Metro acquired 540,000 issued shares of Orient Zen (representing the remaining 27% equity interests of Orient Zen) and the entire issued shares of Fu Cheng Logistics Co. Ltd. ("Fu Cheng") from Mr. HM Loy by issuing of 18,494 shares to Mr. HM Loy. At the same time, Ever Metro acquired the entire issued shares of Union Air and Fu Yo from Mr. Thomas Loy by issuing 80,237 shares, in aggregate, to Mr. Thomas Loy. After the said transfers, Union Air, Fu Yo, Orient Zen and Fu Cheng became wholly owned subsidiaries of Ever Metro and Ever Metro was owned by Mr. Thomas Loy to 87.57% and Mr. HM Loy to 12.43% and controlled by Mr. Thomas Loy.

The acquisitions of Union Air and Fu Yo by Ever Metro have been accounted for using the principles of merger accounting as Union Air, Fu Yo and Ever Metro are under the common control of Mr. Thomas Loy both before and after these acquisitions and the control is not transitory.

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 includes the results and cash flows of Union Air, Fu Yo and Ever Metro, as if the group structure upon the completion of the reorganisation had been in existence throughout the Track Record Period or since the date of incorporation, where this is a shorter period.

The combined statements of financial position of the Group as at 31 March 2016 and 31 March 2017 includes the assets and liabilities of Union Air, Fu Yo and Ever Metro now comprising the Group as if the current group structure had been in existence at those dates.

The acquisition of 73% equity interest in Orient Zen had been accounted for as a business combination of which details are set out in note 25 whereas the acquisition of Fu Cheng not constituting a business had been accounted for as asset acquisition of which details are set out in note 28(b).

On 7 August 2017, Ever Metro entered into the First Subscription Agreements with the First Investors and allotted and issued 6,100 shares respectively to the First Investors at a cash consideration of HK\$2,500,000 each.

On 13 October 2017, Ever Metro entered into another two separate subscription agreements with the Second Investors and allotted and issued 9,635 shares respectively to the Second Investors at a cash consideration of HK\$3,500,000 each. With reference to the anti-dilution clause contained in the First Subscription Agreements, Ever Metro, at the same date, allotted and issued 790 shares respectively to each of the First Investors. Immediately upon the completion of the Second Subscription, Ever Metro had 181,781 shares in issue and was owned as to 71.65% by Mr. Thomas Loy, 10.17% by Mr. HM Loy, 7.58% by First Investors and 10.6% by Second Investors, respectively. The aggregate consideration of the First Subscription and the Second Subscription is HK\$11,280,000, net of the direct issue cost of HK\$720,000.

As fully explained in section headed by “History, Reorganisation and Group Structure” to the Prospectus, in consideration of the Company’s acquisition of the entire share capital of Ever Metro, the Company allotted and issued 7,077 shares to Ho Tat as directed by Mr. Thomas Loy, 1,005 shares to Yo Tat as directed by Mr. HM Loy and 1,818 shares in aggregate to First Investors and Second Investors. The said transfer was properly and legally completed and settled on 10 August 2018. After such transfer, Ever Metro became a wholly-owned subsidiary of the Company.

By interspersing the Company between Mr. Thomas Loy, Mr. HM Loy, First Investors, Second Investors and Ever Metro, the Company became the holding company of the companies now comprising the Group on 10 August 2018. The Company will then be owned by Mr. Thomas Loy, Mr. HM Loy, First Investors and Second Investors by 71.65%, 10.17%, 7.58% and 10.6% respectively. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the Historical Financial Information has been prepared as if the Company had always been the holding company of the Group.

The Historical Financial Information is presented in Hong Kong dollars (“HK\$”), which is same as the functional currency of the Company.

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 33.

No statutory financial statements of the Company have been prepared since its date of incorporation as it is incorporated in jurisdiction where there is no statutory audit requirement.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently adopted the HKFRSs, Hong Kong Accounting Standards (“HKASs”), amendments and interpretations issued by the HKICPA which are effective for the accounting periods beginning on 1 April 2017 throughout the Track Record Period.

At the date of this report, HKICPA has issued the following new and amendments to HKFRSs and new interpretations that are not yet effective. The Group has not early adopted these new and amendments to HKFRSs and new interpretations.

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ⁴
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ²
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to HKAS 40	Transfers of Investment Property ¹
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle ²

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 January 2021

HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accountings periods. Debt instruments that are held within a business model whose objective is achieved both by collecting cash flows and selling financial assets, and that have contractual terms that give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss;
- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The Group will apply HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and will not apply the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 will be recognised in the opening retained profits, without restating comparative information.

Based on the Group's financial instruments and risk management policies as at 31 March 2018, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement

All financial assets and liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment

The application of the expected credit loss model of HKFRS 9 may result in earlier recognition of credit losses on the Group's financial assets measured at amortised cost taking into account the estimated credit risk of the customers which the Group has business with and the actual impairment of receivables experienced. Based on the Group's financial information as at 31 March 2018, the directors of the Company concluded that there will be no significant impact on the Group's future financial statements upon the application of HKFRS 9 in the future.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Group will apply HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application will be recognised in the opening retained profits and comparative information will not be restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group will elect to apply the standard retrospectively only to contracts that are not completed at 1 April 2018.

Management of the Group anticipates that the application of HKFRS 15 in the future may result in more disclosures, however, Management of the Group does not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the future financial statements.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2018, in respect of leases with original terms over 1 year, the Group has non-cancellable operating lease commitments of HK\$1,360,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases at its present value upon the application of HKFRS 16. In addition, the Group currently considers refundable rental deposits paid of HK\$993,000 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the rights to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. However, the management of the Group do not expect the adoption of HKFRS 16, as compared to the current accounting policy of the Group, would result in significant impact on the results and the net assets of the Group. Furthermore, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

Management of the Group anticipates that the application of other new and amendments to HKFRSs and new interpretations will have no material impact on the future financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for services rendered.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

The principal accounting policies adopted are as follows:

Basis of combination

The Historical Financial Information incorporates the financial statements of the entities comprising the Group. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Combination of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the combined statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

Non-controlling interest in subsidiaries are presented in the combined statements of financial position within equity, separately from equity attributable to owners of the Company. Non-controlling interest in the results of the Group are presented on the face of the combined statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Merger accounting for business combination involving entities under common control

The Historical Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred to the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 “Income Taxes” and HKAS 19 “Employee Benefits” respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognised in profit or loss as bargain purchase gain or loss or as other reserve if the transaction is a deemed contribution from related parties.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary’s net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests’ proportionate share of the recognised amounts of the acquiree’s identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received or receivable for services provided in the normal course of business, net of discounts.

Revenue from service income is recognised when the services are delivered.

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

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group’s general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “profit before taxation” as reported in the combined statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realised or the liability is settled, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

Retirement benefit costs

Payments to Mandatory Provident Fund Scheme (“MPF Scheme”) are charged as an expense when employees have rendered service entitling them to the contributions.

Property, plant and equipment

Property, plant and equipment are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effective of any changes in estimate being accounted for on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Impairment

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income/expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts/payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income/expense is recognised on an effective interest basis.

Financial assets***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from directors/a related company and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of loans and receivables below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment of loans and receivables could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of loans and receivables, such as trade receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the respective credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the loans and receivables is reduced by the impairment loss directly with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the loans and receivables at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including trade payables, amounts due to directors/a related company and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognised a financial asset only when the contractual rights to the cash flows from the assets expire or, when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognised financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the management of the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the key assumption concerning the future, and other key source of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amount of the asset within the following twelve months.

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimated future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2016, 2017 and 2018, the carrying amount of trade receivables is HK\$14,007,000, HK\$26,196,000 and HK\$38,603,000, net of allowance for doubtful debts of nil, nil and HK\$360,000, respectively.

5. REVENUE

	Year ended 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Freight forwarding and related logistics services income	68,211	53,787	170,439
Warehousing and related value-added services	8,044	25,529	27,503
	<u>76,255</u>	<u>79,316</u>	<u>197,942</u>

6. SEGMENT INFORMATION

The Group's operating segments are determined based on information reported to the chief operating decision maker (the "CODM") of the Group, being Mr. Thomas Loy, for the purpose of resource allocation and performance assessment. With regard to the similar economic characteristics of Union Air and Orient Zen in view of the similarity of their services provided and customers served, their operations are aggregated as one single reportable segment as freight forwarding and related logistics services although their financial information is reported to the CODM separately. The directors regularly review revenue and results analysis by (i) Freight forwarding and related logistics services and (ii) Warehousing and related value-added services. No analysis of segment assets or segment liabilities is presented as such information is not regularly provided to the CODM.

Segment revenue and results

The following is an analysis of the Group's revenue and result by reportable segments.

For the year ended 31 March 2016

	Freight forwarding and related logistics services HK\$'000	Warehousing and related value-added services HK\$'000	Segment Total HK\$'000	Elimination HK\$'000	Total HK\$'000
Revenue					
External sales	68,211	8,044	76,255	–	76,255
Inter-segment sales	–	1,086	1,086	(1,086)	–
	<u>68,211</u>	<u>9,130</u>	<u>77,341</u>	<u>(1,086)</u>	<u>76,255</u>
Result					
Segment results and profit before taxation	<u>7,553</u>	<u>10</u>	<u>7,563</u>	<u>–</u>	<u>7,563</u>

For the year ended 31 March 2017

	Freight forwarding and related logistics services HK\$'000	Warehousing and related value-added services HK\$'000	Segment Total HK\$'000	Elimination HK\$'000	Total HK\$'000
Revenue					
External revenue	53,787	25,529	79,316	–	79,316
Inter-segment revenue	75	1,737	1,812	(1,812)	–
Segment revenue	<u>53,862</u>	<u>27,266</u>	<u>81,128</u>	<u>(1,812)</u>	<u>79,316</u>
Result					
Segment results and profit before taxation	<u>9,509</u>	<u>4,183</u>	<u>13,692</u>	<u>–</u>	<u>13,692</u>

For the year ended 31 March 2018

	Freight forwarding and related logistics services HK\$'000	Warehousing and related value-added services HK\$'000	Segment Total HK\$'000	Elimination HK\$'000	Total HK\$'000
Revenue					
External revenue	170,439	27,503	197,942	–	197,942
Inter-segment revenue	3	4,635	4,638	(4,638)	–
Segment revenue	<u>170,442</u>	<u>32,138</u>	<u>202,580</u>	<u>(4,638)</u>	<u>197,942</u>
Result					
Segment results	<u>20,077</u>	<u>4,437</u>	<u>24,514</u>	<u>–</u>	<u>24,514</u>
Central administrative expenses					(1,236)
Listing expenses					<u>(8,303)</u>
Profit before taxation					<u>14,975</u>

Inter-segment sales are charged at prices mutually agreed by both parties.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment result represents profit before taxation earned from each segment without allocation of certain central administrative expenses and listing expenses. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

Other segment information – Amounts included in segment results

For the year ended 31 March 2016

	Freight forwarding and related logistics services HK\$'000	Warehousing and related value-added services HK\$'000	Total HK\$'000
Depreciation of property, plant and equipment	233	477	710

For the year ended 31 March 2017

	Freight forwarding and related logistics services HK\$'000	Warehousing and related value-added services HK\$'000	Total HK\$'000
Depreciation of property, plant and equipment	315	504	819

For the year ended 31 March 2018

	Freight forwarding and related logistics services HK\$'000	Warehousing and related value-added services HK\$'000	Total HK\$'000
Depreciation of property, plant and equipment	530	503	1,033
Amortisation of intangible asset	949	–	949
Impairment loss on trade receivables	360	–	360

Geographical information

No geographical segment information is presented as the Group's operations are solely located in Hong Kong.

Information about major customers

Revenue from customers contributing over 10% of the Group's revenue for the corresponding years are as follows:

	Year ended 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Customer A	30,821	24,865	50,052
Customer B	18,711	9,807	N/A*
Customer C	N/A*	12,559	N/A*
Customer D	N/A*	N/A*	24,481
Customer E	N/A#	N/A#	20,934
	49,532	47,231	95,467

* The corresponding amount is less than 10% of the total sales for the respective years.

No revenue generated from the customer during the respective years.

Customers A, B and E contribute revenue to a single reporting segment of freight forwarding and related logistics services.

Customer C contributes revenue to a single reporting segment of warehousing and related value-added services.

Customer D contributes revenue to both reporting segments of freight forwarding and related logistics services and warehousing and related value-added services.

7. INCOME TAX EXPENSE

	Year ended 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong Profits Tax – current tax	1,241	2,148	4,283
Deferred tax (<i>note 22</i>)	(6)	63	(299)
	<u>1,235</u>	<u>2,211</u>	<u>3,984</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits during the Track Record Period.

The income tax expense for the Track Record Period can be reconciled to the profit before taxation per the combined statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	<u>7,563</u>	<u>13,692</u>	<u>14,975</u>
Tax at Hong Kong Profits Tax rate of 16.5%	1,248	2,259	2,471
Tax effect of deductible temporary differences not recognised	7	–	–
Utilisation of deductible temporary differences previously not recognised	–	(8)	–
Tax effect of expenses not deductible	–	–	1,603
Tax concession	<u>(20)</u>	<u>(40)</u>	<u>(90)</u>
Income tax expenses for the year	<u>1,235</u>	<u>2,211</u>	<u>3,984</u>

8. PROFIT FOR THE YEAR

	Year ended 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Profit for the year has been arrived at after charging:			
Directors' remuneration (<i>note 9</i>)	538	658	2,528
Other staff salaries and allowances	3,398	5,337	8,667
Retirement benefit scheme contributions, excluding those of directors	123	253	387
Total employee benefits expenses	4,059	6,248	11,582
Auditor's remuneration	42	150	440
Depreciation of property, plant and equipment	710	819	1,033
Amortisation of intangible asset	–	–	949
Operating lease rentals in respect of rented premises	1,439	4,321	4,722
Exchange loss	172	210	91
Impairment loss on trade receivables	–	–	360
Listing expenses	–	–	8,303
Total other expenses	–	–	8,663
Interest expense on finance leases	23	31	36
Interest expense on bank borrowings	–	53	113
Total finance costs	23	84	149

9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and the chief executive's emoluments

Details of the emoluments paid or payable by the entities comprising the Group to the directors and the chief executive of the Company appointed in August and November 2017 (including emoluments for services as key management personnel of the entities comprising the Group prior to becoming directors of the Company), during the Track Record Period are as follows:

For the year ended 31 March 2016

Name of director	Fee HK\$'000	Salaries and other allowances HK\$'000	Performance related incentive payments HK\$'000 (<i>Note</i>)	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Mr. Thomas Loy	–	480	40	18	538

For the year ended 31 March 2017

Name of director	Fee HK\$'000	Salaries and other allowances HK\$'000	Performance related incentive payments HK\$'000 (<i>Note</i>)	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Mr. Thomas Loy	–	480	160	18	658

For the year ended 31 March 2018

Name of directors	Fee HK\$'000	Salaries and other allowances HK\$'000	Performance related incentive payments HK\$'000 (Note)	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Mr. Thomas Loy	–	1,200	100	18	1,318
Mr. HM Loy	–	960	180	18	1,158
Mr. Lo Wing Sang	50	–	–	2	52
	<u>50</u>	<u>2,160</u>	<u>280</u>	<u>38</u>	<u>2,528</u>

Note: Performance related incentive payments are recommended by the management of the Group, having regard to the Group's operating result, individual performance and comparable market statistics.

