



裕程物流集團有限公司

Grand Power Logistics Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8489

ANNUAL REPORT 2020

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This report, for which the directors (collectively the “Directors” and individually a “Director”) of Grand Power Logistics Group Limited (the “Company”, together with its subsidiaries, collectively the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report 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 report misleading.

This report will be available on the Company’s website www.grandpowerexpress.com and will remain on the “Latest Listed Company Information” page on the GEM website at www.hkgem.com for at least 7 days from the date of its posting.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Chiu Ricky Tong
(Chairman and Chief Executive Officer)
Mr. Tse Chi Kwan Decky

Non-executive Directors

Ms. Wong Sheng Ning Candace
Mr. Heung Wai Keung

Independent Non-executive Directors

Mr. Tam Ka Hei Raymond
Mr. Ng Hung Fai Myron
Mr. Yu Tak Chi Michael
Mr. Yeung Kwong Wai

COMPANY SECRETARY

Mr. Li Chun Fung

COMPLIANCE ADVISER

VBG Capital Limited

COMPLIANCE OFFICER

Mr. Chiu Ricky Tong

AUTHORISED REPRESENTATIVES

Mr. Chiu Ricky Tong
Mr. Tse Chi Kwan Decky

AUDIT COMMITTEE

Mr. Yu Tak Chi Michael *(Chairman)*
Mr. Tam Ka Hei Raymond
Mr. Yeung Kwong Wai

REMUNERATION COMMITTEE

Mr. Tam Ka Hei Raymond *(Chairman)*
Mr. Ng Hung Fai Myron
Mr. Yu Tak Chi Michael

NOMINATION COMMITTEE

Mr. Ng Hung Fai Myron *(Chairman)*
Mr. Tam Ka Hei Raymond
Mr. Yu Tak Chi Michael

FINANCIAL REPORTING COMMITTEE

Mr. Yeung Kwong Wai *(Chairman)*
Mr. Heung Wai Keung
Mr. Yu Tak Chi Michael
Mr. Tam Ka Hei Raymond

AUDITOR

Mazars CPA Limited
Certified Public Accountants

42nd Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

LEGAL ADVISER

CFN Lawyers

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Corporate Information

PLACE OF BUSINESS IN HONG KONG

Unit 817, 8/F, Tower B
Mandarin Plaza
14 Science Museum Road
Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
China CITIC Bank International Limited
The Hongkong and Shanghai Banking Corporation Limited

WEBSITE ADDRESS

www.grandpowerexpress.com

STOCK CODE

8489

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of the Company, I am pleased to present to you the first annual report and audited consolidated financial statements of the Group upon our listing (the "**Listing**") on GEM of the Stock Exchange on 13 January 2021 (the "**Listing Date**") for the year ended 31 December 2020 ("**FY2020**").

The year of 2020 was a significant year for the Group as the Group had achieved encouraging financial results and was approved for the Listing. Despite the outbreak of COVID-19 had brought adverse impact on the overall economy in the global business environment, the Group recorded a turn from loss to profit for FY2020. We believe the improvement was primarily a result of the sustainable business model of the Group and, in particular, due to the Group's ability to identify the demand of its customers by leveraging its broad client base comprising other freight forwarders and direct customers, and riding on the growing prevalence of cross-border e-commerce activities, which had led to and would keep on driving a continuous growth in the air freight forwarding market, and the Group's ability to source the routes in demand from the Group's suppliers competitively, which is exemplified by the Group's ability in entering into charter flight agreements with airlines for full flights to the U.S. and Europe.

The Listing marks an important milestone in the Group's business development. The Group is pleased with the keen interest in the shares of the Company (the "**Shares**") from the share offer. Through the Listing, the Group has access to necessary financial resources which can provide more flexibility in the Group's management of cash flow to achieve its goals and expansion plan.

On behalf of the Board, I would like to express our sincerest gratitude to our valued shareholders (the "**Shareholders**"), clients, business partners and suppliers for their trust and persistent support. In addition, I would like to express our deepest appreciation to the Group's management team and staff for their commitment, dedication and hard work throughout the years. We look forward to embracing a year of fruitful success and creating a prosperous future of the Group for the years ahead.

Chiu Ricky Tong

Chairman

25 March 2021

Management Discussion and Analysis

BUSINESS AND FINANCIAL REVIEW

The Group is a long-established freight forwarder headquartered in Hong Kong, with sales force in Hong Kong and six regional offices in the PRC, including Shanghai, Shenzhen, Guangzhou, Xiamen, Tianjin and Fuzhou, focusing on the market in Hong Kong, the PRC and Macau.

The Group is principally engaged in providing air and ocean export and import freight forwarding services, which involve arranging shipment upon receipt of booking instructions from its customers, obtaining cargo space from cargo space suppliers (including airlines, shipping liners and other freight forwarders) and preparing the relevant documentations (such as customs clearance from origin of consignment). The Group also arranges ancillary logistics services to its air freight forwarding services, including cargo pick up, cargo handling at ports and local transportation and warehousing related services (such as repackaging, labelling, palletising, customs clearance and warehousing) to meet the requirements of its customers.

The Board is pleased to present the audited consolidated results of the Group for FY2020, together with the comparative figures for the corresponding year ended 31 December 2019 (“FY2019”).

Revenue

The Group derives its revenue from two business segments, namely air freight forwarding services and ocean freight forwarding services, which include both import and export of goods. For FY2020, the Group’s total revenue amounted to approximately HK\$871.9 million (FY2019: approximately HK\$353.3 million).

The table below sets forth the breakdown of the Group’s revenue by business segment for the years indicated:

	FY2020		FY2019	
	HK\$'000	%	HK\$'000	%
Air freight forwarding	843,929	96.8	319,217	90.3
Ocean freight forwarding	27,954	3.2	34,124	9.7
	871,883	100.0	353,341	100.0

Management Discussion and Analysis

Air freight forwarding

The Group's business focus is the provision of air freight export services from the PRC, Hong Kong and Macau to over 120 countries in Europe, Asia, North America and other regions (including South America, Oceania and Africa).

The Group's revenue from air freight forwarding segment increased by approximately HK\$524.7 million or approximately 164.4% from approximately HK\$319.2 million for FY2019 to approximately HK\$843.9 million for FY2020. Such increase was primarily because the Group's average selling price for export of air freight segment increased due to the shortage of air cargo space supply during FY2020 as most of the airlines had partially or fully suspended their passenger flight services under the COVID-19 outbreak, and the Group was able to transfer the increase in freight charges to its customers with additional price mark-up. In addition, the Group had more shipments to Europe and North America, which included but not limited to, charter flights to the U.S. and Europe due to the back-to-back charters from the Group's customers in FY2020. The above effect on the increase in revenue for FY2020 was partially offset by the decrease in shipments to Asia for the same period.

Ocean freight forwarding

The Group's revenue from ocean freight forwarding segment decreased by approximately HK\$6.1 million or approximately 17.9% from approximately HK\$34.1 million for FY2019 to approximately HK\$28.0 million for FY2020 primarily because the outbreak of COVID-19 caused temporary suspension of the operation of factories in the PRC from January to May 2020, which reduced the production of goods as well as the sale and transport of goods overseas, and this drove down the demand for ocean freight and in turn the Group's shipment volume by ocean freight as well as the Group's revenue generated from this segment.

Cost of services

The Group's cost of services mainly include the cost of cargo spaces, security charge, terminal charge and fuel surcharge.

The Group's cost of services increased by approximately HK\$458.1 million or approximately 143.4% from approximately HK\$319.4 million for FY2019 to approximately HK\$777.5 million for FY2020, which was generally in line with the increase in revenue generated from air freight forwarding segment and as a result of (i) the significant increase in freight charges, which was driven by the shortage of supply of cargo spaces from airlines due to cancellation of flights under the COVID-19 outbreak; (ii) the increase in surcharges; and (iii) the increase in transportation and warehouse services in response to the increase in the Group's air freight forwarding business.