Mr. Thomas Loy is also the chief executive of the Group and his emoluments disclosed above include those for services rendered by him as the chief executive in connection with the management of the affairs of the companies comprising the Group.

Mr. HM Loy's emoluments shown above were paid for his services in connection with the management of the affairs of Orient Zen and Fu Cheng.

Mr. Lo Wing Sang is appointed in November 2017 as an executive director of the Company and his emoluments shown above were paid for his services in connection with the management of the affairs of the Group for the period from his appointment to 31 March 2018.

(b) Employees' emoluments

The five highest paid individuals of the Group for the Track Record Period include 1 individual, who was appointed as the director of the Company, for the years ended 31 March 2016 and 2017, and 2 individuals, who were appointed as directors of the Company, for the year ended 31 March 2018. The emoluments of the remaining 4, 4 or 3 individuals for the respective period in the Track Record Period are as follows:

	Year ended 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Salaries and other allowances	1,261	1,447	1,297
Performance related incentive payments (Note)	364	65	146
Retirement benefit scheme contributions	59	68	54
	<u>1,684</u>	<u>1,580</u>	<u>1,497</u>

Note: Performance related incentive payments are recommended by the management of the Group, having regard to the Group's operating result, individual performance and comparable market statistics.

The emoluments of each of the above employees were less than HK\$1,000,000 during the Track Record Period.

During the Track Record Period, no emoluments were paid by the Group to any of the directors of the Company or the chief executive of the Group or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company or the chief executive of the Group waived any emoluments during the Track Record Period.

10. DIVIDENDS

In July 2017, Union Air declared dividends amounting to HK\$17,500,000 to the then shareholder.

In July 2017, Orient Zen declared dividends amounting to HK\$15,800,000 to its shareholders, of which, HK\$11,534,000 attributable to Ever Metro and HK\$4,266,000 attributable to Mr. HM Loy, the then non-controlling interest.

The rate of dividends and number of shares ranking for the dividends are not presented as such information is not considered meaningful having regard to the purpose of this accountants' report.

No dividend was paid or declared by the Company since its incorporation.

11. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful with regard to the reorganisation and the presentation of results on a combined basis as set out in note 1.

12. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST					
At 1 April 2015	53	132	323	661	1,169
Additions	44	1,053	1,142	155	2,394
At 31 March 2016	97	1,185	1,465	816	3,563
Additions	2	84	–	574	660
Acquisition of a subsidiary (note 25)	–	86	64	540	690
At 31 March 2017	99	1,355	1,529	1,930	4,913
Additions	10	17	–	–	27
At 31 March 2018	109	1,372	1,529	1,930	4,940
DEPRECIATION					
At 1 April 2015	10	24	59	122	215
Provided for the year	19	235	293	163	710
At 31 March 2016	29	259	352	285	925
Provided for the year	20	254	293	252	819
At 31 March 2017	49	513	645	537	1,744
Provided for the year	21	278	324	410	1,033
At 31 March 2018	70	791	969	947	2,777
CARRYING VALUES					
At 31 March 2016	68	926	1,113	531	2,638
At 31 March 2017	50	842	884	1,393	3,169
At 31 March 2018	39	581	560	983	2,163

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Furniture and fixtures	20%
Office equipment	20%
Leasehold improvements	20% or over lease term, whichever is shorter
Motor vehicles	20%

Motor vehicles amounted to HK\$531,000, HK\$1,393,000 and HK\$983,000 are assets held under finance leases as at 31 March 2016, 31 March 2017 and 31 March 2018.

13. INTANGIBLE ASSET

	Customer relationship HK\$'000
COST	
At 1 April 2015 and 31 March 2016	–
Acquisition of a subsidiary (note 25)	2,214
	<hr/>
At 31 March 2017 and 31 March 2018	2,214
	<hr/>
ACCUMULATED AMORTISATION	
At 1 April 2015, 31 March 2016 and 31 March 2017	–
Charge for the year	949
	<hr/>
At 31 March 2018	949
	<hr/>
CARRYING VALUE	
At 31 March 2016	–
	<hr/> <hr/>
At 31 March 2017	2,214
	<hr/> <hr/>
At 31 March 2018	1,265
	<hr/> <hr/>

The above intangible asset has finite useful live of 28 months and are amortised on a straight-line basis.

14. RENTAL DEPOSITS

These balances represent rental deposits placed by the Group in connection with its rented premises. The relevant leases will expire after one year from the end of the respective reporting period, or if the remaining lease term is less than one year, the Group has intention to renew the leases upon expiry. Therefore, these balances are classified as non-current.

15. TRADE AND OTHER RECEIVABLES

The Group

	2016 HK\$'000	As at 31 March 2017 HK\$'000	2018 HK\$'000
Trade receivables	14,007	26,196	38,963
Less: allowance for doubtful debts	–	–	(360)
	<hr/>	<hr/>	<hr/>
	14,007	26,196	38,603
Prepayments, deposits and other receivables	175	485	1,623
Rental deposits classified as current asset	–	–	955
Deferred listing costs	–	–	3,310
	<hr/>	<hr/>	<hr/>
	14,182	26,681	44,491
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Included in trade and other receivables are the following amounts denominated in currencies other than the functional currencies of the respective group entities which they relate:

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
United States dollar ("USD")	9,775	5,790	17,055
Renminbi ("RMB")	1,043	465	327
Euro ("EUR")	–	2	–
	<u> </u>	<u> </u>	<u> </u>

The Group allows credit periods ranging from 0 day to 90 days to its customers.

The following is an aging analysis of trade receivables net of allowance for doubtful debts, presented based on the invoice date at the end of each reporting period:

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
0 – 30 days	5,008	12,872	14,176
31 – 60 days	4,108	9,442	14,383
61 – 90 days	3,019	3,445	6,899
Over 90 days	1,872	437	3,145
	<u> </u>	<u> </u>	<u> </u>
	14,007	26,196	38,603
	<u> </u>	<u> </u>	<u> </u>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit period by customers. Credit periods granted to customers are reviewed regularly. The majority of the trade receivables that are neither past due nor impaired relates to a wide range of customers for whom there was no history of default.

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$13,229,000, HK\$16,023,000 and HK\$29,161,000 as at 31 March 2016, 31 March 2017 and 31 March 2018, respectively which were past due at the end of each reporting periods for which the Group has not provided for impairment loss as the Group considered such balances could be recovered based on historical experiences. The Group does not hold any collateral over these balances.

The following is an aging analysis of trade receivables which are past due but not impaired at the end of each reporting period:

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Overdue by:			
0 to 30 days	4,727	11,830	14,205
31 to 60 days	3,722	3,233	7,515
61 to 90 days	2,908	525	6,267
Over 90 days	1,872	435	1,174
	<u> </u>	<u> </u>	<u> </u>
	13,229	16,023	29,161
	<u> </u>	<u> </u>	<u> </u>

Movements in the allowance for doubtful debts:

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Balance at beginning of the year	–	–	–
Impairment loss recognised on trade receivables	–	–	360
Balance at the end of the year	–	–	360

The Company

The amount mainly represents deferred listing costs and prepayment of expenses at 31 March 2018.

16. AMOUNTS DUE FROM/TO DIRECTORS

(i) Amounts due from directors

	As at 31 March		
Name of directors	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Mr. Thomas Loy	637	9,358	–
Mr. HM Loy	–	12,987	–
	637	22,345	–

There is no amount due from directors as at 1 April 2015.

Maximum amounts outstanding during the Track Record Period are as follows:

	Year ended 31 March		
Name of directors	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Mr. Thomas Loy	1,100	9,369	10,358
Mr. HM Loy	–	12,987	14,680

(ii) Amounts due to a director

	As at 31 March		
Name of director	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Mr. Thomas Loy	3,511	13,792	–

The amounts due from (to) directors are non-trade in nature, denominated in HK\$, unsecured, interest-free and repayable on demand.

17. AMOUNTS DUE FROM/TO A RELATED COMPANY

The Group

As at 31 March 2016, the amount due from/to a related company represented the amounts due from/to Orient Zen. The amount due from Orient Zen was trade in nature, unsecured, interest-free and repayable immediately when the invoice is presented. The amount due to Orient Zen was trade in nature, unsecured, interest-free and had a credit period of 30 days.

As at 31 March 2017, the amount due to a related company represented the amount due to Fu Cheng. The amount was trade in nature, unsecured, interest-free and repayable immediately when the invoice is presented.

The Company

The amount represents amount due to Ever Metro at 31 March 2018. The amount is unsecured, interest-free and has no fixed repayment term.

18. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less.

Bank balances carry interest at market rates as at 31 March 2016, 31 March 2017 and 31 March 2018.

19. TRADE PAYABLES AND ACCRUED EXPENSES**The Group**

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	5,623	15,470	19,653
Accrued expenses	252	681	3,140
	<u>5,875</u>	<u>16,151</u>	<u>22,793</u>

The following is an aging analysis of trade payables presented based on the invoice date at the end of each reporting period.

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	2,647	8,797	9,524
31 – 60 days	2,051	5,389	8,358
61 – 90 days	907	1,273	1,749
Over 90 days	18	11	22
	<u>5,623</u>	<u>15,470</u>	<u>19,653</u>

The Company

The amount represents accrued expenses as at 31 March 2018.

20. BANK BORROWINGS

The Group's bank borrowings are denominated in HK\$, unsecured and carried at fixed rate of 3.60% and 4.53% per annum calculated on a monthly basis as at 31 March 2017 and 3.60% per annum calculated on a monthly basis as at 31 March 2018. The contractual repayment schedule of the bank borrowings is repayable by 12 monthly installments from the date of drawn down and with a repayable on demand clause according to the loan agreements. The weighted average effective interest rates of the bank borrowings for the years ended 31 March 2017 and 31 March 2018 are 6.78% and 7.34%, respectively.

The bank borrowings are guaranteed by:

	As at 31 March		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Mr. Thomas Loy	–	1,017	–
Mr. Thomas Loy, Mr. HM Loy and Union Air	–	1,000	–
Mr. Thomas Loy and Orient Zen	–	–	1,672
	<u>–</u>	<u>–</u>	<u>1,672</u>

21. OBLIGATIONS UNDER FINANCE LEASES

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Analysis for reporting purpose as:			
Current liabilities	185	397	366
Non-current liabilities	232	696	324
	<u>417</u>	<u>1,093</u>	<u>690</u>
	Year ended 31 March		
	2016	2017	2018
Lease term	1 – 4.5 years	3 – 4.5 years	3 – 4.5 years
Contractual flat interest rate	1.80% – 2.25%	1.40% – 2.25%	1.40% – 2.25%
	Minimum lease payments		
	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Obligations under finance leases:			
Within one year	197	439	386
Within a period of more than one year but not more than two years	144	391	236
Within a period of more than two years but not more than five years	96	329	99
	<u>437</u>	<u>1,159</u>	<u>721</u>
Less: future finance charges	(20)	(66)	(31)
	<u>(20)</u>	<u>(66)</u>	<u>(31)</u>
Present value of lease obligations	<u>417</u>	<u>1,093</u>	<u>690</u>
Less: amount due for settlement within one year (shown under current liabilities)			
	(185)	(397)	(366)
	<u>(185)</u>	<u>(397)</u>	<u>(366)</u>
Amount due for settlement after one year	<u>232</u>	<u>696</u>	<u>324</u>

The obligations under finance leases are related to motor vehicles and are denominated in the functional currency of the respective group entities.

22. DEFERRED TAX LIABILITIES (ASSETS)

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the Track Record Period:

	Fair value adjustment on business combination <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Impairment losses on trade receivables <i>HK\$'000</i>	Accelerated tax depreciation <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2015	–	–	–	38	38
(Credited) charge to profit or loss	–	(100)	–	94	(6)
At 31 March 2016	–	(100)	–	132	32
Charged (credited) to profit or loss	–	100	–	(37)	63
Acquisition of a subsidiary (<i>note 25</i>)	365	–	–	43	408
At 31 March 2017	365	–	–	138	503
Credited to profit or loss	(157)	–	(59)	(83)	(299)
At 31 March 2018	208	–	(59)	55	204

The following is an analysis of the deferred tax balances for financial reporting purpose:

	Year ended 31 March		
	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Deferred tax assets	–	–	(27)
Deferred tax liabilities	32	503	231
Total	32	503	204

23. SHARE CAPITAL**The Group**

The share capital as at 1 April 2015, 31 March 2016, 31 March 2017 and 31 March 2018 represented the combined share capital of the following companies attributable to owners of the Company:

	As at 1 April 2015 <i>HK\$</i>	As at 31 March 2016 <i>HK\$</i>	As at 31 March 2017 <i>HK\$</i>	As at 31 March 2018 <i>HK\$</i>
<u>Name of Companies</u>				
The Company	–	–	–	1
Union Air	100,000	100,000	100,000	N/A
Fu Yo	–	200,000	200,000	N/A
Ever Metro	–	–	390,000	1,417,892
	100,000	300,000	690,000	1,417,893
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Shown in the combined statements of financial position		300	690	1,417

The share capital of the Group as at 31 March 2018 represented the issued share capital of Ever Metro amounted to US\$181,781, representing 181,781 shares of US\$1.00 each, equivalent to HK\$1,417,892; and the issued share capital of Wan Leader amounted to HK\$1, representing 100 shares of HK\$0.01 each, equivalent to HK\$1.

The Company

The Company allotted and issued 100 shares, with nominal value of HK\$0.01 each at the date of incorporation.

The Company has a loss of HK\$9,164,000 during the period from the date of incorporation to 31 March 2018.

24. NON-CONTROLLING INTEREST

The amount represent 27% equity interests of Orient Zen through the Acquisition (as defined in note 25).

On 27 July 2017, Ever Metro allotted and issued 18,493 new shares ("Ever Metro Shares") to Mr. HM Loy for the acquisition of additional 27% equity interests in Orient Zen and Orient Zen then became a wholly owned subsidiary of Ever Metro. The difference between the par value of the Ever Metro Shares, amounting to HK\$144,000 and the carrying value of the then non-controlling interest, amounting to HK\$1,285,000, is credited to other reserve under equity.

Summarised financial information prepared in accordance with the significant accounting policies of the Group in respective of Orient Zen, which the Group has material non-controlling interest during the year ended 31 March 2018, is set out below:

Financial information of profit or loss and other comprehensive income

	For the period from 1 April 2017 to 27 July 2017 HK\$'000
Revenue	32,166
Cost of services	(27,833)
	<hr/>
Gross profit	4,333
Marketing expenses	(431)
Administrative and operating expenses	(993)
Finance costs	(28)
	<hr/>
Profit before taxation	2,881
Income tax expenses	(452)
	<hr/>
Total profit and other comprehensive income for the period	2,429
	<hr/>
Total profit and other comprehensive income for the period, attributable to:	
Equity holder of the Company	1,771
Non-controlling interest of the Group	658
	<hr/>
	2,429
	<hr/>
Dividend paid to non-controlling interest of the Group	4,266
	<hr/>

25. ACQUISITION OF A SUBSIDIARY

For the year ended 31 March 2017

Acquisition of Orient Zen

On 31 March 2017, Ever Metro acquired 73% of Orient Zen's equity interest from Mr. HM Loy (the "Acquisition") at a consideration of HK\$11,275,000 (the "Agreed Consideration"). Orient Zen is principally engaged in provision of freight forwarding and related logistics services in Hong Kong. Mr. HM Loy is the younger brother of Mr. Thomas Loy and the Acquisition is deemed as a related party transaction. The consideration has been determined having considered under the influence of Mr. Thomas Loy as the equity holder of the Group and thus the difference between the consideration and the fair value of net assets acquired is treated as an equity transaction.

A valuation is performed by an independent professional valuer engaged by the management of the Group, to arrive the fair value of the net assets acquired (the "Deemed Consideration"). The difference between the Agreed Consideration and the Deemed Consideration as a discount to the elder brother of Mr. HM Loy amounted to HK\$1,954,000 is treated as a contribution from Mr. Thomas Loy, the controlling shareholder of Ever Metro, and recognised as an other reserve under equity.

The acquisition was completed on 31 March 2017.

Fair values of assets acquired and liabilities recognised at the date of Acquisition are as follows:

	<i>HK\$'000</i>
Property, plant and equipment	690
Rental deposit	35
Intangible asset	2,214
Trade receivables, deposits and prepayments	12,433
Amounts due from Union Air	1,356
Amounts due from Mr. HM Loy	12,987
Bank balances and cash (<i>Note</i>)	2,163
Trade payables and accrued expenses	(11,238)
Amounts due to Union Air	(89)
Amounts due to Fu Yo	(143)
Obligation under a finance lease	(452)
Bank borrowing	(1,000)
Tax payables	(426)
Deferred tax liabilities	(408)
	<hr/>
	18,122
	<hr/> <hr/>

The fair value of trade and other receivables, amounts due from Union Air and amounts due from Mr. HM Loy at the date of acquisition amounted to HK\$12,433,000, HK\$1,356,000 and HK\$12,987,000, respectively, which are also the gross contractual amounts of receivables acquired. The best estimate at acquisition date of the contractual cash flows expected to be collected are the then entire outstanding amounts.

Note: The Agreed Consideration is settled through the amount due to a director. The cash flow arising on the Acquisition amounted to HK\$2,163,000.

Other reserve arising on the Acquisition:

	<i>HK\$'000</i>
Net assets acquired	18,122
Less: Non-controlling interest (<i>Note</i>)	(4,893)
	<hr/>
	13,229
Less: Agreed Consideration	(11,275)
	<hr/>
Fair value adjustment to the Agreed Consideration (credited to other reserve)	1,954
	<hr/> <hr/>

Note: The non-controlling interests recognised at the acquisition date was measured at the non-controlling interest's proportionate share of the recognised amounts of the fair value of Orient Zen's identifiable net assets.

Orient Zen did not contribute to the revenue or profit of the Group for the year ended 31 March 2017.

Had the Acquisition been effected at the beginning of the year ended 31 March 2017, the revenue of the Group for the year ended 31 March 2017 would have been HK\$169,995,000 and the amount of the profit for the year of the Group for the year ended 31 March 2017 would have been HK\$19,175,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the year ended 31 March 2017, nor is it intended to be a projection of the results.

26. OPERATING LEASES**The Group as lessee**

	Year ended 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Minimum lease payments paid under operating leases recognised as an expense	1,439	4,321	4,722

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	As at 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Within one year	3,958	4,216	2,484
In the second to third year inclusive	4,920	1,164	6
	8,878	5,380	2,490

Operating lease payments represent rentals payable by the Group for its office premises, carparks and warehouses. Leases are negotiated and rentals are fixed for the period of six months to four years.

27. RETIREMENT BENEFIT SCHEME

The Group contributes at the lower of HK\$1,500 per month or 5% of relevant payroll costs each month to the MPF Scheme, which contribution is matched by the employees. The retirement benefit scheme contributions made by the Group amounted to HK\$141,000, HK\$271,000 and HK\$425,000 during the years ended 31 March 2016, 2017 and 2018 respectively.

28. RELATED PARTY DISCLOSURES**(a) Related party balances**

Details of the outstanding balances with related parties are set out in the combined statements of financial position and in notes 16 and 17.

(b) Related party transactions

Other than as disclosed in notes 24 and 25, on 28 July 2017, Ever Metro acquired entire issued shares of Fu Cheng from Mr. HM Loy by issuing 1 new share of Ever Metro to Mr. HM Loy. Fu Cheng is principally engaged in provision of human resources services with Fu Yo as its sole customer and at the date of acquisition, Fu Cheng has 14 employees providing human resources service to Fu Yo and has recharged to Fu Yo based on the cost incurred. This transaction was accounted for as an acquisition of assets ("Assets Acquisition") as the acquisition does not meet the definition of a business combination.

The Group had entered into other related party transactions during the Track Record Period:

Name of related company	Relationship	Nature of transactions	Year ended 31 March		
			2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Orient Zen	Company controlled by Mr. HM Loy prior to the Acquisition	Freight forwarding and related logistics services	2,945	1,378	N/A
		Warehousing and related value-added services	720	956	N/A
		Sub-contracting expenses	9,871	7,693	N/A
Fu Cheng	Company controlled by Mr. HM Loy prior to the Assets Acquisition	Human resources support of blue collar workers	–	2,068	941

(c) Compensation of directors of the Company and key management personnel of the Group

	Year ended 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Salaries and other allowances	1,598	1,844	4,281
Retirement benefit scheme and contributions	53	70	112
Total	1,651	1,914	4,393

The remuneration of directors of the Company and key management personnel of the Group are determined having regard to the performance of the individuals.

(d) Personal guarantees

Certain bank borrowings of the Group were guaranteed by Mr. Thomas Loy and Mr. HM Loy. As represented by the management of the Group, the guarantees will be released prior to completion of the Listing.

Mr. Thomas Loy had provided a personal guarantee in respect of an obligation under a finance lease of HK\$53,000 as at 31 March 2016 and the guarantee had been released upon the end of the finance lease during the year ended 31 March 2017.

29. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group companies will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of equity attributable to owners of the Company. The management of the Group review the capital structure regularly. As part of this review, the management considers the cost and the risks associates with each class of the capital. Based on the recommendations of the management, the Group will balance its overall capital structure.

30. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	The Group As at 31 March			The Company As at 31 March
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	16,647	55,319	46,118	–
Financial liabilities				
Amortised cost	10,377	31,309	21,325	10,472
Obligations under finance leases	417	1,093	690	–
	10,794	32,402	22,015	10,472

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances and cash, trade payables, bank borrowings and amounts due from/to directors/a related company.

Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include currency risk, interest rate risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk***Currency risk***

The Group's operational activities are mainly denominated in HK\$. The Group is exposed to foreign currency risk primarily arising from provision of services to customers denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of each reporting period are as follows:

	Assets			Liabilities		
	As at 31 March			As at 31 March		
	2016	2017	2018	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
USD	10,485	7,362	18,879	477	747	480
RMB	1,047	1,298	1,125	1,850	156	2,127
EUR	—	2	1	539	412	1,055

Under the pegged exchange rate system, the financial impact arising from changes in exchange rates between HK\$ and USD is not expected to be significant and therefore, the corresponding sensitivity analysis is not prepared.

The above RMB or EUR denominated assets and liabilities are insignificant to the Group. Accordingly, no sensitivity analysis is presented for RMB or EUR against the functional currencies of respective Group entities.

The Company is mainly operated in its local jurisdiction with most of the transactions settled in its functional currencies of the operations and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

Interest rate risk

The Group is also exposed to fair value interest rate risk in relation to the fixed-rate bank borrowings (see note 20 for details). However, management considers the fair value interest rate risk is insignificant as they are relatively short-term.

The Group is exposed to cash flow interest risk arising from the volatility of interest rate in the market as bank balances are at market rates. Management of the Group considers that the impact to profit or loss for the respective years are insignificant for a reasonable change in the market rate. Accordingly, no sensitivity analysis is prepared.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligations by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position of the Group.

The Group's credit risk is primarily attributable to its trade receivables. In order to minimise the credit risk, the management of the Group has taken follow-up action to ensure overdue debts are able to recover. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The management of the Group considers that the credit risk on amounts due from directors is limited because they have a good understanding of their financial background and ability to repay the debt. The management of the Group considers that the credit risk on amount due from a related company is limited because they regularly monitor the financial position of the related company through involvement in their management or operations.

The credit risk on bank balances is limited because the counterparties are banks with good reputation.

As at 31 March 2016, 2017 and 2018, the Group has concentration of credit risk as 67% and 16% and 45% respectively of the total trade receivables was due from the Group's largest customer. The Group's concentration of credit risk on the top five largest customers accounted for 91% and 64% and 79% of the total trade receivables as at 31 March 2016, 2017 and 2018, respectively. The management of the Group considered their credit risk of amounts due from these customers is insignificant after considering their historical settlement record and credit quality.

The Group has concentration of credit risk in relation to its amounts due from directors. Amounts due from directors as at 31 March 2017 have been substantially settled through dividend declared during the year ended 31 March 2018.

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains levels of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on external borrowings and advances from directors as significant sources of liquidity. As at 31 March 2018, the Group has nil undrawn banking facilities.

The following table details the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other financial liabilities are based on the agreed repayment dates.

Liquidity tables

The Group

As at 31 March 2016

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK\$'000	4 months to 1 year HK\$'000	1 year to 2 years HK\$'000	2 years to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31 March 2016 HK\$'000
Non-derivative financial liabilities							
Trade payables	–	5,623	–	–	–	5,623	5,623
Amounts due to a director	–	3,511	–	–	–	3,511	3,511
Amounts due to a related company	–	1,243	–	–	–	1,243	1,243
Obligations under finance leases	3.89	76	121	144	96	437	417
		<u>10,453</u>	<u>121</u>	<u>144</u>	<u>96</u>	<u>10,814</u>	<u>10,794</u>

As at 31 March 2017

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK\$'000	4 months to 1 year HK\$'000	1 year to 2 years HK\$'000	2 years to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31 March 2017 HK\$'000
Non-derivative financial liabilities							
Trade payables	–	15,470	–	–	–	15,470	15,470
Amounts due to a director	–	13,792	–	–	–	13,792	13,792
Amounts due to a related company	–	30	–	–	–	30	30
Bank borrowings*	6.78	2,017	–	–	–	2,017	2,017
Obligations under finance leases	3.41	110	329	391	329	1,159	1,093
		<u>31,419</u>	<u>329</u>	<u>391</u>	<u>329</u>	<u>32,468</u>	<u>32,402</u>

As at 31 March 2018

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK\$'000	4 months to 1 year HK\$'000	1 year to 2 years HK\$'000	2 years to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31 March 2018 HK\$'000
Non-derivative financial liabilities							
Trade payables	–	19,653	–	–	–	19,653	19,653
Bank borrowings*	7.34	1,672	–	–	–	1,672	1,672
Obligations under finance leases	3.38	110	276	236	99	721	690
		<u>21,435</u>	<u>276</u>	<u>236</u>	<u>99</u>	<u>22,046</u>	<u>22,015</u>

* Bank borrowings with a repayment on demand clause are included in the “on demand or less than 3 months” time band in the above maturity analysis. There is no bank borrowings that is not repayable within one year from the end of each reporting periods but contains a repayable on demand clause for the Track Record Period.

As at 31 March 2017 and 31 March 2018, the aggregate undiscounted principal amounts of these bank borrowings amounted to HK\$2,017,000 and HK\$1,672,000 respectively. Taking into account the Group's financial position, the management of the Group do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management of the Group believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the relevant loan agreements, details of which are set out in the table below:

Maturity Analysis – Bank borrowings with a repayable on demand clause based on scheduled payments

	Less than 3 months HK\$000	4 months to 1 year HK\$000	Total undiscounted cash flows HK\$000	Carrying amount HK\$000
31 March 2017	<u>779</u>	<u>1,302</u>	<u>2,081</u>	<u>2,017</u>
31 March 2018	<u>642</u>	<u>1,071</u>	<u>1,713</u>	<u>1,672</u>

The Company

Amounts due to a related company are interest-free and repayable on demand.

(c) Fair value

The management considers that the carrying amounts of the financial assets and financial liabilities of the Group recorded at amortised cost in the Historical Financial Information at the end of each reporting period approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

31. PRE-ACQUISITION FINANCIAL INFORMATION OF ORIENT ZEN

As stated in note 25, the Group acquired 73% equity interest of Orient Zen.

The financial information of Orient Zen for the years ended 31 March 2016 and 31 March 2017 (the "Pre-Acquisition Financial Information") has been prepared by the sole director of Orient Zen in accordance with the accounting policies set out in note 3, which conform with HKFRSs.