Management Discussion and Analysis

Gross profit and gross profit margin

The Group's gross profit increased by approximately HK\$60.5 million or approximately 178.5%, from approximately HK\$33.9 million for FY2019 to approximately HK\$94.4 million for FY2020, which was primarily reflected by the significant increase in gross profit from export shipments to Europe and North America. During FY2020, the outbreak of COVID-19 had caused full or partial suspension of passenger flights and resulted in a shortage of the overall air cargo space supply and increase of freight charges across the industry. With the continuous demand from the Group's customers, the Group's export tonnage had increased and the Group was able to transfer the increased freight charges to its customers with additional price mark-up. Accordingly, both of the Group's gross profit and gross profit margin increased, the Group's gross profit margin increased from approximately 9.6% for FY2019 to approximately 10.8% for FY2020.

Other income

Other income mainly represents gain on redemption of mutual fund units, dividend income, interest income from bank deposits, exchange gain attributable to the Group's financial assets and liabilities denominated in foreign currencies, recovery of bad debts previously written-off, reversal of impairment loss of trade receivables, government grant and sundry income.

Other income increased by approximately HK\$1.9 million or approximately 237.5%, from approximately HK\$0.8 million for FY2019 to approximately HK\$2.7 million for FY2020, which was primarily attributable to (i) the increase in net exchange gain by approximately HK\$0.3 million; (ii) the increase in reversal of impairment loss of trade receivables by approximately HK\$0.6 million as certain trade receivables balances with impairment loss provided on the prior year was settled in FY2020; (iii) the decrease in gain on redemption of mutual fund units by approximately HK\$0.5 million as the Group did not hold any mutual fund unit after the redemption in FY2019; and (iv) the increase in government grant by approximately HK\$1.3 million. Government grant primarily consists of the fiscal support that relevant government authorities offered to the Group's entities for subsidising staff costs under COVID-19.

Administrative and other operating expenses

Administrative and other operating expenses primarily comprise staff costs, entertainment and travelling expenses, depreciation, office expenses, rent and rates, legal and professional fees, bank charges, internet and computer expenses and others such as storage charges.

Administrative and other operating expenses increased by approximately HK\$28.6 million or approximately 123.8%, from approximately HK\$23.1 million for FY2019 to approximately HK\$51.7 million for FY2020. The increase was mainly attributable to the increase in (i) staff cost by approximately HK\$11.5 million, which was mainly due to increase in discretionary bonus paid to employees and Directors; (ii) entertainment and travelling expenses by approximately HK\$8.6 million incurred for the more business development activities to explore business opportunities; and (iii) legal and professional fees by approximately HK\$9.8 million. Due to the outbreak of COVID-19, one of the executive Directors did not travel between Hong Kong and Shenzhen and had stationed in Shenzhen during FY2020. He then spent much more time to do business development activities with the contact persons of the Group's customers stationed in Shenzhen, and new and potential customers.

Management Discussion and Analysis

Finance costs

Finance costs comprise mainly interest charges on interest-bearing bank borrowings, bank overdrafts and lease liabilities.

Finance expenses decreased by approximately HK\$0.6 million or approximately 19.4% from approximately HK\$3.1 million for FY2019 to approximately HK\$2.5 million for FY2020. The decrease was mainly due to (i) the decrease in interest expense on bank overdrafts by approximately HK\$0.1 million; and (ii) the decrease in interest expense on interest-bearing borrowings by approximately HK\$0.5 million in FY2020.

Taxation

Income tax expenses increased by approximately HK\$7.6 million or approximately 2,533.3% from approximately HK\$0.3 million for FY2019 to approximately HK\$7.9 million for FY2020. The increase was mainly due to the increase in the Group's profit before tax by approximately HK\$38.3 million. The Group's effective tax rate for FY2020 and FY2019 were 25.5% and 4.3%, respectively.

Profit (Loss) for the year

The Group recorded (i) a profit (before Listing expenses) of approximately HK\$33.3 million for FY2020 against a loss of approximately HK\$0.4 million recorded for FY2019; and (ii) a profit (after Listing expenses) of approximately HK\$23.2 million for FY2020 against a loss of approximately HK\$7.4 million recorded for FY2019.

Liquidity and financial resources

The Group financed its operations primarily through a combination of cash flow generated from its operations, interest-bearing bank borrowings and bank overdrafts. The Group's use of cash primarily relates to purchases of cargo spaces and various operating expenses.

The Group's gearing ratio, which was calculated based on the total debts divided by total equity as at the respective dates and multiplied by 100%, was approximately 47.4% as at 31 December 2020 (31 December 2019: approximately 75.1%). As at 31 December 2020, the Group's total debts were approximately HK\$48.6 million (31 December 2019: approximately HK\$59.9 million) and the total equity was approximately HK\$102.5 million (31 December 2019: approximately HK\$79.7 million).

The Group's current ratio, which is calculated based on the total current assets divided by the total current liabilities at the respective dates, was approximately 1.4 as at 31 December 2020 (31 December 2019: approximately 1.4).

Management Discussion and Analysis

As at 31 December 2020, the Group had bank balances and cash of approximately HK\$27.6 million (31 December 2019: approximately HK\$26.1 million). The cash and cash equivalents of the Group are dominated in HK\$, US\$ and Renminbi (“**RMB**”) and in aggregate amounted to approximately HK\$26.6 million as at 31 December 2020 (31 December 2019: approximately HK\$25.8 million). The pledged bank deposits of the Group are dominated in HK\$ and US\$ and amounted to approximately HK\$24.7 million as at 31 December 2020 (31 December 2019: approximately HK\$29.7 million). The Group’s financial position remains solid and the Group has sufficient bank balances to meet its liabilities when they become due.

For FY2020, the Group’s net cash from operating activities was approximately HK\$8.1 million, net cash from investing activities was approximately HK\$3.7 million and net cash used in financing activities was approximately HK\$11.4 million.

For FY2019, the Group’s net cash from operating activities was approximately HK\$11.0 million, net cash from investing activities was approximately HK\$12.3 million and net cash used in financing activities was approximately HK\$12.7 million.

Working capital

The Group’s trade receivables represented receivables of freight forwarding services income from its customers. The Group’s trade receivables increased by approximately HK\$95.7 million or approximately 106.9% from approximately HK\$89.5 million as at 31 December 2019 to approximately HK\$185.2 million as at 31 December 2020, which was in line with the increase in the Group’s revenue for FY2020, in particular, for the period from October 2020 to December 2020. The Group’s average turnover days of trade receivables decreased from approximately 107.7 days for FY2019 to approximately 57.5 days for FY2020, which was primarily because (i) the Group procured more charter flights for its customers, from whom the Group usually required full or partial payment in advance; and (ii) the Group spent more effort on the collection of trade receivables and achieved satisfying results.

The Group’s trade and other payables are derived primarily from payables relating to the costs of purchasing air and ocean cargo spaces. The Group’s trade and other payables increased by approximately HK\$71.7 million or approximately 142.0% from approximately HK\$50.5 million as at 31 December 2019 to approximately HK\$122.2 million as at 31 December 2020, which was generally in line with the increase in the Group’s cost of services and increasing trend in revenue during FY2020, in particular, for the period from October 2020 to December 2020. The Group’s average trade payable turnover days decreased from approximately 59.3 days for FY2019 to approximately 36.0 days for FY2020. The decrease was mainly because the Group procured more charter flights for customers and were required to pay the suppliers in advance.

Interest-bearing borrowings

As at 31 December 2020, the interest-bearing borrowings were made in HK\$ (31 December 2019: HK\$) and amounted to approximately HK\$48.0 million (31 December 2019: approximately HK\$58.6 million). The interest-bearing borrowings were repayable on demand if the covenants relating to certain subsidiaries financial ratios based on its statement of financial position as set out in the banking facilities are breached. Particulars of interest-bearing borrowings of the Group are set out in note 17 to the consolidated financial statement.

The weighted average effective interest rate as at 31 December 2020 was approximately 4.22% (31 December 2019: approximately 4.51%).

Management Discussion and Analysis

Significant investments, material acquisitions and disposal of subsidiaries

Save for the reorganisation undertaken by the Group for the purpose of Listing as disclosed in the prospectus of the Company dated 30 December 2020 (the “**Prospectus**”), the Group did not have any significant investments, material acquisitions and disposal of subsidiaries, associates and joint ventures during FY2020.