The Pre-Acquisition Financial Information does not constitute Orient Zen's statutory annual financial statements for each of the financial years but is derived from those financial statements. Further information relating to these statutory annual financial statements disclosed in accordance with section 436 of the Companies Ordinance is as follows:

Orient Zen has delivered the annual financial statements for the year ended 31 March 2016 and 31 March 2017 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

Orient Zen's auditors have reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

(a) Statements of profit or loss and other comprehensive income

	<i>Notes</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue	<i>(i)</i>	99,162	100,706
Cost of services		<u>(89,231)</u>	<u>(88,026)</u>
Gross profit		9,931	12,680
Other income		1	5
Marketing expenses		(686)	(525)
Administrative and operating expenses		(2,332)	(2,951)
Interest on finance lease		<u>–</u>	<u>(21)</u>
Profit before taxation		6,914	9,188
Income tax expense	<i>(ii)</i>	<u>(1,133)</u>	<u>(1,494)</u>
Total profit and other comprehensive income for the year	<i>(iii)</i>	<u><u>5,781</u></u>	<u><u>7,694</u></u>

(b) Statements of financial position

	<i>Notes</i>	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000
Non-current assets			
Property, plant and equipment	(v)	–	677
Rental deposit	(vi)	35	35
		<u>35</u>	<u>712</u>
Current assets			
Trade receivables, deposits and prepayments	(vi)	13,178	12,433
Amounts due from Union Air	(vii)	1,243	1,356
Amounts due from Mr. HM Loy	(viii)	6,214	12,987
Bank balances and cash	(ix)	2,237	2,163
		<u>22,872</u>	<u>28,939</u>
Current liabilities			
Trade payables and accrued expenses	(x)	11,989	11,238
Amounts due to Union Air	(vii)	–	89
Amounts due to Fu Yo	(vii)	84	143
Obligation under a finance lease	(xi)	–	166
Bank borrowing	(xii)	–	1,000
Tax payables		1,021	426
		<u>13,094</u>	<u>13,062</u>
Net current assets		<u>9,778</u>	<u>15,877</u>
Total assets less current liabilities		<u>9,813</u>	<u>16,589</u>
Non-current liabilities			
Obligation under a finance lease	(xi)	–	286
Deferred tax liability	(xiii)	–	43
		<u>–</u>	<u>329</u>
Net assets		<u>9,813</u>	<u>16,260</u>
Capital and reserve			
Share capital	(xiv)	2,000	2,000
Retained profits		7,813	14,260
		<u>9,813</u>	<u>16,260</u>

(c) Statements of changes in equity

	Share capital <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2015	2,000	2,032	4,032
Profit and total comprehensive income for the year	–	5,781	5,781
At 31 March 2016	2,000	7,813	9,813
Profit and total comprehensive income for the year	–	7,694	7,694
Dividend recognised as distribution (<i>note (iv)</i>)	–	(1,247)	(1,247)
At 31 March 2017	2,000	14,260	16,260

(d) Statements of cash flows

	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
OPERATING ACTIVITIES		
Profit before taxation	6,914	9,188
Adjustments for:		
Depreciation of property, plant and equipment	–	185
Finance costs	–	21
Operating cash flows before movements in working capital	6,914	9,394
(Increase) decrease in trade receivables, deposits and prepayments	(3,681)	745
Increase (decrease) in trade payables and accrued expenses	3,510	(751)
(Decrease) increase in amounts due to related companies	(1,243)	148
Decrease (increase) in amounts due from a related company	85	(113)
Cash generated from operations	5,585	9,423
Hong Kong Profits Tax paid	(197)	(2,046)
NET CASH FROM OPERATING ACTIVITIES	5,388	7,377
INVESTING ACTIVITIES		
Advance to Mr. HM Loy	(6,109)	(8,084)
Repayment from Mr. HM Loy	651	1,311
Purchase of property, plant and equipment	–	(196)
NET CASH USED IN INVESTING ACTIVITIES	(5,458)	(6,969)
FINANCING ACTIVITIES		
Dividend paid	–	(1,247)
Repayment of obligation under a finance lease	–	(214)
Finance cost paid	–	(21)
New loan raised	–	1,000
NET CASH USED IN FINANCING ACTIVITIES	–	(482)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(70)	(74)
CASH AND CASH EQUIVALENTS AT 1 APRIL	2,307	2,237
CASH AND CASH EQUIVALENTS AT 31 MARCH, represented by bank balances and cash	2,237	2,163

(e) Notes to financial information of Orient Zen

(i) Revenue and segment information

Revenue represents the fair value of amounts received and receivable from the provision of freight forwarding and related logistics services.

Orient Zen has one operating segment based on information reported to the chief operating decision maker for the purpose of resource allocation and performance assessment, which is the aggregate results of Orient Zen including all income, expenses and tax charges. As a result, there is only one reporting segment of Orient Zen.

No analysis of segment assets or segment liabilities is presented as such information is not regularly provided to the CODM.

The accounting policies of the operating segment are the same as the Group's accounting policies described in note 3. Segment results represents the profit earned by Orient Zen. This is the measure reported to the chief operating decision maker of Orient Zen for the purpose of resource allocation and performance assessment.

Geographical information

No geographical segment information is presented as Orient Zen's operations are solely located in Hong Kong.

Information about major customers

Revenue from customers contributing over 10% of the Orient Zen's revenue for the corresponding years are as follows:

	Year ended 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	20,032	24,067
Customer B	19,236	36,507
Customer C	17,152	N/A*
Customer D	11,509	N/A*
	<u>67,929</u>	<u>60,574</u>

* The corresponding amount is less than 10% of the total sales for the year ended 31 March 2017.

(ii) Income tax expense

	Year ended 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong Profits Tax – current year	1,133	1,451
Deferred tax	–	43
	<u>1,133</u>	<u>1,494</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits during the years ended 31 March 2016 and 31 March 2017.

The income tax expense for the years ended 31 March 2016 and 31 March 2017 can be reconciled to the profit before taxation per the statements of profit or loss and other comprehensive income of Orient Zen as follows:

	Year ended 31 March	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	6,914	9,188
Tax at Hong Kong Profits Tax rate of 16.5%	1,141	1,516
Others	(8)	(22)
Income tax expenses for the year	1,133	1,494

(iii) Profit for the year

	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	40	210
Directors' remuneration for Mr. HM Loy		
– fees	–	–
– Salaries and other benefits	227	462
– Performance related incentive payments (<i>Note</i>)	40	40
– Retirement benefit scheme contributions	13	18
	280	520
Other staff salaries and allowances	1,350	1,392
Retirement benefit scheme contributions, excluding those of director	68	75
	1,698	1,987
Minimum lease payment for operating lease rental in respect of rented premises	282	173
Depreciation of property, plant and equipment	–	185

Note: Performance related incentive payments are recommended by the management of Orient Zen, having regard to Orient Zen's operating result, individual performance and comparable market statistics.

(iv) Dividend

On 31 December 2016, the sole director of Orient Zen approved the declaration of an interim dividend amounted to HK\$1,247,000 to the then sole shareholder of Orient Zen. The payment was made on 29 March 2017, 30 March 2017 and 31 March 2017.

The rate of dividend declared and number of shares ranking for the dividend are not presented as such information is not considered meaningful having regard to the purpose of this accountants' report.

(v) *Property, plant and equipment*

	Office equipment HK\$'000	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST				
At 1 April 2015 and 1 April 2016	–	–	–	–
Additions	102	94	666	862
At 31 March 2017	102	94	666	862
DEPRECIATION				
At 1 April 2015 and 1 April 2016	–	–	–	–
Charge for the year	21	31	133	185
At 31 March 2017	21	31	133	185
CARRYING VALUES				
At 31 March 2017	81	63	533	677
At 31 March 2016	–	–	–	–

The motor vehicles of the Orient Zen are assets held under finance leases.

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Office equipment	20%
Motor vehicles	20%
Leasehold improvements	20% or over lease term, whichever is shorter

(vi) *Trade receivables, deposits and prepayments*

	2016 HK\$'000	2017 HK\$'000
Trade receivables	13,013	12,066
Deposits and prepayments	200	402
	13,213	12,468
Less: rental deposit classified as non-current asset	(35)	(35)
	13,178	12,433

Orient Zen grants an average credit period ranged from 30 days to 60 days upon the issue of invoices to its customers.

Before accepting any new customers, Orient Zen assesses the potential customer's credit quality and defines credit periods by customers. Credit period attributes to customers are reviewed periodically.

The management of Orient Zen closely monitors the credit quality of trade receivables and considers the debts that are neither past due nor impaired to be at good credit quality. Trade receivables that are neither past due nor impaired relates to a wide range of customers for whom there was no history of default.

The following is an aging analysis of trade receivables presented based on the invoice date at the end of each reporting period:

	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0 – 30 days	5,958	6,723
31 – 60 days	6,092	3,682
61 – 90 days	302	1,661
Over 90 days	661	–
	<u>13,013</u>	<u>12,066</u>

The following is an aging analysis of trade receivables which are past due but not impaired at the end of each reporting period:

	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Overdue by:		
0 to 30 days	6,369	5,346
31 to 60 days	24	–
61 to 90 days	454	1
Over 90 days	207	–
	<u>7,054</u>	<u>5,347</u>

(vii) Amounts due from (to) related companies

The amounts are trade in nature, unsecured, interest-free and have a credit period of 30 days.

(viii) Amount due from Mr. HM Loy

The amount is non-trade in nature, unsecured, interest-free and repayable on demand.

(ix) Bank balances and cash

The amount comprises bank balances and short-term deposits with an original maturity of three months or less. Bank balances carry interest at the market rates as at 31 March 2016 and 31 March 2017.

(x) Trade payables and accrued expenses

	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade payables	11,856	11,028
Accrued expenses	133	210
	<u>11,989</u>	<u>11,238</u>

The credit period granted to Orient Zen by suppliers normally ranges from 30 days to 60 days.

The following is an aging analysis of trade payables presented based on the invoice date at the end of each reporting period:

	2016 HK\$'000	2017 HK\$'000
0 – 30 days	5,694	6,126
31 – 60 days	5,946	4,096
61 – 90 days	215	806
Over 90 days	1	–
	<u>11,856</u>	<u>11,028</u>

(xi) *Obligation under a finance lease*

Obligations under a finance lease relates to motor vehicle under a finance lease arrangement. The lease term is four years. The contractual interest rate is fixed at contract date at 1.40%.

	Minimum lease payments		Present value of minimum lease payment	
	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000
Obligation under a finance lease:				
Within one year	–	176	–	166
Within a period of more than one year but not more than two years	–	176	–	170
Within a period of more than two years but not more than five years	–	117	–	116
	<u>–</u>	<u>469</u>	<u>–</u>	<u>452</u>
Less: future finance charges	–	(17)	–	–
	<u>–</u>	<u>452</u>	<u>–</u>	<u>452</u>
Present value of lease obligation	<u>–</u>	<u>452</u>	<u>–</u>	<u>452</u>
Less: amount due for settlement within one year and shown under current liabilities			<u>–</u>	<u>(166)</u>
Amount due for settlement after one year and shown under non-current liabilities			<u>–</u>	<u>286</u>

(xii) *Bank borrowing*

The amount of Orient Zen's bank borrowing as at 31 March 2017 is denominated in HK\$, unsecured and carried at fixed flat rate of 4.53% per annum calculated on a monthly basis. The contractual repayment schedule of the bank borrowing is repayable by 12 monthly installment while it contains a repayable on demand clause according to the loan agreement. The effective interest rate is 8.58%. The bank borrowing is guaranteed by Mr. Thomas Loy, Mr. HM Loy and Union Air.

(xiii) Deferred tax liability

The following is the major deferred tax liability recognised and movements thereon during the years ended 31 March 2016 and 31 March 2017:

	Accelerated tax depreciation HK\$'000
At 1 April 2015 and 31 March 2016	–
Charged to profit or loss	43
	<hr/>
At 31 March 2017	43
	<hr/> <hr/>

(xiv) Share capital

	Number of shares	Amount HK\$'000
Issued and credited as fully paid:		
At 1 April 2015, 31 March 2016 and 31 March 2017		
– ordinary share with no par value	2,000,000	2,000
	<hr/> <hr/>	<hr/> <hr/>

(xv) Operating lease commitment

Operating lease payments represent rentals payable by Orient Zen for of its office premises. Lease are negotiated and rentals are fixed for an average of three years.

At the end of each reporting period, Orient Zen had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2016 HK\$'000	2017 HK\$'000
Within one year	142	151
In the second to fifth year inclusive	283	157
	<hr/>	<hr/>
	425	308
	<hr/> <hr/>	<hr/> <hr/>

(xvi) Orient Zen had entered into the below related party transactions for the years:

Name of related companies	Relationship	Nature of transactions	2016 HK\$'000	2017 HK\$'000
Union Air	Company controlled by Mr. Thomas Loy	Freight forwarding and logistics services expense	2,945	1,378
		Sub-contracting income	9,860	7,693
Fu Yo	Company controlled by Mr. Thomas Loy	Warehousing and related value-added services expense	720	956
		Sub-contracting income	11	–
			<hr/> <hr/>	<hr/> <hr/>

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's combined statements of cash flows as cash flows from financing activities.

For the year ended 31 March 2016

	At 1 April 2015	Financing cash flows	Finance cost	Others	At 31 March 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Obligations under finance leases (<i>Note 1</i>)	489	(249)	23	154	417
Amount due to a director (<i>Note 2</i>)	2,615	996	–	(100)	3,511
Dividend payable	500	(500)	–	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Notes:

1. The Group entered into an agreement of a finance lease amounted to HK\$154,000 during the year ended 31 March 2016;
2. The repayment of HK\$100,000 to a director was settled through the current account with a senior management. The current account with the senior management is non-trade in nature and had been fully settled through current account with a director.

For the year ended 31 March 2017

	At 1 April 2016	Financing cash flows	Finance cost	Acquisition of a subsidiary	Others	At 31 March 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Obligations under finance leases (<i>Note 1</i>)	417	(336)	31	452	529	1,093
Amounts due to a director (<i>Note 2</i>)	3,511	(604)	–	–	10,885	13,792
Bank borrowings	–	964	53	1,000	–	2,017
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Notes:

1. The Group entered into an agreement of a finance lease amounted to HK\$529,000 during the year ended 31 March 2017;
2. The consideration payable by Ever Metro for the Acquisition amounted to HK\$11,275,000 is settled by Mr. Thomas Loy on behalf of Ever Metro while this amount is partially set off by the issued share capital of Ever Metro payable by Mr. Thomas Loy amounted to HK\$390,000.

For the year ended 31 March 2018

	At 1 April 2017 HK\$'000	Financing cash flows HK\$'000	Finance costs HK\$'000	Dividend declared HK\$'000	Others HK\$'000	At 31 March 2018 HK\$'000
Obligations under finance leases	1,093	(439)	36	–	–	690
Amounts due to directors (<i>Note</i>)	13,792	(9,782)	–	7,765	(11,775)	–
Bank borrowings	2,017	(458)	113	–	–	1,672
Dividend payable (<i>Note</i>)	–	–	–	14,001	(14,001)	–
Accrued shares issued costs	–	(3,495)	–	–	4,030	535

Note: Among the dividend declared by Union Air amounted to HK\$17,500,000, HK\$9,735,000 has been used to set off the amount due from a director and the balance of HK\$7,765,000 was settled through amount due to a director. Dividend declared by Orient Zen attributable to Mr. HM Loy amounted to HK\$4,266,000 has been settled through amounts due from a director.