Future plans for material investments and capital assets

As at 31 December 2020, the Group did not have any other plans for material investments and capital assets except for those disclosed in the section headed “Future Plans and Use of Proceeds” of the Prospectus.

Capital structure

The capital structure of the Group is mainly based on the equity attributable to Shareholders (including share capital and reserves). As at 31 December 2020, the total number of issued ordinary Shares was 10,000 with a par value of HK\$0.01 each (31 December 2019: 10,000 shares).

Pledge of/charge on assets

As at 31 December 2020, the interest-bearing borrowings of the Group were secured by leasehold properties recognised under right-of-use assets, properties insurance on the pledged leasehold properties, pledged bank deposits, guarantees provided by the ultimate controlling party and its related company and guarantee provided by the Government of the Hong Kong Special Administrative Region. Details of which are set out in note 17 to the consolidated financial statements.

Contingent liabilities

The Group did not have any significant contingent liability as at 31 December 2020 (2019: Nil).

Capital commitments

The Group did not have any capital commitment as at 31 December 2020 (2019: Nil).

Management Discussion and Analysis

Financial management and treasury policy

The Group's principal financial instruments comprise of trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, interest-bearing borrowings and lease liabilities.

The Group is exposed to risks associated with financial instruments. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner. The Group adopts prudent funding and treasury management policies while maintaining an overall healthy financial position.

In terms of mitigating credit risks, the Group selects the counterparties with reference to their past credit history and/or market reputation. The Group only trades with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The management of the Group limits the Group's exposure to credit risk by taking timely actions once there is any indication of recoverability problem of each individual debtor. The management of the Group also reviews the recoverable amount of each individual debtor, at the end of each reporting period to ensure adequate allowance is made for irrecoverable amount.

In terms of mitigating liquidity risks, the Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial liabilities and financial assets (e.g. trade and other receivables) and projected cash flows from operations. The Group's policy is to regularly monitor its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and cash equivalents as well as adequate banking facilities to meet its operation needs at any time.

In terms of mitigating interest rate risks, the Group currently does not have a policy to hedge against the interest rate risk as the management of the Group does not expect any significant interest rate risk at the end of each reporting period.

Foreign exchange exposure

The Group's operating subsidiaries incorporated in Hong Kong operates with most transactions being settled in HK\$, except for certain transactions which are denominated in US\$ or other currencies. The Group's operating subsidiaries incorporated in the PRC operate in the PRC and their functional currency is RMB. The Group's transactions are mainly denominated in HK\$, US\$ and RMB. As at 31 December 2020, foreign currency risk arose mainly because certain financial assets and financial liabilities of the Group are denominated in currencies other than the functional currency of the respective group entities.

Management Discussion and Analysis

EMPLOYEES AND PENSION SCHEMES

As at 31 December 2020, the Group had 40 (2019: 42) full-time employees, of which, 25 of them were in Hong Kong and the rest of them were stationed in the PRC. Total staff cost for FY2020 and FY2019 were approximately HK\$24.6 million and HK\$11.1 million, respectively.

The Group's standard remuneration package to its employees may include salary, discretionary bonus, benefits in kind and incentive. The Group determines the employee's remuneration based on factors such as their performance, qualification, position, duty, contributions, years of experience and local market conditions. The remuneration package of the Group's employees is periodically reviewed. The Group has also adopted a share option scheme ("**Share Option Scheme**") to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors consider that the Share Option Scheme will enable the Group to reward its employees, the Directors and other selected participants for their contribution to the Group. Details of the Share Option Scheme are set out in the section headed "Share Option Scheme" of this annual report.

The Group's management considers its employees as key assets which play a pivotal role in its continuous growth. It is the Group's policy to maximise the potential of its employees through training and development. The Group's employee training and development aim at equipping its employees with the knowledge and skills necessary to perform their job functions and enhance their capability.

As required by the relevant PRC laws and regulations, the Group has participated in housing fund and various employee social security plans that are organised by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury and unemployment benefit plans, under which contributions were made at specified percentages of the salaries of its employees.

The Group has arranged for its employees in Hong Kong to join the Mandatory Provident Fund Scheme (the "**MPF Scheme**"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, the Group's company in Hong Kong (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the Group's companies and its employees are subject to a cap of HK\$1,500 and thereafter contributions are voluntary.

Management Discussion and Analysis

OUTLOOK

COVID-19 Outbreak

Since January 2020, the outbreak of COVID-19 has an impact on the global business environment. As the Group's major business operation is in Hong Kong, and all its employees in Hong Kong and the PRC were able to continue their communication and cooperation with cargo space suppliers, logistics services providers and customers through electronic media, telephone and remote access to the Group's information technology system, there was no interruption to the Group's business, daily operations, employees and payment settlement from its customers. Pending on the development of COVID-19 subsequent to the date of this annual report, further changes in economic conditions may have an impact on the future financial results of the Group. The Group will closely monitor the situation of COVID-19 and react actively to its impact on the financial position and operating results of the Group. The Group will take appropriate measures as necessary and inform its Shareholders and potential investors of the Company as and when necessary.

U.S.-China Relations

The U.S.-China trade war commenced in July 2018 and subsequently intensified during FY2019, which resulted in a negative impact to the overall international trading activities globally. However, there has been favourable development between U.S. and China in FY2020, with commitments on both sides, and should bring positive effect on global trade in the near future. The U.S. and China entered into a phase one trade agreement on 15 January 2020 aimed at easing the U.S.-China trade war. According to the phase one agreement, both countries agreed on, inter alia, expanding trade in the future through cutting U.S. tariffs and boosting China's purchases of U.S. products. The Group will closely monitor further developments of the U.S.-China trade war and react actively to its impact on the financial position and operating results of the Group.

Looking forward, with the aim of further developing its business and continuing its growth, the Group will continue to implement the following strategies:

- strengthen the Group's market position in Hong Kong and the PRC by purchasing more cargo space in order to cater for its customers' demand;
- expand the Group's reach to potential customers in the PRC by establishing new offices in the PRC; and
- continue to improve the Group's ability to obtain cargo spaces through closer collaboration with airlines.

Management Discussion and Analysis

PURCHASE, SALE OR REDEMPTION OF SHARES

The Shares were first listed on GEM of the Stock Exchange on the Listing Date. Neither the Company nor any member of the Group had purchased, sold or redeemed any of the Shares during FY2020 and the period from the Listing Date to the latest practicable date ((being 25 March 2021) (the “**Latest Practicable Date**”) for the purpose of ascertaining the information contained in this annual report prior to its publication) (the “**Relevant Period**”).

FINAL DIVIDEND

The Board did not recommend the payment of any final dividend for FY2020 (FY2019: Nil).

Biographical Details of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Chiu Ricky Tong (趙彤), aged 50, founded the Group through the establishment of Grand Power Express International Limited (“**GP Express**”) in March 2002. Mr. Chiu is the executive Director, chairman and chief executive officer of the Company. He was appointed as the executive Director in March 2018, and is primarily responsible for formulating the overall business strategies and overseeing the business and operation of the Group.

Mr. Chiu has over 18 years of experience in the logistics industry and has been specialized in providing international freight forwarding services. He was the manager of Bao Shinn Express Company Limited (formerly known as Bao Shinn Travel Company Limited) (“**Bao Shinn**”) from August 1995 to December 2001, and has been the director of Bao Shinn since December 2001. Since March 2002, Mr. Chiu has been the president of GP Express. He was a director of Grand Power Logistics Group Inc, being the then holding company of GP Express that was listed on the TSX Venture Exchange in Canada, from October 2004 to January 2017.

Mr. Chiu obtained a bachelor of science in physics from Imperial College, University of London in 1993. He was further awarded a special diploma in social studies from Keble College, University of Oxford in 1994. Mr. Chiu is the husband of Ms. Wong Sheng Ning Candace, the non-executive Director.

Mr. Tse Chi Kwan Decky (謝志坤), aged 50, was appointed as an executive Director in March 2018. He is primarily responsible for managing and supervising the day-to-day operation of the Group.

Mr. Tse completed his secondary education in Hong Kong in 1987. Upon graduation, Mr. Tse joined a courier service company in 1989 and his last position when he left the company in 2003 was the senior manager of export air operation. He joined the Group in 2004 as the general manager and was responsible for leading and providing strategies for the sales and operation team, expanding existing and exploring new business opportunities and markets and developing the branch offices in South China. Since he became the managing director of GP Express in 2009, he has been responsible in leading the management team to fulfill corporate goals and objectives, setting up sales targets and supervising the daily operations of the Group. He was a director of Grand Power Logistics Group Inc. from 2013 to 2017 and provided advice and opinion to the board of directors on sales, business development and operation matters and was accountable to the board for achieving sales and business goals.

Biographical Details of Directors and Senior Management

Non-executive Directors

Ms. Wong Sheng Ning Candace (王晟寧), aged 47, was appointed as a non-executive Director in March 2018. She is primarily responsible for overseeing the risk management and control function of the Group.

Ms. Wong joined the Group in October 2004 and was appointed as a director of GP Express in April 2013. She was also a director of Grand Power Logistics Group Inc. from October 2004 to January 2017.

Ms. Wong has over 20 years of experience in credit control and risk management. Since June 2012 to present, Ms. Wong has been the Asia Pacific risk controller of TBWA Asia Pacific. Ms. Wong, from September 2004 to February 2012, was the regional credit and collections manager, and from February 2012 to June 2012, the project manager of Underwriters Laboratories, respectively, which is a safety consulting and certification company in the United States that maintains offices in 46 countries. She was a group credit controller (Asia Region) in Morgan & Banks (currently known as Hudson Global Resources (HK) Ltd.) from June 2000 to September 2004; a credit controller in JCDecaux Peaerl & Dean Limited from August 1999 to June 2000; and a credit control officer with Colliers Jardine (Hong Kong) Limited from March 1997 to August 1999.

Ms. Wong obtained a bachelor of arts from University of Toronto in 1997. Ms. Wong is the wife of Mr. Chiu Ricky Tong, the executive Director, chairman and chief executive officer of the Company.

Mr. Heung Wai Keung (香偉強), aged 38, was appointed as a non-executive Director in December 2020. He is primarily responsible for supervising the accounting and financial function of the Group.

Mr. Heung has over 16 years of experience in auditing, accounting and financing and financial management. In September 2017, Mr. Heung co-founded D & PARTNERS CPA LIMITED and has become one of the audit partners of the firm. He provided advisory and consulting services in relation to accountancy issues for companies across various industries. Mr. Heung worked at CHENG & CHENG LIMITED as senior audit manager from December 2016 to August 2017. He started to serve as an auditor at Deloitte Touche Tohmatsu in August 2004 and left as senior audit manager in November 2016, and was responsible for auditing and providing business advisory for various listed companies in Hong Kong.

Mr. Heung obtained a degree in bachelor of business administration in accounting from Hong Kong University of Science and Technology in November 2004. Mr. Heung has been a member of the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) since January 2008 and a practising member of the HKICPA since May 2017.

Biographical Details of Directors and Senior Management

Independent non-executive Directors

Mr. Tam Ka Hei Raymond (譚家熙), aged 40, was appointed as an independent non-executive Director in December 2020.

Mr. Tam has also been appointed as an independent non-executive director of Cornerstone Technologies Holdings Limited (listed on GEM, stock code: 8391) and Til Enviro Limited (listed on the Stock Exchange, stock code: 1790) since 1 July 2019 and 4 October 2018, respectively.

Mr. Tam has over 12 years of experience in corporate finance. He is currently a director of the corporate finance department at Yu Ming Investment Management Limited, a wholly-owned subsidiary of Da Yu Financial Holdings Limited (listed on the Stock Exchange, stock code: 1073) and a licensed holder to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Cap. 571) (the “SFO”).

Mr. Tam obtained a bachelor of arts degree in accounting and finance with computing from University of Kent, the United Kingdom in July 2002.

Mr. Ng Hung Fai Myron (吳鴻揮), aged 50, was appointed as an independent non-executive Director in December 2020.

Since September 2011, Mr. Ng has been the assistant general manager of the Link Management Limited (listed on the Stock Exchange, stock code:823). He was a senior inspector at the Hong Kong Police Force from March 1996 to November 2011.

From June 2018 to April 2020, Mr. Ng was an independent non-executive director of FSM Holdings Limited (listed on the Stock Exchange, stock code: 1721).

Mr. Ng obtained a bachelor of arts from University of Western Ontario, Canada in June 1995. In December 2003, he obtained a master of arts in Chinese politics and administrative law from Chinese University of Hong Kong. Mr. Ng further obtained an executive master of business administration from Richard Ivey School of Business in University of Western Ontario in March 2008. In June 2017, Mr. Ng was awarded a master of science in financial analysis from Hong Kong University of Science and Technology.

Biographical Details of Directors and Senior Management

Mr. Yu Tak Chi Michael (余德智), aged 39, was appointed as an independent non-executive Director in December 2020.

Mr. Yu has over 15 years of experience in auditing, accounting and financing and financial management. He is currently a principal of Zhonghui Anda CPA Limited, where he is primarily responsible for providing corporate advisory services and external financial audits for various listed companies in Hong Kong. From November 2005, he worked at Ernst & Young and Pricewaterhouse Coopers in Hong Kong for a total of approximately 13 years, of which he left as the senior manager of Pricewaterhouse Coopers in July 2018.

Mr. Yu obtained a degree in bachelor of arts in language studies with business in June 2005 and a post graduate diploma on accounting in November 2005 from Hong Kong Polytechnic University. In May 2010, he became a member of HKICPA.

Mr. Yeung Kwong Wai (楊光偉), aged 47, was appointed as an independent non-executive Director in December 2020.

Mr. Yeung has more than 22 years of auditing, accounting, financial management and corporate governance experience. He is a Certified Public Accountant (Practising) of HKICPA and a member of the American Institute of Certified Public Accountants. He is also a CFA charterholder.

Mr. Yeung is currently a director of Global Glory CPA Limited, an accounting firm in Hong Kong, where he is primarily responsible for providing corporate advisory services, company secretarial services and external financial audit for companies in Hong Kong and PRC. From July 2016 to December 2017, Mr. Yeung was the company secretary of Nexion Technologies Limited (listed on GEM, stock code: 8420). He was an independent non-executive director of Dadi International Group Limited (listed on GEM, stock code: 8130) from September 2015 to March 2018. From March 2010 to June 2014, Mr. Yeung had been a director of an accounting firm, CYC CPA Limited. He joined Hembly International Holdings Limited (now known as Capital Environment Holdings Limited) (listed on the Stock Exchange, stock code: 3989) in November 2005 as an assistant to the chairman, and was appointed as a joint company secretary from August 2007 to July 2008, where he was primarily responsible for the company's business development and corporate governance. He acted as the financial controller and company secretary of Huafeng Textile International Group Limited (now known as Blockchain Group Company Limited) (listed on the Stock Exchange, stock code: 364) from September 2003 to June 2005, where he was primarily responsible for the company's overall financial management and corporate governance. From December 1997, he worked at Deloitte Touche Tohmatsu and Ernst & Young in Hong Kong for a total of approximately five years, where he was primarily responsible for performing external financial audit for listed and private companies.

Biographical Details of Directors and Senior Management

Senior Management and Company Secretary

Mr. Li Chun Fung (李震鋒), aged 39, joined the Group and was appointed as the company secretary in July 2018.

Mr. Li has been providing corporate services to a variety of Hong Kong listed companies and offshore companies and has extensive experience in corporate governance and compliance matters. Since April 2015, he has also been the company secretary of Nan Nan Resources Enterprise Limited (listed on the Stock Exchange, stock code: 1229).

Mr. Li graduated from the Imperial College, University of London with a master degree in chemical engineering in August 2004. Mr. Li is a member of HKICPA.