Among the dividend declared by Orient Zen attributable to Ever Metro amounted to HK\$11,534,000, HK\$10,885,000 has been used to set off the amount due to Mr. Thomas Loy by Ever Metro, and the same amount has been set off the amount due from Mr. HM Loy through the assignment by Mr. Thomas Loy.

Amount from/to a director of HK\$890,000 has been set off with each other with the agreement from Mr. Thomas Loy, Mr. HM Loy, Ever Metro and Union Air.

33. INTERESTS IN SUBSIDIARIES

As at the date of this report, the Company has direct and indirect equity interests in the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid capital	Equity interest attributable to the Company as at				Principal activities	Notes
			2016	31 March 2017	2018	the date of this report		
Ever Metro	British Virgin Islands 27 February 2017	US\$181,781	N/A	100%	100%	100%	Investment holding	(c)
Union Air	Hong Kong 31 March 2014	HK\$100,000	100%	100%	100%	100%	Freight forwarding and related logistics services	(a)/(b)
Fu Yo	Hong Kong 21 May 2015	HK\$200,000	100%	100%	100%	100%	Warehousing and related value- added services	(a)/(b)
Orient Zen	Hong Kong 10 March 2008	HK\$2,000,000	–	73%	100%	100%	Freight forwarding and related logistics services	(b)
Fu Cheng	Hong Kong 6 July 2016	HK\$100	N/A	–	100%	100%	Human resources support of blue collar workers to other Group companies	(b)

All subsidiaries now comprising the Group are limited liability companies and have adopted 31 March as their financial year end date.

Notes:

- (a) The statutory financial statements of Union Air and Fu Yo for the year ended 31 March 2016 were prepared in accordance with the Small and Medium-sized Entity Financial Reporting Standard issued by the HKICPA and were audited by Linda C.Y. NG (CPA) Limited.
- (b) The statutory financial statements of Union Air, Fu Yo, Orient Zen and Fu Cheng for the years ended 31 March 2017 and 2018 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by us.
- (c) No statutory financial statements of Ever Metro have been prepared since its date of incorporation as it is incorporated in jurisdiction where there is no statutory audit requirement.

34. SUBSEQUENT EVENTS

Saved as disclosed in the report, subsequent to 31 March 2018, the following significant events took place:

- (i) On 14 August 2018, the authorised share capital of the 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 creation of an additional 9,962,000,000 Shares.
- (ii) On 10 August 2018, the Reorganisation as detailed in the section headed “History, Reorganisation and Group Structure” in the Prospectus was duly completed.
- (iii) The issue of 587,990,000 shares to be made upon capitalisation of part of the amount standing to the credit of the share premium account of the Company as set out in the section headed “A. Further information about our Group – 4. Written resolutions of the Shareholders” in Appendix IV to this prospectus.
- (iv) A share option scheme with principal terms detailed in the section headed “Share Option Scheme” in Appendix IV was conditionally adopted by the shareholders of the Company on 14 August 2018.

35. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 March 2018.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the accountants' report of the Group on the financial information for each of the three years ended 31 March 2018 of the Group (the "Accountants' Report on Historical Financial Information") from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this Prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" and the "Accountants' Report on Historical Financial Information" set forth in Appendix I to this Prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The following unaudited pro forma statement of adjusted combined net tangible assets of the Group attributable to the owners of the Company prepared in accordance with Rules 7.31 of GEM Listing Rules is for illustrative purpose only, and is set out below to illustrate the effect of the Share Offer on the combined net tangible assets of the Group attributable to the owners of the Company as at 31 March 2018, as if the Share Offer had taken place on such date.

The unaudited pro forma statement of adjusted combined net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group attributable to the owners of the Company as at 31 March 2018 or at any future dates following the Share Offer. It is prepared based on the audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 March 2018 as shown in the Accountants' Report on Historical Financial Information as set out in Appendix I to this prospectus and adjusted as described below.

	Audited combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2018 HK\$'000 (Note 1)	Estimated net proceeds from the Share Offer HK\$'000 (Note 2)	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2018 HK\$'000	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2018 per Share HK\$ (Note 3)
Based on an Offer Price of HK\$0.25	26,341	47,497	73,838	0.09
Based on an Offer Price of HK\$0.35	26,341	71,059	97,400	0.12

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

1. The audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 March 2018 is based on the combined net assets of the Group attributable to owners of the Company amounted to HK\$27,606,000, deducted by intangible assets of HK\$1,265,000 extracted from the accountants' report set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Share Offer are based on 252,000,000 Offer Shares at indicative Offer Prices of HK\$0.25 and HK\$0.35 per Offer Share, after deduction of the estimated underwriting fees and other related fees and expenses incurred by the Group or expected to be incurred and borne by the Group (excluding approximately HK\$8,303,000 of listing expenses which have been charged to profit or loss up to 31 March 2018 by the Group). It does not take into account of any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme, any Shares which may be issued upon the exercise of the Offer Size Adjustment Option or any Shares which may be issued or repurchased by the Company pursuant to the Company's general mandates.
3. The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2018 per Share has been arrived at after making the adjustments referred to in note 2 above and on the basis of 840,000,000 Shares in issue assuming that the Reorganisation, Share Offer and the Capitalisation Issue have been completed on 31 March 2018. It does not take into account of any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme, any Shares which may be issued upon the exercise of the Offer Size Adjustment Option or any Shares which may be issued or repurchased by the Company pursuant to the Company's general mandates.
4. No adjustment have been made to the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company at 31 March 2018 to reflect any trading result or other transactions of the Group entered into subsequent to 31 March 2018.

The following is the text of the independent reporting accountants' assurance report received from our reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus, in respect of the unaudited pro forma financial information of the Group.

Deloitte.

德勤

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the Directors of Wan Leader International Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Wan Leader International Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted combined net tangible assets as at 31 March 2018 and related notes as set out on page II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 24 August 2018 (the “**Prospectus**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on page II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed share offer on the Group's financial position as at 31 March 2018 as if the proposed share offer had taken place at 31 March 2018. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for each of the three years ended 31 March 2018, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 August 2018

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 10 August, 2017 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Company’s constitutional documents consist of its Memorandum of Association (the “Memorandum”) and its Articles of Association (the “Articles”).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 14 August 2018 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. 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 installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors***(i) Appointment, retirement and removal***

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other

persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) *Remuneration*

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) *Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) *Loans and provision of security for loans to Directors*

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall not 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 installments 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 authorized 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;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) *Accounts and audit*

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. 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 company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “**Court**”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 19 September, 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Document Delivered to the Registrar of Companies and Available for Inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation**

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 10 August 2017. The principal place of business of our Company in Hong Kong is Office Tower Units 901-902, Hutchison Logistics Centre, Terminal 4, Kwai Chung Container Port, 18 Container Port Road South, Kwai Chung, New Territories, Hong Kong and our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 10 October 2017. Mr. Thomas Loy and Mr. Wong Ka Man were appointed as the authorised representatives of our Company for acceptance of service of process in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Companies Law and its constitution comprising the Memorandum and the Articles of Association. A summary of certain provisions of its constitution and relevant aspects of the Cayman Islands company law is set out in Appendix III to this prospectus.

2. Changes in the share capital of our Company

The authorised share capital of our Company as at the date of incorporation was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. The following sets out the changes in the share capital of our Company since the date of incorporation:

- (a) On 10 August 2017, our Company allotted and issued one Share, credited as fully paid at par value, to Sharon Pierson, being an Independent Third Party, as the initial subscriber. Such one Share was transferred to Ho Tat on the same day.
- (b) On 10 August 2017, our Company allotted and issued 87 new Shares, credited as fully paid at par value, to Ho Tat and 12 new Shares, credited as fully paid at par value, to Yo Tat.
- (c) On 10 August 2018, our Company allotted and issued 7,077 new Shares, credited as fully paid to Ho Tat; 1,005 new Shares, credited as fully paid, to Yo Tat; and 379, 379, 530 and 530 new Shares, credited as fully paid, to Double River, Prime View, Upperhand and Sunny King, respectively.

On 14 August 2018, 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 creation of an additional 9,962,000,000 Shares.

Assuming that the Share Offer becomes unconditional and the Shares under the Capitalisation Issue are issued, immediately following completion of the Capitalisation Issue and the Share Offer but without taking into account any Share which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any option which may be granted under the Share Option Scheme, the issued share capital of our Company will be HK\$8,400,000 divided into 840,000,000 Shares fully paid or credited as fully paid, and 588,000,000 Shares will remain unissued.

Other than pursuant to the general mandate to allot and issue Shares as referred to in the paragraph headed “4. Written resolutions of the Shareholders” in this section, the exercise of any option which may be granted under the Share Option Scheme, 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 above, there has been no alteration in the share capital of our Company within two years immediately preceding the date of this prospectus up to the Latest Practicable Date.

3. Changes in the share capital of the subsidiaries of our Company

Certain information on our subsidiaries is contained in the Accountants' Report in Appendix I to this prospectus. The following sets out the changes to the share capital made by the subsidiaries of our Company. See also the section headed "History, Reorganisation and Group Structure" in this prospectus for more details.

Ever Metro

On 27 February 2017, Ever Metro was incorporated in BVI and was initially authorised to issue a maximum of 50,000 shares of US\$1 each, which have been allotted and issued to Mr. Thomas Loy.

On 25 July 2017, the maximum number of shares that Ever Metro was authorised to issue was increased to 250,000 shares of US\$1 each.

On 28 July 2017, Ever Metro has allotted and issued 80,237 new shares to Mr. Thomas Loy in connection with the acquisition of Union Air and Fu Yo, and 18,494 new shares to Mr. HM Loy in connection with the acquisition of 27% shareholding of Orient Zen and Fu Cheng. For further details, see the section headed "History, Reorganisation and Group Structure – Reorganisation" in this prospectus.

On 8 August 2017, Ever Metro has allotted and issued a total number of 6,100 new shares to each of Double River and Prime View pursuant to their respective subscription agreements dated 7 August 2017 (which were supplemented by two supplemental agreements dated 6 February 2018) for pre-IPO investments at the respective consideration of HK\$2,500,000. For further details, please see the section headed "History, Reorganisation and Group Structure – Pre-IPO investments" in this prospectus.

On 16 October 2017, Ever Metro has allotted and issued 9,635 new shares to each of Upperhand and Sunny King pursuant to their respective subscription agreements dated 13 October 2017 for pre-IPO investments at the respective consideration of HK\$3,500,000. In satisfaction of the anti-dilution clause under the subscription agreements with Double River and Prime View, 790 new shares of Ever Metro were allotted and issued to Double River and Prime View on 16 October 2017 respectively. For further details, please see the section headed "History, Reorganisation and Group Structure – Pre-IPO investments" in this prospectus.

On 10 August 2018, Mr. Thomas Loy, Mr. HM Loy, Prime View, Double River, Upperhand and Sunny King transferred their respective holdings in the issued share capital of Ever Metro to our Company in consideration for Shares allotted and issued by our Company as part of the Reorganisation. Following such transfer, our Company became the holder of the entire issued share capital of Ever Metro. For further details, please see the section headed "History, Reorganisation and Group Structure – Reorganisation" in this prospectus.

Union Air

On 31 March 2014, Union Air was incorporated in Hong Kong with an authorised capital of HK\$100,000 divided into 100,000 shares of HK\$1 each, and allotted and issued 100,000 shares of HK\$1.00 par value to Mr. Ip Hung Kwong, who held the shares on trust for Mr. Thomas Loy who paid for the subscription price.

On 24 June 2015, Mr. Ip Hung Kwong transferred the legal title of 100,000 shares of Union Air to Mr. Thomas Loy, who became the sole legal and equitable shareholder of Union Air.

On 28 July 2017, Mr. Thomas Loy transferred all the shares of Union Air to Ever Metro in consideration for shares allotted and issued by Ever Metro as part of the Reorganisation. Following such transfer, Ever Metro became the holder of the entire issued share capital of Union Air. For further details, please see section headed "History, Reorganisation and Group Structure – Reorganisation".

Orient Zen

On 10 March 2008, Orient Zen was incorporated in Hong Kong with an authorised capital of HK\$2,000,000 divided into 2,000,000 shares of HK\$1 each and 600,000 shares have been allotted and issued to Mr. HM Loy; and 600,000 shares, 400,000 shares and 400,000 shares have been allotted and issued to Mr. Dai Hon Wai, Mr. Cheung Chung Tak and Mr. Lam Wai Kwok.

On 1 September 2011, Mr. Dai Hon Wai, Mr. Cheung Chung Tak and Mr. Lam Wai Kwok transferred their respective shareholdings in Orient Zen to Mr. HM Loy at the consideration of HK\$600,000, HK\$400,000 and HK\$400,000 respectively. Immediately following the acquisitions, Mr. HM Loy became the sole shareholder of Orient Zen.

On 31 March 2017, Ever Metro acquired 1,460,000 shares of Orient Zen, representing 73% of the issued share capital of Orient Zen from Mr. HM Loy at the consideration of HK\$11,275,451.

On 28 July 2017, Mr. HM Loy transferred 540,000 shares of Orient Zen representing 27% of the issued share capital of Orient Zen to Ever Metro in consideration for shares allotted and issued by Ever Metro as part of the Reorganisation. Following such transfer, Ever Metro became the holder of the entire issued share capital of Orient Zen. For further details, please see section headed “History, Reorganisation and Group Structure – Reorganisation” in this prospectus.

Fu Yo

On 21 May 2015, Fu Yo was incorporated in Hong Kong with an authorised capital of HK\$200,000 divided into 200,000 shares of HK\$1 each and 200,000 shares have been allotted and issued to Mr. Thomas Loy.

On 28 July 2017, Mr. Thomas Loy transferred all the shares of Fu Yo to Ever Metro in consideration for shares allotted and issued by Ever Metro as part of the Reorganisation. Following such transfer, Ever Metro became the holder of the entire issued share capital of Fu Yo. For further details, please see the section headed “History, Reorganisation and Group Structure – Reorganisation” in this prospectus.

Fu Cheng

On 6 July 2016, Fu Cheng was incorporated in Hong Kong with an authorised capital of HK\$100 divided into 100 shares of HK\$1 each and 100 shares have been allotted and issued to Mr. HM Loy.