Report of the Directors

The Directors hereby present the report of the Directors and the audited consolidated financial statements of the Group for FY2020.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of air-freight and ocean-freight forwarding services as an integrated logistics services provider, which involve arranging shipment upon receipt of booking instructions from its customers, obtaining cargo space from cargo space suppliers (including airlines, shipping liners and other freight forwarders) and preparing the relevant documentations (such as customs clearance from origin of consignment). The Group also arranges ancillary logistics services to its air freight forwarding services, including cargo pick up, cargo handling at ports and local transportation and warehousing related services (such as repackaging, labelling, palletising, customs clearance and warehousing) to meet the requirements of its customers.

Discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a fair review of business and an indication of likely future developments in the Group's business, can be found in the section headed "Management Discussion and Analysis" on pages 6 to 15 of this annual report and note 1 to the consolidated financial statements in this annual report. Such discussion forms part of this "Report of the Directors".

SEGMENT INFORMATION

An analysis of the Group's performance for FY2020 by operating segment is set out in note 3 to the consolidated financial statements in this annual report.

RESULTS AND DIVIDEND

The results of the Group for FY2020 are set out in the consolidated statement of profit or loss on page 56 of this annual report.

The Company has adopted a dividend policy that, in recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future business growth. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account the Group's financial results and cashflow, Shareholders' interests, general business conditions and strategies, current and future operations, liquidity and capital requirements, taxation considerations, statutory and regulatory restrictions and any other factors the Board may deem relevant.

The recommendation of the payment of dividend is subject to the determination of the Board, and any declaration of final dividend for the year will be subject to the approval of the Shareholders. The payment of dividend is also subject to any restrictions under the Companies Act and any other applicable laws, rule and regulations and constitutional documents of the Company.

The Directors did not recommend the payment of any final dividend for FY2020 to the Shareholders (FY2019: Nil).

Report of the Directors

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four years, as extracted from the consolidated financial statements and the Prospectus, is set out on page 122 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during FY2020 in the property, plant and equipment of the Group are set out in note 13 to the consolidated financial statements in this annual report.

SHARE CAPITAL

Details of movements during FY2020 in the share capital of the Company are set out in note 20 to the consolidated financial statements in this annual report.

RESERVES

Details of the movements in the reserves of the Group during FY2020 are set out in the consolidated statement of change in equity on page 60 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company did not have any reserve available for distribution to the Shareholders as calculated in accordance with the applicable laws of the Cayman Islands and the memorandum and articles of association of the Company (the "**Articles**").

RETIREMENT SCHEMES

Particulars of retirement benefit plans of the Group as at FY2020 are set out in note 2 to the consolidated financial statements in this annual report.

EQUITY LINKED AGREEMENTS

Save as disclosed under the section headed "Share Option Scheme" below, no equity-linked agreement was entered into by the Group, or existed during FY2020.

Report of the Directors

SHARE OPTION SCHEME

The Company conditionally adopted the Share Option Scheme on 11 December 2020, so as to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group.

The Directors may, at its absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares: (a) any employee (whether full-time or part-time, including any executive director but excluding any non-executive director) of the Company, any of its subsidiaries ("**Subsidiaries**") or any entity ("**Invested Entity**") in which the Group holds an equity interest; (b) any non-executive directors (including independent non-executive directors) of the Company, any Subsidiaries or any Invested Entity; (c) any supplier of goods or services to any member of the Group or any Invested Entity; (d) any customer of any member of the Group or any Invested Entity; (e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; (g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and (h) 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 growth of the Group.

The total number of Shares which may be 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 the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10.0% of the Shares in issue on the day on which dealings in the Shares first commence on GEM (i.e. not exceeding 30,000,000 Shares). The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1.0% of the issued share capital of the Company for the time being ("**Individual Limit**"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to the Shareholders and the Shareholders' approval in general meeting of the Company with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting. Unless otherwise determined by the Directors and stated in the offer, the grantee of the option 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. An option may be accepted by a participant within a period of 21 days from the day which such offer was made.

Report of the Directors

The subscription price per Share under the Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of a Share. A nominal consideration of HK\$1.0 is payable on acceptance of the grant of an option within a period of 21 days from the day on which an offer was made.

Unless there is an early termination of the Share Option Scheme pursuant to the rules of the Share Option Scheme, the Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted. The period during which an option may be exercised will be determined by the Directors in their absolute discretion, save that no option shall be exercised later than 10 years from the date of grant, subject to early termination of the Share Option Scheme pursuant to the rules of the Share Option Scheme. As at the Latest Practicable Date, the remaining life of the Share Option Scheme was approximately nine years and nine months.

Further details of the Share Option Scheme are set out in Appendix V to the Prospectus. Since the adoption of the Share Option Scheme and during FY2020, no option had been granted, exercised, lapsed or cancelled, and as at 31 December 2020, no options under the Share Option Scheme were outstanding.

DISCLOSURE OF INTERESTS

As the Shares were not yet listed on the Stock Exchange as at 31 December 2020, (i) Divisions 7 and 8 of Part XV of the SFO and section 352 of the SFO were not applicable to the Directors or chief executives of the Company; and (ii) Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO were not applicable to the substantial Shareholders as at 31 December 2020.

(I) Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV

Report of the Directors

of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Name of Director	Capacity/Nature of Interest	Total Number of Shares held (L)^(Note 1)	Approximate Percentage of Shareholding
Mr. Chiu Ricky Tong ("Mr. Chiu")	Interest in controlled corporations ^(Note 2)	225,000,000	75%
Wong Sheng Ning Candace ("Ms. Wong")	Interest of spouse ^(Note 3)	225,000,000	75%

Notes:

1. The letter "L" denotes the entity/person's long position in the Shares.
2. These 225,000,000 Shares are held as to 50% by Peak Connect International Limited ("**Peak Connect**") and 50% by Profit Virtue Worldwide Limited ("**Profit Virtue**"). Peak Connect is owned as to 92.32% and 7.68% by Mr. Chiu and Ms. Wong, respectively. Profit Virtue is wholly owned by Mr. Chiu. Therefore, Mr. Chiu is deemed to be interested in all the Shares held by Peak Connect and Profit Virtue for the purpose of the SFO.
3. Ms. Wong is the spouse of Mr. Chiu, and is therefore deemed to be interested in all the Shares in which Mr. Chiu has interest for the purpose of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Director nor the chief executive of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in rules 5.46 to 5.67 of the GEM Listing Rules.

Report of the Directors

(II) Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares of the Company

So far as the Directors are aware, as at the Latest Practicable Date, the following persons/entities (other than the Directors or the chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company under section 336 of the SFO, or otherwise notified to the Company were as follows:

Name of Shareholder	Capacity/Nature of Interest	Total Number of Shares held (L) ^(Note 1)	Approximate Percentage of Shareholding
Profit Virtue	Beneficial owner	112,500,000	37.5%
Peak Connect	Beneficial owner	112,500,000	37.5%

Note:

1. The letter "L" denotes the entity/person's long position in the Shares.

Save as disclosed above, as at the Latest Practicable Date, no person, other than the Directors and chief executive of the Company whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporations" above, had notified the Company of an interest or short position in the Shares, underlying Shares or debenture of the Company that was required to be recorded in the register required to be kept by the Company pursuant to section 336 of the SFO or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

During FY2020, so far as the Company is aware, the aggregate revenue attributable to the five largest customers and the largest customer accounted for approximately 70.2% (FY2019: approximately 36.6%) and approximately 41.3% (FY2019: approximately 13.5%), respectively, of the Group's total revenue for FY2020. Purchases from the Group's five largest suppliers accounted for approximately 64.3% (FY2019: approximately 68.8%) of the Group's total purchase for FY2020 and the purchase from the largest supplier included therein amounted to approximately 21.8% (FY2019: approximately 22.6%), respectively, of the Group's total purchase for FY2020.

As far as the Directors are aware, none of the Directors, or any of their close associates (as defined under the GEM Listing Rules) or Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital), had any beneficial interest in the Group's five largest customers or suppliers during FY2020.

DIRECTORS

The Directors during FY2020 and up to the date of this annual report were as follows:

Executive Directors

Mr. Chiu Ricky Tong (*Chairman and Chief Executive Officer*)

Mr. Tse Chi Kwan Decky

Non-executive Directors

Ms. Wong Sheng Ning Candace

Mr. Heung Wai Keung ^(Note)

Independent Non-executive Directors

Mr. Tam Ka Hei Raymond ^(Note)

Mr. Ng Hung Fai Myron ^(Note)

Mr. Yu Tak Chi Michael ^(Note)

Mr. Yeung Kwong Wai ^(Note)

Note:

Mr. Heung was appointed as a non-executive Director and each of Mr. Tam, Mr. Ng, Mr. Yu and Mr. Yeung were appointed as an independent non-executive Director on 11 December 2020.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND CHANGES IN INFORMATION OF DIRECTORS

Brief biographical details of the Directors including the changes in the Directors' information (if any) subsequent to the date of the Prospectus (i.e. 30 December 2020) are included in the section headed "Biographical Details of Directors and Senior Management" on pages 16 to 20 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company on 11 December 2020 for an initial term of three years commencing from the Listing Date and will continue thereafter unless and until (i) terminated by the Company or the Director; or (ii) the Director has not been re-elected as a Director or has been removed by Shareholders at any of its general meeting in accordance with the Articles.

Each of the non-executive Directors and independent non-executive Directors was appointed on 11 December 2020 under a letter of appointment for a fixed term of three years commencing from the Listing Date unless terminated by the Company or the Director in accordance with the terms as set out in the letter of appointment.

Save as disclosed above, none of the Directors proposed for re-election at the forthcoming annual general meeting of the Company has or is proposed to have a service agreement with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than the statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which the Director or a connected entity of the Director had a material interest, whether directly or indirectly, subsisted as at, or at any time during FY2020.

CONTROLLING SHAREHOLDERS' INTERESTS

No contract of significance has been entered into between the Company or any of its subsidiaries and controlling shareholder or any of its subsidiaries during FY2020. In addition, no contract of significance for the provision of services was entered into between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries.

Report of the Directors

EMOLUMENTS OF THE DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of Directors and the five highest paid individuals of the Group during FY2020 are set out in notes 7 and 8 to the consolidated financial statements in this annual report.

EMOLUMENT POLICY

The Remuneration Committee is set up for reviewing the Group's emolument policy and structure for making recommendation to the Board on the overall remuneration policy and structure relating to all Directors, senior management and general staff of the Group. The remunerations of the Directors are determined by reference to the economic situation, the prevailing market condition, the responsibilities and duties assumed by each Director as well as their individual performance.

The Company adopted the Share Option Scheme and no options had been granted since its adoption. Details of the Share Option Scheme are set out in the section headed "Share Option Scheme" in this annual report.

COMPETING INTERESTS

The Directors are not aware of any business or interest of Directors nor the controlling Shareholders nor any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any conflicts of interests which any such person has or may have with the Group during FY2020.

LEGAL PROCEEDINGS AND COMPLIANCE

During FY2020, the Group was involved in a civil claim against one of its customers (the "**Customer**") for outstanding debt recovery of approximately HK\$8.1 million with overdue interest. The Company was informed that a winding up order was granted in October 2020 pursuant to which the Customer was wound up by the court under the provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance. The Group's lawyer attended each of the meetings of the creditor's committee held in November and December 2020, respectively.

Details of the civil claim are set out in the sections headed "Financial Information — Description of selected items in combined statements of profit or loss and other comprehensive income — Provision for impairment loss on trade receivables" and "Business — Legal proceedings and compliance" in the Prospectus.

Report of the Directors

Save as disclosed above, to the best knowledge of the Directors, as at the Latest Practicable Date, there were no legal proceedings or claims currently existing, pending or threatened against any member of the Group that the Directors consider will have a material adverse effect on the financial conditions or results of operation of the Group. During FY2020, the Group's business operations had complied with applicable laws, rules and regulations in the places where the Group operates in all material respects.

INTERESTS OF COMPLIANCE ADVISER

As notified by VBG Capital Limited ("**VBG**"), the compliance adviser of the Company, save for the compliance adviser agreement entered into between the Company and VBG dated 11 December 2020, neither VBG nor any of its close associates (as defined in the GEM Listing Rules), the directors or employees had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) which is required to be notified to the Company pursuant to rule 6A.32 of the GEM Listing Rules as at 31 December 2020 and up to the date of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

The following is a list of principal risks and uncertainties that may affect the business, financial condition, results of operations and growth prospects of the Company. However, this list is not exhaustive as there may be other risks and uncertainties resulting from changes in economic condition and operating environment over time:

1. **Economic and political risk:** The Group's international freight forwarding business may be significantly affected by changes in global economic and social conditions. Trade war or restrictions, whether in form of embargo, tariff, or otherwise, effected between two or more states, including the risks arising from events between the PRC and the U.S., could materially and adversely affect the Group's business, financial condition and results of operations. The outbreak of the contagious COVID-19 in the PRC, Hong Kong and worldwide may also have a material adverse effect on the Group's business, results of operations and financial condition. Uncertainties relating to the growth and profitability of the e-commerce industry in China may adversely affect the Group's customers, which are freight forwarders focusing on e-commerce logistics services, and thus the Group's revenue and business prospects may be adversely affected.
2. **Business risk:** The Group's revenue is susceptible to the fluctuations in the demand and supply of cargo spaces from its customers and suppliers. The Group is dependent on its suppliers, and any disruption, non-performance and delayed performance in the business activities of these suppliers may adversely affect its Group's reputation and results of business. On the other hand, the Group is dependent on its customers' business performance and their continuing demand for international freight forwarding services. Further, a majority of the cargo spaces the Group source are non-committed purchases and therefore the Group may not be able to meet its customers' demand.

Report of the Directors

3. Cash flow risk: The Group's cash flow may deteriorate due to potential mismatch in time between receipt of payments from its customers and payments to its suppliers, and the Group may take a long time to collect its trade receivables. The credit risk of the slow settlement by the Group's customers or, failure to collect the trade receivables from its customers, may result in a material adverse impact on the Group's business, results of operations and financial condition.
4. Financial risk: The Group is exposed to financial risks including price risk, interest rate risk, foreign currency risk, credit risk and liquidity risk. For details of such financial risks, please refer to note 25 to the consolidated financial statements in this annual report.

A detailed discussion of the risk factors is set out in the section headed "Risk Factors" of the Prospectus.

The Group has developed a risk management and internal control system to identify current risks and has undertaken necessary measures to mitigate the risks identified. Details of the Group's risk management and internal control system are set out in "Corporate Governance Report" of this annual report.

KEY RELATIONSHIP WITH THE GROUP'S EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHER STAKEHOLDERS

The Group is committed to operate in a sustainable manner while balancing the interests of its various stakeholders including customers, suppliers and employees.

The Group believes that employees are instrumental to the success of the Group and that their industry knowledge and understanding of the market will enable the Group to maintain the competitiveness in the market. Thus, the Group develops a desirable working environment, provides competitive remuneration packages to attract and motivate the employees, and regularly reviews the remuneration package of the employees and makes necessary adjustments to conform to the market standard. Share options may also be granted for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group's operations. For further details of the benefits of the employees, please refer to the section headed "Employees and Pension Schemes" in this annual report.

The Group also recognizes that it is important to maintain good and stable relationship with its current and potential customers, suppliers and other stakeholders to achieve its long-term goals and maintain sustainable development of the Group. Accordingly, the Directors and senior management have kept good communication and enhanced cooperation, promptly exchanged ideas and shared business updates with its customers and suppliers and other stakeholders when appropriate.

For FY2020, there was no material and significant dispute between the Group and any of its employees, customers, suppliers and other stakeholders.

Report of the Directors

PERMITTED INDEMNITY PROVISIONS

Every Director shall be entitled under the Articles to be indemnified out of the assets of the Company against all actions, costs, charges, losses or liabilities incurred or sustained by him/her as a Director in the execution or discharge of his/her duty.

Since the Shares were not listed until the Listing Date, the Company did not maintain a directors and officers liability insurance during FY2020. As at the Latest Practicable Date, the Company had taken out insurance to protect the Directors against the potential costs and liabilities arising from claims brought against the Directors.