On 28 July 2017, Mr. HM Loy transferred all the shares of Fu Cheng to Ever Metro in consideration for shares allotted and issued by Ever Metro as part of the Reorganisation. Following such transfer, Ever Metro became the holder of the entire issued share capital of Fu Cheng. For further details, please see the section headed “History, Reorganisation and Group Structure – Reorganisation” in this prospectus.

4. Written resolutions of the Shareholders

- (a) Pursuant to the written resolutions of the Shareholders passed on 26 September 2017, our Company formerly known as “Leader International Limited 勵達國際有限公司” changed its name to “Wan Leader International Limited 萬勵達國際有限公司”.
- (b) Pursuant to the written resolutions of the Shareholders passed on 14 August 2018, among other things:
 - (i) the Memorandum and Articles of Association were approved and conditionally adopted with effect from the Listing Date;

- (ii) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 ordinary Shares of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of HK\$0.01 each by the creation of additional 9,962,000,000 new Shares which shall, when issued and paid, rank pari passu in all respects with the existing issued Shares (other than participation in the Capitalisation Issue);
- (iii) conditional on (i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including any Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme and exercise of the Offer Size Adjustment Option) (which shall in any event not be later than the 30th day after the date of this prospectus; (ii) the Offer Price having been fixed on or around the Price Determination Date; (iii) the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and (iv) the obligations of the Underwriters under each of the respective Underwriting Agreement becoming unconditional (including the waiver of any condition(s) by Huabang Securities Limited (for itself and on behalf of China Goldjoy Securities Limited and the Public Offer Underwriters) and not being terminated in accordance with the terms of such agreement (or any conditions as specified in this prospectus), in each case on or before the dates and times specified in the Underwriting Agreement:
 - (aa) the Share Offer was approved and our Directors were authorised to allot and issue the new Shares pursuant to the Share Offer;
 - (bb) the Offer Size Adjustment Option was approved;
 - (cc) conditional further on the Listing Committee granting the listing of, and the permission to deal in, such number of Shares which may be allotted and issued upon the exercise in full of the options which may be granted under the Share Option Scheme, the Share Option Scheme was approved and adopted, and our Directors or any committee of the Board were authorised, at their sole discretion, to make such further changes to the Share Option Scheme as requested by the Stock Exchange and which they may consider necessary, desirable or expedient in connection with the grant of options to subscribe for the Shares under the Share Option Scheme up to the limits as referred to in the Share Option Scheme and to allot, issue and deal with the Shares under the exercise of any option which may be granted under the Share Option Scheme and to take all such action as they may consider necessary, desirable or expedient to implement the Share Option Scheme;
 - (dd) subject to the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to allot and issue a total of 587,990,000 Shares, credited as fully paid at par, to the Shareholders whose names appear on the register of members of the Company as at 14 August 2018 by way of capitalisation of a sum of HK\$5,879,900 standing to the credit of the share premium account of our Company, and that such Shares to be allotted and issued, as nearly as possible, without involving fractions, and such Shares to rank pari passu in all respects with the then existing issued Shares;
- (iv) a general unconditional mandate was granted to our Directors to exercise all powers of our Company to allot, issue and deal with the Shares and to make or grant offers, agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive the Shares) which may require the Shares to be allotted and issued or dealt with subject to the restriction that the aggregate number of Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, other than under (A) a Rights Issue (as

defined below); (B) any scrip dividend scheme or similar arrangement providing for the allotment and issue of the Shares in lieu of the whole or part of a dividend on the Shares in accordance with the Articles; (C) any specific authority granted by the Shareholders in general meeting; or (D) the exercise of any option which may be granted under the Share Option Scheme, shall not exceed 20% of the number of issued Shares immediately following completion of the Share Offer and the Capitalisation Issue;

- (v) a general unconditional mandate was granted to our Directors to exercise all powers of our Company to purchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which was recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as would represent up to 10% of the number of issued Shares immediately following completion of the Share Offer and the Capitalisation Issue, excluding any Share which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme; and
- (vi) the general unconditional mandate as mentioned in paragraph 4(b)(iv) above was extended by the addition to the aggregate number of Shares which may be allotted and issued or agreed to be allotted and issued by our Directors under such general mandate of an amount representing the aggregate number of Shares purchased by our Company under the mandate to repurchase Shares as referred to in paragraph 4(b)(v) above,

for the purpose of paragraph 4(b)(iv) above, “**Rights Issue**” means an offer of Share or issue of options, warrants or other securities giving the right to subscribe for the Shares open for a period fixed by our Directors to the Shareholders whose names appear on the register of members of our Company (and, where appropriate, to holders of other securities of our Company entitled to the offer) on a fixed record date in proportion to their then holdings of such Shares (or, where appropriate, such other securities) (subject in all cases to such exclusions or other arrangements as our Directors may consider necessary, desirable or expedient (but in compliance with the relevant GEM Listing Rules) in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to our Company);

each of the general mandates referred to in paragraphs 4(b)(iv) and 4(b)(v) above would remain in effect until the earliest of (A) the conclusion of our Company’s next annual general meeting; (B) the expiration of the period within which our Company’s next annual general meeting is required by the Articles or any applicable laws of the Cayman Islands to be held; and (C) when varied or revoked by an ordinary resolution of the Shareholders in general meeting;

- (c) the appointment of our Directors was approved and confirmed.

5. Reorganisation

The companies comprising our Group underwent reorganisation in preparation for the Listing. Please refer to the section headed “History, Reorganisation and Group Structure” in this prospectus for further details.

6. Repurchase of our Company's own securities

This paragraph includes information relating to the repurchase of Shares, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

The GEM 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 our Shareholders, either by way of general mandate or by specific approval of a particular transaction.

On 14 August 2018, our Directors were granted the general mandate to repurchase up to 10% of the aggregate number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Share which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any option which may be granted under the Share Option Scheme) on the Stock Exchange or on any other stock exchange on which our Company's securities may be listed and which was recognised by the SFC and the Stock Exchange for this purpose. The general mandate to repurchase Shares will expire at the earliest of (aa) the conclusion of our Company's next annual general meeting; (bb) the expiration of the period within which our Company's next annual general meeting is required by the Articles or any applicable laws of the Cayman Islands to be held; or (cc) when varied or revoked by an ordinary resolution of the Shareholders in general meeting (the "**Relevant Period**").

(ii) Source of funds

Repurchase of Shares listed on the Stock Exchange must be funded out of funds legally available for the purpose in accordance with the Memorandum, the Articles and the applicable laws of the Cayman Islands. Our Company may not repurchase Shares on the Stock Exchange for consideration other than cash or for settlement otherwise than in accordance with the GEM Listing Rules. Subject to the foregoing, our Company may make repurchases out of its profit or share premium or out of the proceeds of a fresh issue of the Shares for the purpose of the repurchase. Any amount of premium payable on the purchase over the par value of the Shares to be repurchased must be out of profits of our Company or out of the share premium account of our Company. Subject to the Companies Law, repurchase may also be made out of capital.

(iii) Connected Parties

The GEM Listing Rules prohibits 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.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have general authority to execute repurchases of Shares in the market. The repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets per Share and/or earnings per Share and will only be made where our Directors believe that the repurchases will benefit our Company and the Shareholders.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum, the Articles, the GEM Listing Rules, the Companies Law and other applicable laws of the Cayman Islands.

It is presently proposed that any repurchase of Shares will be made out of our profit or share premium or out of the proceeds of a fresh issue of the Shares for the purpose of the repurchase. Any amount of premium payable on the purchase over the par value of the Shares to be repurchased must be paid out of profits of our Company or out of the share premium account of our Company. Subject to satisfaction of the solvency test prescribed by the Companies Law, a repurchase may also be made out of capital.

On the basis of the current financial position of our Company as disclosed in this prospectus and taking into account the current working capital position of our Company, our Directors believe that, if the general mandate to repurchase Shares were to be exercised in full, it might have a material adverse effect on its working capital and/or the gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the general mandate to repurchase Shares to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) Share capital

The exercise in full of the current general mandate to repurchase Shares, on the basis of 840,000,000 Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Share which may be allotted and issued pursuant to the exercise of options granted or to be granted under the Share Option Schemes), could accordingly result in up to 84,000,000 Shares being repurchased by our Company during the Relevant Period.

(e) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates currently intends to sell any Share to our Company or its subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they shall exercise the general mandate to repurchase Shares in accordance with the GEM Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of any repurchase of the Shares, a Shareholder's proportionate interest in the voting rights is increased, the increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences of repurchases which would arise under the Takeovers Code.

Our Directors will not engage in repurchases if it 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 GEM Listing Rules).

None of the core connected persons of our Company has notified our Company that he/she or it has a present intention to sell his or her or its Shares to our Company, or has undertaken not to do so, if the general mandate to repurchase Shares is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The members of our Group have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this prospectus which are or may be material:



- (a) the Deed of Indemnity dated 14 August 2018 executed by Ho Tat Limited, Yo Tat Limited, Loy Hak Yu Thomas and Loy Hak Moon in favour of Wan Leader International Limited (for itself and as trustee for each of its subsidiaries) regarding certain indemnities as more particularly set out in the paragraph headed “E. Other information – 1. Tax and other indemnity” in this appendix;
- (b) the Deed of Non-competition dated 14 August 2018 executed by Ho Tat Limited, Yo Tat Limited, Loy Hak Yu Thomas and Loy Hak Moon in favour of Wan Leader International Limited (for itself and as trustee for each of its subsidiaries) regarding the non-competition undertakings as more particularly set out in the section headed “Relationship with Controlling Shareholders – Deed of non-competition” in this prospectus;
- (c) the Public Offer Underwriting Agreement dated 20 August 2018 entered into between Wan Leader International Limited, Loy Hak Yu Thomas as executive director and warranting shareholder, Loy Hak Moon as executive director and warranting shareholder, Lo Wing Sang as executive director, Ho Tat Limited as warranting shareholder, Yo Tat Limited as warranting shareholder, Huabang Corporate Finance Limited as sole sponsor, Huabang Securities Limited and China Goldjoy Securities Limited as joint bookrunners and joint lead managers, and HK Monkey Securities Limited and Sincere Securities Limited as joint lead managers and public offer underwriters regarding the underwriting of the Public Offer Shares by the Public Offer Underwriters as more particularly described in the section headed “Underwriting” in this prospectus;
- (d) a subscription agreement relating to the subscription of in aggregate 5,859 subscription shares in Ever Metro International Limited dated 7 August 2017 entered into between Double River Limited as subscriber, Ever Metro International Limited, and Loy Hak Yu Thomas and Loy Hak Moon as guarantors for a cash consideration of HK\$2,500,000;
- (e) a subscription agreement relating to the subscription of in aggregate 5,859 subscription shares in Ever Metro International Limited dated 7 August 2017 entered into between Prime View Enterprises Limited as subscriber, Ever Metro International Limited, and Loy Hak Yu Thomas and Loy Hak Moon as guarantors for a cash consideration of HK\$2,500,000;
- (f) a subscription agreement relating to the subscription of in aggregate 9,635 subscription shares in Ever Metro International Limited dated 13 October 2017 entered into between Upperhand Holdings Limited as subscriber, Ever Metro International Limited, and Loy Hak Yu Thomas and Loy Hak Moon as guarantors for a cash consideration of HK\$3,500,000;

- (g) a subscription agreement relating to the subscription of in aggregate 9,635 subscription shares in Ever Metro International Limited dated 13 October 2017 entered into between Sunny King Investment Limited as subscriber, Ever Metro International Limited, and Loy Hak Yu Thomas and Loy Hak Moon as guarantors for a cash consideration of HK\$3,500,000;
- (h) the instrument of transfer and bought and sold notes dated 24 June 2015 and entered into between Ip Hung Kwong and Loy Hak Yu Thomas in respect of the transfer of 100,000 shares of Union Air Cargo Limited to Loy Hak Yu Thomas for the consideration of HK\$100,000;
- (i) the instrument of transfer and bought and sold notes dated 31 March 2017 and entered into between Ever Metro International Limited and Loy Hak Moon in respect of the transfer of 1,460,000 shares of Orient Zen Logistics Services Limited to Ever Metro International Limited for the consideration of HK\$11,275,451;
- (j) the instrument of transfer and bought and sold notes dated 28 July 2017 and entered into between Ever Metro International Limited and Loy Hak Moon in respect of the transfer of 100 shares of Fu Cheng Logistics Co. Limited to Ever Metro International Limited in consideration of Ever Metro International Limited allotting and issuing one fully paid up new shares of Ever Metro International Limited to Loy Hak Moon crediting as fully paid;
- (k) a supplemental agreement dated 6 February 2018 entered into between Double River Limited as subscriber, Ever Metro International Limited, and Loy Hak Yu Thomas and Loy Hak Moon as guarantors in relation to (d) above pursuant to which the calculation of the consideration for the subscription shares was amended such that it is based on the post-money valuation of Ever Metro International Limited at the amount of HK\$66,000,000; and
- (l) a supplemental agreement dated 6 February 2018 entered into between Prime View Enterprises Limited as subscriber, Ever Metro International Limited, and Loy Hak Yu Thomas and Loy Hak Moon as guarantors in relation to (e) above pursuant to which the calculation of the consideration for the subscription shares was amended such that it is based on the post-money valuation of Ever Metro International Limited at the amount of HK\$66,000,000.

2. Intellectual property rights

(a) Trademark

As at the Latest Practicable Date, our Group was the registered proprietor of the following trademarks which, in opinion of our Directors, are material to our business:

Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
A.  萬勵達 WAN LEADER	304329126	39	The Company	Hong Kong	9 November 2017	8 November 2027
B.  萬勵達 WAN LEADER						

(b) Domain names

As at the Latest Practicable Date, our Group has registered the following domain names which we consider are material to our business:

Domain name	Registrant	Registration Date	Expiry Date
wanleader.com	the Company	8 November 2017	8 November 2019

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interest

(a) Interests and/or short positions of our Directors in the shares, underlying shares and debentures of our Company or any associated corporation

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Share which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme), the interests and short positions of each Director and chief executive of our Company in the shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO) once the Shares are listed, or will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, once the Shares are listed, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the GEM Listing Rules, to be notified to our Company and the Stock Exchange once the Shares are listed, will be as follows:

Name of Director	Capacity/Nature of interest	Number of shares held (Note)	Approximate percentage of shareholding
Mr. Thomas Loy	Interest in a controlled corporation, parties acting in concert	481,101,600 (L)	57.28%
Mr. HM Loy	Interest in a controlled corporation, parties acting in concert	481,101,600 (L)	57.28%

Note: The letter “L” denotes long position of the Shares.