CONNECTED AND RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during FY2020 are set out in note 24 to the consolidated financial statements in this annual report. The related party transaction as set out in note 24(a) to the consolidated financial statements in this annual report falls under the definition of fully-exempt continuing connected transaction under Chapter 20 of the GEM Listing Rules. Save as disclosed in this annual report and in the Prospectus, no other related party transactions constituted a connected transaction as defined under the GEM Listing Rules for FY2020.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Shares were first listed on GEM of the Stock Exchange on the Listing Date. Neither the Company nor any member of the Group had purchased, sold or redeemed any of the Shares during FY2020 and the Relevant Period.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company had maintained the prescribed public float required by the GEM Listing Rules as at the Latest Practicable Date.

AUDITOR

The consolidated financial statements for FY2020 have been audited by Mazars CPA Limited, who shall retire as the auditor of the Company in the forthcoming annual general meeting of the Company. The Board is in the process of identifying a suitable auditor to fill the casual vacancy arising from the retirement of Mazars CPA Limited. Further announcement in relation to the appointment of new auditor will be made by the Company if and when appropriate. There has not been any change in auditor of the Company in any of the preceding three years.

Report of the Directors

CORPORATE GOVERNANCE

Details of the corporate governance of the Company are set out in the section headed “Corporate Governance Report” on pages 36 to 49 of this annual report.

ENVIRONMENTAL POLICY

The Group is committed to conducting its business in an environmentally conscious manner and minimising the adverse effects caused by its operations on the environment. The Group encourages environmental protection and promotes awareness towards environmental protection to the employees. The Group reviews its environmental practices from time to time and will consider implementing further eco-friendly measures and practices in the operation of the Group’s businesses and enhancing environmental sustainability.

Details of the Group’s environmental, social and governance policies and performance during FY2020 shall be disclosed in a standalone environmental, social and governance report, which will be published in due course.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated, which oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

MANAGEMENT CONTRACTS

No contracts concerning management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during FY2020.

Report of the Directors

USE OF NET PROCEEDS FROM THE SHARE OFFER

The net proceeds (after deducting related underwriting fees and commissions and expenses payable in connection with the share offering) raised by the Company from Listing were approximately HK\$5.2 million (based on the final offer price of HK\$0.74 per share). As disclosed in the section headed “Future Plans and Use of Proceeds” of the Prospectus, the intended uses of net proceeds are set out as follows:

	Amount of net proceeds allocated HK\$ million (approximate)	Percentage of total amount (%) (approximate)	Expected time frame for utilising the net proceeds (Note)
Further developing the Group’s air freight forwarding business			
— Financing the Group’s additional payment obligation to procure new cargo spaces	3.1	59.7	By 31 December 2022
— Placing bank guarantee	1.0	19.2	By 30 June 2021
Open new regional office in the PRC			
— Initial setup costs	0.4	7.7	By 30 June 2021
— Recurring costs	0.1	1.9	By 30 June 2022
Undertaking charter flights	0.5	9.6	By 31 December 2021
General working capital	0.1	1.9	By 30 June 2021
Total	5.2	100.0	

Note: The expected timeline for utilising the net proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on current and future development of market conditions.

As at the Latest Practicable Date, there were no changes of the business plans from those disclosed in the Prospectus. The Group will gradually utilise the net proceeds in accordance with the intended purpose as disclosed in the Prospectus.

Report of the Directors

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain the entitlements to attend and vote at the forthcoming annual general meeting on Thursday, 27 May 2021, the register of members of the Company will be closed from Monday, 24 May 2021 to Thursday, 27 May 2021, both days inclusive, during which period no transfer of shares of the Company will be registered. Shareholders are reminded to ensure all properly executed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 pm on Friday, 21 May 2021.

REVIEW BY THE AUDIT COMMITTEE

The audited consolidated financial statements of the Group for FY2020 have been reviewed by the audit committee (the "**Audit Committee**"), which is of the opinion that the audited consolidated financial statements of the Group for FY2020 comply with applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made.

EVENTS OCCURRED SINCE END OF FY2020

For details of important events of the Group which have occurred since the end of FY2020, please refer to note 29 to the consolidated financial statements as set out in this annual report.

On behalf of the Board

CHIU Ricky Tong

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 25 March 2021

Corporate Governance Report

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability of the Company. The Directors also recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability.

As the Shares were not yet listed on the Stock Exchange until the Listing Date, the Corporate Governance Code in Appendix 15 (the “**CG Code**”) to the GEM Listing Rules was not applicable to the Company during the period under review. During the Relevant Period, the Company has applied the principles and complied with all applicable code provisions of the CG Code, save and except the deviation as follows:

Pursuant to paragraph A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The roles of chairman and chief executive officer of the Company are currently both performed by Mr. Chiu. The Board believes that having Mr. Chiu acting as both the chairman and chief executive officer will provide a strong and consistent leadership to the Group and allow for more effective strategic planning and management of the Group. Further, in view of Mr. Chiu’s experience in the industry, personal profile and role in the Group and the historical development of the Group, the Board believes that it is to the benefit of the Group in the business prospects that Mr. Chiu continues to act as both the chairman and chief executive officer. The Board considers that the balance of power and authority of the present arrangement will not be impaired as the Board comprises seven other experienced and high-caliber individuals including one other executive Director, two non-executive Directors and four independent non-executive Directors, who would be able to offer advice from various perspectives. In addition, for major decisions of the Group, the Company will consult appropriate Board committees and senior management. Considering the present size and the scope of business of the Group, the Board considers that it is not in best interest of the Company and Shareholders as a whole to separate the roles of the chairman and the chief executive officer, because the separation of which would render the decision-making process of the Company less efficient than the current structure. Therefore, the Directors consider that the present arrangement is beneficial to and in the interest of the Company and the Shareholders as a whole and the deviation from paragraph A.2.1 of the Code is appropriate in such circumstances.

In order to maintain good corporate governance and to fully comply with paragraph A.2.1 of the CG Code, the Board will regularly review the need to appoint different individuals to perform the roles of chairman of the Board and chief executive separately.

Corporate Governance Report

BOARD OF DIRECTORS

The Board is responsible for promoting the success of the Company by formulating overall business strategies and overseeing business, operation and risk management of the Group, as well as managing and supervising the accounting and financial function of the Group. The management is delegated with responsibility and authority by the Board for management of the day-to-day operation and administration of the Group. The management will provide a balanced and understandable assessment of the business performance, recent development and prospect of the Group on a regular basis.

The Board is the ultimate decision-making body for all matters considered material to the Group, and it is directly, and indirectly through its various committees (the “**Board Committees**”), responsible for performing the corporate governance duties as set out in code provision D.3.1 of the CG Code, which include:

- (a) to develop and review an issuer’s policies and practices on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to review and monitor the issuer’s policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- (e) to review the Company’s compliance with the Code and disclosure in the Corporate Governance Report.

The Board has also delegated various responsibilities to the Board Committees. Further details of the Board Committees are set out below in this annual report.

Corporate Governance Report

COMPOSITION OF THE BOARD

As at the date of this annual report, the Board comprises eight Directors, including two executive Directors, two non-executive Directors and four independent non-executive Directors as set out below:

Executive Directors

Mr. Chiu Ricky Tong (*Chairman and Chief Executive Officer*)

Mr. Tse Chi Kwan Decky

Non-executive Directors

Ms. Wong Sheng Ning Candace

Mr. Heung Wai Keung

Independent non-executive Directors

Mr. Tam Ka Hei Raymond

Mr. Ng Hung Fai Myron

Mr. Yu Tak Chi Michael

Mr. Yeung Kwong Wai

Save as disclosed in the section headed “Biographical Details of Directors and Senior Management” on pages 16 to 20 of this annual report, to the best knowledge of the Board, there are no other financial, business, family and other material/relevant relationships among the members of the Board as at the date of this annual report.