(b) Interests of substantial and other Shareholders in the Shares and underlying Shares

So far as is known to our Directors and taking no account any Shares which may be issued pursuant to options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following completion of the Capitalisation Issue and the Share Offer, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be directly or indirectly interested in 10% or more of the issued voting shares of any other member of our Group:

Name	Capacity/Nature of interest	Number of shares held (Note 5)	Approximate percentage of shareholding
Ho Tat	Beneficial Owner, parties acting in concert ^(Note 1)	481,101,600 (L)	57.28%
Yo Tat	Beneficial Owner, parties acting in concert ^(Note 2)	481,101,600 (L)	57.28%
Mr. Thomas Loy	Interest in a controlled corporation, parties acting in concert ^(Note 1)	481,101,600 (L)	57.28%
Mr. HM Loy	Interest in a controlled corporation, parties acting in concert ^(Note 2)	481,101,600 (L)	57.28%
Ms. Kong Sau Ming (江秀明)	Interest of spouse ^(Note 3)	481,101,600 (L)	57.28%
Ms. Siu Pui Sum (邵佩心)	Interest of spouse ^(Note 4)	481,101,600 (L)	57.28%

Notes:

1. Ho Tat is wholly and beneficially owned by Mr. Thomas Loy. By virtue of the SFO, Mr. Thomas Loy is deemed to be interested in all the Shares held by Ho Tat. Mr. Thomas Loy and Mr. HM Loy are parties acting in concert pursuant to the Acting in Concert Confirmation upon the Share Offer becoming unconditional.
2. Yo Tat is wholly and beneficially owned by Mr. HM Loy. By virtue of the SFO, Mr. HM Loy is deemed to be interested in all the Shares held by Yo Tat. Mr. Thomas Loy and Mr. HM Loy are parties acting in concert pursuant to the Acting in Concert Confirmation upon the Share Offer becoming unconditional.
3. Ms. Kong Sau Ming (江秀明) is the spouse of Mr. Thomas Loy, and is deemed to be interested in the Shares which are interested by Mr. Thomas Loy under the SFO.
4. Ms. Siu Pui Sum (邵佩心) is the spouse of Mr. HM Loy, and is deemed to be interested in the Shares which are interested by Mr. HM Loy under the SFO.
5. The letter “L” denotes Long position of the Shares.

2. Particulars of service agreements and appointment letters

Each of the executive Directors has entered into a service agreement with our Company under which he has agreed to act as an executive Director for an initial term of three years commencing from the Listing Date. For the service agreements entered into between Mr. Thomas Loy and Mr. HM Loy and the Company respectively, either party has the right to give not less than three months' written notice to terminate the service agreement. For the service agreement entered into between Mr. Lo Wing Sang and the Company, either party has the right to give not less than one month's written notice to terminate the service agreement. Each of the executive Directors is entitled to a salary and discretionary bonus. The aggregate annual salary of the executive Directors is HK\$2,880,000.

Each of the independent non-executive Directors has entered into an appointment letter with our Company under which he has agreed to act as an independent non-executive Director for an initial term of three years commencing from the Listing Date. The aggregate annual fees payable to the independent non-executive Directors is HK\$390,000.

3. Remuneration of our Directors

Our Company's policies concerning remuneration of executive Directors are as follows:

- (i) the amount of remuneration payable to the executive Directors will be determined on a case by case basis depending on our Director's experience, responsibility, workload, the time devoted to our Group, individual performance and the performance of our Group; and
- (ii) non-cash benefits may be provided at the discretion of the Board to our Directors under their remuneration package.

The aggregate amount of fees, salaries, contributions to retirement benefit scheme contributions, discretionary bonuses, housing and other benefits in kind granted to our Directors in respect of FY2016, FY2017 and FY2018 were approximately HK\$538,000, HK\$658,000 and HK\$2,528,000, respectively.

Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by our Directors (including our Independent Non-Executive Directors) for the year ending 31 March 2019, are expected to be no more than HK\$3,330,000.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for FY2016, FY2017 and FY2018.

None of our Directors or any past directors of any members of our Group has been paid any sum of money for FY2016, FY2017 and FY2018 (a) as an inducement to join or upon joining our Company; or (b) 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 members of our Group.

4. Fees or commission received

Save as disclosed in the section headed "Underwriting – Underwriting arrangements and expenses – Underwriting commission and expenses" in this prospectus, none of our Directors or the experts names in the paragraph headed "E. Other information – 6. Qualifications of experts" in this appendix had received any agency fee or commissions from our Group within the two years immediately preceding the date of this prospectus.

5. Related party transactions

Details of the related party transactions are set out under Note 28 to the Accountants' Report set out in Appendix I to this prospectus.

6. Disclaimers

Save as disclosed herein:

- (a) taking no account of any Shares to be issued upon exercise of any Options which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the Repurchase Mandate as referred to in the paragraph headed “A. Further information about our Group” in this Appendix, and taking no account of any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Capitalisation Issue and the Share Offer, have an interest or short position in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who 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 our Company or any of its subsidiaries;
- (b) taking no account of any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, none of our Directors or chief executive of our Company has any interest or short position in shares, underlying shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they are taken or deemed to have under such provisions of the SFO) or would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or would be required, pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules, 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 the experts named in the paragraph headed “E. Other information – 6. Qualifications of experts” in this Appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by, or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of our Directors nor the experts named in the paragraph headed “E. Other information – 6. Qualifications of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (e) none of our Directors nor the experts named in the paragraph headed “E. Other information – 6. Qualifications of experts” in this Appendix has any shareholding in any member of our Group nor 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) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the GEM Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in our five largest customers or our five largest suppliers of our Group; and
- (g) none of our Directors has any existing or proposed service contracts with any member of our Group (which is not determinable by the employer within one year without payment of compensation (other than statutory compensation)).

D. SHARE OPTION SCHEME

The followings are the principal terms of the Share Option Scheme conditionally adopted under the written resolutions of the Shareholders passed on 14 August 2018:

1. Summary of terms of the Share Option Scheme

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to recognize and motivate the contributions that the eligible participants have made or may make to the Group. This Share Option Scheme will provide the eligible participants with an opportunity to acquire proprietary interests in the Company with a view to motivate the eligible participants to optimize their performance and efficiency for the benefit of the Group; and attract and retain or otherwise maintain ongoing business relationship with the eligible participants whose contributions are, will or expected to be beneficial to the Group.

(b) Who may join

Our Directors shall, in accordance with the provisions of the Share Option Scheme and the GEM Listing Rules, be entitled but shall not be bound at any time within a period of 10 years commencing from the date of the adoption of the Share Option Scheme to make an offer to any of the following classes:

- (i) any employee (whether full time or part time, including the directors (including any non-executive Director and independent non-executive Director)) of our Company, any of our subsidiaries (within the meaning of the Companies Ordinance) (an “**eligible employee**”);
- (ii) any supplier of goods or services to any member of our Group;
- (iii) any customer of any member of our Group;
- (iv) any person or entity that provides research, development or other technological support to any member of our Group;
- (v) any shareholder of any member of our Group or any holder of any securities issued by any member of our Group;
- (vi) any adviser (professional or otherwise), consultant, individual or entity who in the opinion of our Directors has contributed or will contribute to the growth and development of our Group; and
- (vii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group,

and, for the purpose of the Share Option Scheme, the offer for the grant of an option may be made to any company wholly owned by one or more eligible participants.

For the avoidance of doubt, the grant of any option by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of eligible participants shall not, by itself, unless our Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the eligible participants to an offer under the Share Option Scheme shall be determined by our Directors from time to time on the basis of our Directors’ opinion as to his contribution to the development and growth of our Group.

(c) Maximum number of Shares

- (i) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by our Group shall not exceed 30% of the share capital of our Company in issue from time to time.
- (ii) The total number of Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the total number of Shares in issue at the time dealings in the Shares first commence on the Stock Exchange, being 84,000,000 Shares (the “**General Scheme Limit**”).
- (iii) Subject to (i) above and without prejudice to (iv) below, our Company may seek approval of our Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Group shall not exceed 10% of the Shares in issue as at the date of the approval of the limit and for the purpose of calculating the limit, options (including options outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option schemes of our Group will not be counted.
- (iv) Subject to (i) above and without prejudice to (iii) above, our Company may seek separate shareholders’ approval in general meeting to grant options under the Share Option Scheme beyond the General Scheme Limit, or if applicable, the extended limit referred to in (iii) above to eligible participants specifically identified by our Company before such approval is sought.

(d) Maximum entitlement of each eligible participant

Subject to (e) below, the total number of Shares issued and which may fall to be issued upon exercise of the options under the Share Option Scheme and the options granted under any other share option scheme of our Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being. Where any further grant of options under the Share Option Scheme to a grantee would result in the Shares issued and to be issued upon exercise of all options granted and proposed to be granted to such person (including exercised, cancelled and outstanding options) under the Share Option Scheme and any other share option scheme of our Group in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by our Shareholders in general meeting with such grantees and his close associates (or his associates if the participant is a connected person) abstaining from voting.

(e) Grant of options to core connected persons

- (i) Without prejudice to (ii) below, the making of an offer under the Share Option Scheme to any Director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of an option under the Share Option Scheme).

- (ii) Without prejudice to (i) above, where any grant of options under the Share Option Scheme to a substantial shareholder or an independent non-executive Director or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options under the Share Option Scheme already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (1) representing in aggregate over 0.1% of the Shares in issue; and
- (2) having an aggregate value, based on the closing price of the Shares on the offer date of each grant, in excess of HK\$5 million;

such further grant of options must be approved by our Shareholders in general meeting. The grantee, his associates and all core connected persons of our Company must abstain from voting in favour at such general meeting.

For the purpose of seeking the approval of our Shareholders under paragraphs (c), (d) and (e) above, our Company must send a circular to our Shareholders containing the information required under the GEM Listing Rules and where the GEM Listing Rules shall so require, the vote at our Shareholders' meeting convened to obtain the requisite approval shall be taken on a poll with those persons required under the GEM Listing Rules abstaining from voting.

(f) Time of acceptance and exercise of an option

An offer under the Share Option Scheme may remain open for acceptance by the eligible participants concerned (and by no other person) for a period of up to 21 days from the date, which must be a business day, on which the offer is made.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to the grantee thereof, and in the absence of such determination, from the date of acceptance of the offer of such option to the earlier of (i) the date on which such option lapses under the relevant provisions of the Share Option Scheme; and (ii) the date falling 10 years from the offer date of that option.

An offer shall have been accepted by an eligible participant in respect of all Shares which are offered to such eligible participant when the duplicate letter comprising acceptance of the offer duly signed by the eligible participant together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof is received by our Company within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable.

Any offer may be accepted by an eligible participant in respect of less than the number of Shares which are offered provided that it is accepted in respect of a board lot for dealings in the Shares on GEM or an integral multiple thereof and such number is clearly stated in the duplicate letter comprising acceptance of the offer duly signed by such eligible participant and received by our Company together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable.

(g) Performance targets

Unless otherwise determined by our Directors and stated in the offer to a grantee, a grantee is not required to hold an option for any minimum period nor achieve any performance targets before the exercise of an option granted to him.

(h) Subscription price for Shares

The subscription price in respect of any option shall, subject to any adjustments made pursuant to paragraph(s) below, be at the discretion of our Directors, provided that it shall not be less than the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the offer date;
- (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and
- (iii) the nominal value of a Share.

(i) Ranking of Shares

Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank equally in all respects with the then existing fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the “**Exercise Date**”) and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered in the register of members of our Company as the holder thereof.

(j) Restrictions on the time of grant of options

For so long as the Shares are listed on the Stock Exchange, an offer may not be made after inside information has come to our Company's knowledge until we have announced the information. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's result for any year, half-year or quarter-year period or any other interim period (whether or not required under the GEM Listing Rules); and (ii) the deadline for our Company to publish announcements of our results for any year, half-year, quarter-year period or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement, no offer for the grant of an option may be made.

Our Directors may not make any offer to an eligible participant who is a Director during the periods or times in which our Directors are prohibited from dealing in Shares under such circumstances as prescribed by the GEM Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(k) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the date on which the Share Option Scheme is adopted.

(l) Rights of ceasing employment

If the grantee is an eligible employee and in the event of his ceasing to be an eligible employee for any reason other than his death, ill-health or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds specified in (n) below before exercising the option in full, the option (to the extent not already exercised) shall lapse on the date of cessation or termination and not be exercisable unless our Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as our Directors may determine following the date of such cessation or termination. The date of cessation or termination as aforesaid shall be the last day on which the grantee was actually at work with our Company or the relevant subsidiary or the Invested Entity whether salary is paid in lieu of notice or not.

(m) Rights on death, ill-health or retirement

If the grantee is an eligible employee and in the event of his ceasing to be an eligible employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s) or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation of employment which date shall be the last day on which the grantee was at work with our Company or the relevant subsidiary or the Invested Entity whether salary is paid in lieu of notice or not.

(n) Rights on dismissal

In respect of a grantee who is an eligible employee, the date on which the grantee ceases to be an eligible employee by reason of termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any 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 (other than an offence which in the opinion of our Directors does not bring the grantee or our Group into disrepute), such option (to the extent not already exercised) shall lapse automatically and shall not in any event be exercisable on or after the date of cessation to be an eligible employee.

(o) Rights on breach of contracts

In respect of a grantee other than an eligible employee, the date on which our Directors shall at their absolute discretion determine that (i)(1) such grantee has committed any breach of any contract entered into between such grantee on the one part and our Group or any Invested Entity on the other part; or (2) such grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) such grantee could no longer make any contribution to the growth and development of our Group by reason of the cession of its relations with our Group or by any other reason whatsoever; and (ii) the option shall lapse as a result of any event specified in sub-paragraph (i)(1) to (3).

(p) Rights on a general offer, a compromise or arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of the Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, our Shareholders. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to our Shareholders, the grantee shall, notwithstanding any

other terms on which his option was granted, be entitled to exercise the option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date on which such offer (or, as the case may be, revised offer) closes.

(q) Rights on winding-up

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolution is to be considered and/or passed whereupon he shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation equally with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

(r) Grantee being a company wholly owned by eligible participants

If the grantee is a company wholly owned by one or more eligible participants:

- (i) the provisions of paragraphs (l), (m), (n) and (o) above shall apply to the grantee and to the option granted to such grantee, mutatis mutandis, as if such option had been granted to the relevant eligible participant, and such option shall accordingly lapse or fall to be exercisable after the event(s) referred to in paragraphs (l), (m), (n) and (o) above shall occur with respect to the relevant eligible participant; and
- (ii) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant eligible participant provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(s) Adjustment of the subscription price

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable or the Share Option Scheme remains in effect, and such event arises from a capitalisation issue, rights issue, consolidation or sub-division of the Shares, or reduction of the share capital of our Company, then, in any such case our Company shall instruct the auditors or an independent financial adviser to certify in writing the adjustment, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular grantee, to:

- (i) the number or nominal amount of Shares to which the Share Option Scheme or any option(s) relate(s) (insofar as it is/they are unexercised); and/or
- (ii) the subscription price of any option; and/or

- (iii) (unless the relevant grantee elects to waive such adjustment) the number of Shares comprised in an option or which remain comprised in an option,

and an adjustment as so certified by the auditors or such independent financial adviser shall be made, provided that:

- (i) any such adjustment shall give the grantee the same proportion of the issued share capital of our Company (as interpreted in accordance with the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes) for which such grantee would have been entitled to subscribe had he exercised all the options held by him immediately prior to such adjustment;
- (ii) no such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
- (iii) the issue of Shares or other securities of our Group as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and
- (iv) any such adjustment shall be made in compliance with the GEM Listing Rules and such rules, codes and guidance notes of the Stock Exchange from time to time.

In respect of any adjustment referred to above, other than any adjustment made on a capitalisation issue, the auditors or such independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the GEM Listing Rules and the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes.

(t) Cancellation of options

Subject to the provisions in the Share Option Scheme and the GEM Listing Rules, any option granted but not exercised may not be cancelled except with the prior written consent of the relevant grantee and the approval of our Directors.

Where our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding, for this purpose, the options so cancelled) within the General Scheme Limit or the limits approved by our Shareholders pursuant to paragraph (c)(ii) or (c)(iv) above.

(u) Termination of the Share Option Scheme

Our Company by an ordinary resolution in general meeting may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(v) Rights are personal to grantee

An option shall be personal to the grantee and shall not be transferable or assignable, and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any option or enter into any agreement so to do. Any breach of the foregoing by a grantee shall entitle our Company to cancel any option granted to such grantee to the extent not already exercised.

(w) *Lapse of option*

An option shall lapse automatically (to the extent not already exercised) on the earliest of (i) the expiry of the option period in respect of such option; (ii) the expiry of the periods or dates referred to in paragraphs (l), (m), (n), (o), (p), (q) and (r) above; or (iii) the date on which our Directors exercise our Company's right to cancel the option by reason of paragraph (v) above.

(x) *Others*

- (i) The Share Option Scheme is conditional upon:
 - (1) the Stock Exchange granting the listing of and permission to deal in such number of Shares representing the General Scheme Limit to be allotted and issued by our Company pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme; and
 - (2) the passing of the necessary resolution to approve and adopt the Share Option Scheme in general meeting or by way of written resolution of our Shareholders.
- (ii) The provisions of the Share Option Scheme relating to the matters governed by Rule 23.03 of the GEM Listing Rules shall not be altered to the advantage of grantees or prospective grantees except with the prior sanction of a resolution of our Company in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the grantees as would be required of the holders of the Shares under the Articles for the time being for a variation of the rights attached to the Shares.
- (iii) 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 shall be approved by our Shareholders except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (iv) The terms of the Share Option Scheme and/or any options amended must comply with the applicable requirements of the GEM Listing Rules.
- (v) Any change to the authority of our Directors or the administrators of the Share Option Scheme in relation to any alteration to the terms of the Share Option Scheme must be approved by our Shareholders in general meeting.

2. Present status of the Share Option Scheme

Application has been made to the Stock Exchange for the listing of, and permission to deal in, the Shares to be allotted and issued within the General Scheme Limit pursuant to the exercise of options that may be granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION**1. Tax and other indemnity**

All of our Controlling Shareholders (each a “**Covenantor**”, collectively the “**Covenantors**”) have entered into the Deed of Indemnity in favour of our Company (for itself and as trustee for each member of our Group) pursuant to which the Covenantors have covenanted, agreed and undertaken to fully indemnify and keep our Company and each other member of our Group fully indemnified at all times from and against any direct or indirect diminution in or depletion in or reduction in the value of the assets, or increase in the liabilities, or loss, modification, cancellation, reduction or deprivation of any relief, of any member of our Group as a direct or indirect result or consequence of or in connection with, in relation to or arising out of any taxation claim relating to:

- (i) any duty which is or hereafter becomes payable by any member of our Group under or by virtue of the provision of section 35 and/or section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) (the “**Estate Duty Ordinance**”) or legislation similar thereto in Hong Kong or any part of the world by reason of the death of any person at any time and by reason of the transfer of property to any member of our Group or any of such assets being deemed for the purpose of the Estate Duty Ordinance or legislation similar thereto in any part of the world to be included in the property passing on his/her death by reason of that person making or having made a relevant transfer to any member of our Group or to any other person, entity or company on or before the date on which the conditions under the Deed of Indemnity are fulfilled (or where applicable, waived) in accordance with the terms of the Deed of Indemnity (the “**Fulfilment Date**”);
- (ii) any amount recovered against any member of our Group under the provisions of section 43(7) of the Estate Duty Ordinance or legislation similar thereto in Hong Kong or any part of the world in respect of any duty payable under section 43(1) or 43(6) of the Estate Duty Ordinance or legislation similar thereto in Hong Kong or any part of the world by reason of the death of any person and by reason of the assets of any member of our Group or any of such assets being deemed for the purpose of the Estate Duty Ordinance or legislation similar thereto in Hong Kong or any part of the world to be included in the property passing on his/her death by reason of that person making or having made a relevant transfer to any member of our Group or to any other person, entity or company on or before the Fulfilment Date;
- (iii) any amount of duty which any member of our Group is obliged to pay by virtue of section 43(1)(c) of the Estate Duty Ordinance or legislation similar thereto in Hong Kong or any part of the world in respect of the death of any person in any case where the assets of another company or any of them are deemed for the purpose of the Estate Duty Ordinance or legislation similar thereto in Hong Kong or any part of the world to be included in the property passing on that person’s death as a result of that person making or having made a relevant transfer to that other company and by reason of any member of our Group or any other person, entity or company having received any distributed assets of that other company on their distribution within the meaning of the Estate Duty Ordinance or legislation similar thereto in Hong Kong or any part of the world on or before the Fulfilment Date, but only to the extent to which any member of our Group is unable to recover any amount or amounts in respect of that duty from any other person under the provisions of section 43(7)(a) of the Estate Duty Ordinance or legislation similar thereto in Hong Kong or any part of the world;
- (iv) any penalty imposed on our Group or any member of our Group under section 42 of the Estate Duty Ordinance by reason of the relevant company defaulting on any obligation to give information to the Commissioner of Inland Revenue under section 42(1) of the Estate Duty Ordinance, provided that such obligation arises on or before the Fulfilment Date;

- (v) any taxation falling on any member of our Group in respect of or by reference to any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the Fulfilment Date, or any acts, omissions, transactions, matters, things or events entered into or occurring or deemed to enter into or occur on or before such date whether alone or in conjunction with any other events, acts or circumstances wherever, however or whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company, including any taxation resulting from the receipt by any member of our Group of any amounts paid by the Covenantors under this Deed; and
- (vi) all reasonable costs (including all legal costs), expenses, interests, penalties or other liabilities which any member of our Group may make, suffer or incur in connection with:
 - (a) the investigation, assessment or contesting of any taxation claim under the Deed of Indemnity;
 - (b) the settlement of any taxation claim under the Deed of Indemnity;
 - (c) any legal proceedings in which any member of our Group claims in relation to any taxation claim under or in respect of the Deed of Indemnity and in which judgment, award or decision is given for any member of our Group; or
 - (d) the enforcement of any such settlement or judgment referred to in (b) and (c) above.

The indemnity given above does not cover any taxation claim to the extent that:

- (i) specific provision, reserve or allowance has been made for such taxation or taxation claim in the audited combined financial statements of our Company or any member of our Group for the Track Record Period; or
- (ii) the taxation arises or is incurred as a result of retrospective change in law or a retrospective increase in tax rates coming into force after the Fulfilment Date; and
- (iii) the taxation arises in the ordinary course of business of our Company and/or other member of our Group after 30 November 2017 up to and including the Fulfilment Date.

The indemnity given above shall cover any taxation claim which falls on our Company or any member of our Group if such taxation arises due to some act or omission of, or transaction voluntarily effected by, our Company or any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) not in their ordinary course of business on or before the Fulfilment Date.

The Covenantors have further covenanted, agreed and undertaken to fully indemnify and at all times keep our Company and the relevant member of our Group fully indemnified on demand against all penalties, claims, actions, demands, proceedings, litigations (without limitation to any legal costs), judgments, losses, liabilities, damages, costs, administrative or other charges, fees, expenses and fines of whatever nature which may be imposed on or suffered by or incurred by our Company and/or other member of our Group as a result of directly or indirectly or in connection with:

- (i) any litigation, arbitration, claims (including counter-claims), complaints, demands and/or legal proceedings arising out of and in connection to the fatal accident of Mr. Leung Kin Lun on 16th May 2016 (including but not limited to the related cases: WKS1568/2016, HCMA 25/2017 and DCEC 772/2017) instituted against our Company and/or any of our Group Companies on or before the Fulfilment Date;

- (ii) any other litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings instituted by or against our Company and/or any of our Group Companies in relation to events occurred on or before the Fulfilment Date; and
- (iii) any non-compliance with the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) and any other applicable laws, rules or regulations by our Company and/or any of our Group Companies on or before the Fulfilment Date except that provision, reserve or allowance has been made for such liabilities in the audited combined financial statements of our Company or any other Group Companies for the Track Record Period.

2. Litigation or claims

Save as disclosed in the section headed "Business – litigation and claims" in this prospectus, as at the Latest Practicable Date, to the best interest of our Directors' knowledge, no member of our Group is subject to any actual, pending or threatened litigation or claims of material importance which would have a material adverse impact on our Group's operations, financials and reputation.

3. The Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Listing Division for the listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme and exercise of the Offer Size Adjustment Option). All necessary arrangements have been made to enable the securities to be admitted into CCASS.

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 6A.07 of the GEM Listing Rules.

The Sole Sponsor's fees related to the Listing that have been paid or are payable by our Company are in the sum of HK\$3,800,000.

4. Preliminary expenses

The preliminary expenses incurred and paid by our Company were approximately HK\$54,000.

5. Promoters

Our Company has no promoter for the purpose of the GEM Listing Rules.

Save as disclosed above, within 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 promoter of our Company in connection with the Share Offer or the related transactions described in this prospectus.

6. Qualification of experts

The qualifications of the experts (as defined under the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the GEM Listing Rules) who have given their opinions or advice in this prospectus are as follows:

Expert	Qualification
Huabang Corporate Finance Limited	A corporation licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activities
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Deloitte Touche Tohmatsu	Certified Public Accountants
Frost & Sullivan Limited	Industry Consultant

None of the experts named above has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of our Group.

7. Consents of experts

Each of the above experts has given and has not withdrawn its written consent to the issue of this prospectus with its statements, all of which are dated the date of this prospectus and made for incorporation in this prospectus, and references to its name included in this prospectus in the form and context in which they are included.

8. Share Registrars

The 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 Tricor Investor Services Limited. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, the Hong Kong Share Registrar and may not be lodged in the Cayman Islands.

9. No material adverse change

Save as disclosed in the section headed “Financial Information – No material adverse change” in this prospectus, our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Company or our subsidiaries since 31 March 2018 (being the date to which the latest audited combined financial statements of our Group were made up) and up to the Latest Practicable Date.

10. Taxation of holders of Shares

(a) Hong Kong

Dealings in Shares registered on our Company’s Hong Kong register of members will be subject to Hong Kong stamp duty, and the current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) The Cayman Islands

Under present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty, as long as our Company does not hold any interest in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

11. Miscellaneous

Save as disclosed in this prospectus:

(a) Within the two years immediately preceding the date of this prospectus:

- (i) no share or loan capital of our Company or any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
- (ii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of our subsidiaries;
- (iii) no commission has been paid or payable (except to sub-underwriter) for subscribing or agreeing to subscribe, procuring or agreeing to procure subscriptions, for any Shares or shares of any of our subsidiaries;
- (iv) no founder, management or deferred shares or any debentures of our Company have been issued or agreed to be issued; and
- (v) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;

(b) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 24 months immediately preceding the date of this prospectus;

(c) none of the parties named in the paragraph headed “E. Other information – 6. Qualifications of experts” in this appendix:

- (i) is interested beneficially or non-beneficially in any securities in any member of our Group, including the Shares; or
- (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group, including the Shares.

- (d) our Company and its subsidiaries did not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans whether guaranteed or secured as at the Latest Practicable Date;
- (e) our Directors have been advised that, under the laws of the Cayman Islands, the use of a Chinese name registered as a dual foreign name in the Cayman Islands by our Company in conjunction with the English name does not contravene the laws of the Cayman Islands;
- (f) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (g) our Group has no outstanding convertible debt securities; and
- (h) the English text in this prospectus shall prevail over the Chinese text.

12. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

13. Bilingual prospectus

The English version and the Chinese version 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).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) the written consents referred to in the paragraph headed “E. Other information – 7. Consents of experts” in Appendix IV to this prospectus; and
- (c) a copy of each of the material contracts referred to in the paragraph headed “Further information about the business of our Group – 1. Summary of material contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Benny Pang & Co at 27/F, 100QRC, 100 Queen’s Road Central, 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 the Articles;
- (b) the service agreements and appointment letters referred to in the paragraph headed “Further information about Directors and Substantial Shareholders – 2. Particulars of service agreements and appointment letters” in Appendix IV to this prospectus;
- (c) the material contracts referred to in the paragraph headed “Further information about the business of our Group – 1. Summary of material contracts” in Appendix IV to this prospectus;
- (d) the written consents referred to in the paragraph headed “Other information – 7. Consents of experts” in Appendix IV to this prospectus;
- (e) the letter issued by Conyers Dill & Pearman, being the legal advisers to our Company as to Cayman Islands law, summarising certain aspects of the Cayman Islands company law as referred to in Appendix III to this prospectus;
- (f) the accountants’ report of our Group issued by Deloitte Touche Tohmatsu, being our Company’s reporting accountants, the text of which is set out in Appendix I to this prospectus;
- (g) the statement of adjustments made by Deloitte Touche Tohmatsu in arriving at the figures set out in the accountants’ report in Appendix I to this prospectus;
- (h) the report issued by Deloitte Touche Tohmatsu, being our Company’s reporting accountants, relating to the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (i) the audited consolidated financial statements of Ever Metro for the three years ended 31 March 2018;
- (j) the Frost & Sullivan Report;
- (k) the Companies Law; and
- (l) the rules of the Share Option Scheme.



萬勵達國際有限公司

WAN LEADER INTERNATIONAL LIMITED