During the Relevant Period, the Board at all times met rule 5.05(1) and (2), and 5.05A of the GEM Listing Rules relating to the appointment of at least three independent non-executive directors representing more than one-third of the Board, with at least one of whom possessing appropriate professional qualifications or accounting or related financial management expertise. The Company has received from each independent non-executive Director an annual confirmation of his independence for the period from 11 December 2020 to 25 March 2021, and the Company considers that as at the date of this annual report, all of the independent non-executive Directors are independent in accordance with rule 5.09 of the GEM Listing Rules.

Corporate Governance Report

BOARD DIVERSITY

The Company has adopted a board diversity policy (the “**Board Diversity Policy**”) which sets out the objective and approach of which the Board could achieve and maintain a high level of diversity. The Company recognises the benefits of having a diversified Board, as such the Group will ensure that members of the Board have the appropriate balance of skills, experience and diversity of perspectives that are required to support the Group’s business strategies and sustainable development.

Pursuant to the Board Diversity Policy, the Group seeks to achieve Board diversity through consideration of various factors, including skills, regional and industry experience, background, race, gender and other qualities etc. Board appointments will be made on a merit basis and candidates will be considered against objective criteria, with due regard for the benefits of diversity on the Board. The Board will review the Board Diversity Policy on a regular basis to ensure its continued effectiveness.

The Board currently comprises eight members, including two executive Directors, two non-executive Directors and four independent non-executive Directors. The Directors obtained diplomas or degrees in various disciplines, including social studies, arts, business administration and accounting and finance. They also have a balanced mix of professional experience and industry background in logistics, credit control, risk management, corporate finance and accounting. The Group has also taken and will continue to take steps to promote gender diversity at all levels of the Company, including but without limitation at the Board and senior management levels. In particular, one of the existing board members of the Company is female. The Group will also ensure that there is gender diversity when recruiting staff at mid to senior level and engage more resources in career development and training female staff with the aim of promoting them to the senior management or directorship of the Company. The Group will continue to apply the principle of appointments based on merits with reference to the Board Diversity Policy as a whole.

BOARD PROCESS AND MEETINGS

The Board will adopt the practice of holding board meetings regularly, at least four times a year, and at approximately quarterly intervals.

At least 14 days’ notice of a Board meeting will be given to all Directors to provide an opportunity to attend and include matters for discussion in the agenda for a regular meeting. For other Board and Board Committee meetings, reasonable notice will be given by the Company. Board members are provided with all agenda and adequate information for their review within reasonable time before the meetings. The Board’s procedures comply with the Articles, as well as relevant rules and regulations.

Corporate Governance Report

Minutes of Board meetings and Board Committee meetings shall record in sufficient detail the matters considered and decisions reached. Draft and final versions of minutes shall be sent to all Directors for their comment and records respectively, within a reasonable time after the Board meeting is held. Minutes of Board meetings and Board Committee meetings are kept by the company secretary and are available for inspection by the Directors at any reasonable time on reasonable notice. Each Director is entitled to seek independent professional advice in appropriate circumstances at the expense of the Company.

During FY2020, the Company held a Board meeting for consideration and approval of resolutions relating to the Listing. All Directors attended the said meeting.

During the Relevant Period, a Board meeting was held to, among other things, consider, review and approve the audited consolidated financial statements of the Group for FY2020, review the sufficiency and effectiveness of the risk management and internal control systems. All Directors attended the said meeting.

The attendance of each Director at Board Committee meetings of the Company is set out in the discussion of the respective Board Committees in the sections below.

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors entered into a service contract with the Company and each of the non-executive Directors and independent non-executive Directors signed a letter of appointment. The said service contracts and letters of appointment are for an initial term of three years commencing from the Listing Date, subject to re-election in accordance with the Articles and termination in accordance with their respective terms.

Pursuant to article 84(1) of the Articles, at each annual general meeting, one-third of the Directors for the time being 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. However, article 84(2) of the Articles provides that a retiring Director shall be eligible for re-election. Pursuant to article 83(3) of the Articles, any Director appointed by the Board to fill the casual vacancy shall hold office until the first general meeting after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall be eligible for re-election.

As such, all Directors will retire from office as Director and being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company to be held on Thursday, 27 May 2021 in accordance with the Articles.

Corporate Governance Report

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct for securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in rules 5.48 to 5.67 of the GEM Listing Rules (the “**Model Code**”). Pursuant to rule 5.66 of the Model Code, the Directors have also requested any employee of the Company or director or employee of a subsidiary of the Company who, because of his office or employment in the Company or a subsidiary, is likely to possess inside information in relation to the securities of the Company, not to deal in securities of the Company when he would be prohibited from dealings by the Model Code as if he was a Director.

The Company had made specific enquiries with written guidelines in relation to the Model Code to all Directors and all Directors had confirmed that they complied with the required standards of dealings set out in the Model Code during the Relevant Period. In addition, the Company was not aware of any non-compliance of the Model Code by the senior management of the Group during the Relevant Period.

DIRECTORS’ TRAINING AND PROFESSIONAL DEVELOPMENT

The Group acknowledges the importance of continuing professional development for the Directors for the enhancement of corporate governance and internal control system. In this regard and in compliance with code provision A.6.5 of the CG Code, the Group shall arrange and fund suitable training for all Directors to participate in continuous professional development organized in the form of in-house training and seminars so as to keep them refreshed of their knowledge and skills and understanding of the Group’s business and to update their skills and knowledge on the latest development and changes in the roles, functions and duties of a listed company director, as well as the relevant statutes, the GEM Listing Rules and corporate governance practices.

According to the records kept by the Company, each of the Directors, namely Mr. Chiu Ricky Tong, Mr. Tse Chi Kwan Decky, Ms. Wong Sheng Ning Candace, Mr. Heung Wai Keung, Mr. Tam Ka Hei Raymond, Mr. Ng Hung Fai Myron, Mr. Yu Tak Chi Michael and Mr. Yeung Kwong Wai had attended seminars and/or trainings that are relevant to the Directors’ professional knowledge and skills and in performing their duties and responsibilities as Directors. Each Director keeps abreast of his/her responsibility as a Director and of the conduct, business activities and development of the Company.

BOARD COMMITTEES

The Board established four Board Committees, namely the Audit Committee, remuneration committee (the “**Remuneration Committee**”), nomination committee (the “**Nomination Committee**”) and financial reporting committee (the “**Financial Reporting Committee**”) by resolutions of the Directors passed on 11 December 2020, for overseeing particular aspects of the Group’s affairs. All Board Committees were established with written terms of reference in compliance with the relevant code provisions of the CG Code, which are available at the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.grandpowerexpress.com).

Corporate Governance Report

Audit Committee

The Audit Committee was established in compliance with Rule 5.28 of the GEM Listing Rules with written terms of reference in compliance with paragraph C.3.3 of the Corporate Governance Code. Among other things, the primary duties of the Audit Committee are to make recommendations to the Board on appointment or reappointment and removal of external auditor; review financial statements of the Company and judgments in respect of financial reporting; and oversee the effectiveness of the procedures of the internal control procedures of the Group. The Audit Committee consists of three independent non-executive Directors, namely Mr. Yu Tak Chi Michael (chairman), Mr. Tam Ka Hei Raymond and Mr. Yeung Kwong Wai.

As the Shares were only listed on the Stock Exchange on the Listing Date, no Audit Committee meeting was held during FY2020. During the Relevant Period, one Audit Committee meeting was held to, among other things, review the audited consolidated financial statements of the Group for FY2020, the accounting policies and practices adopted by the Group's annual report for FY2020 and the annual results announcement in relation to the audited consolidated results of the Group for FY2020, to evaluate the management systems adopted by the Group for financial and risk management and internal control procedures and the Company's internal audit function. All members attended the said meeting.

The Audit Committee had, together with the management, reviewed the audited consolidated financial statements of the Group for FY2020. The Audit Committee is satisfied that the audited consolidated financial statements have complied with the applicable accounting standards and the requirements under the GEM Listing Rules.

Corporate Governance Report

Remuneration Committee

The Remuneration Committee was established in compliance with Rule 5.34 of the GEM Listing Rules with written terms of reference in compliance with paragraph B.1.2 of the Corporate Governance Code. Among other things, the primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors, senior management and general staff of the Group and ensure that none of the Directors or any of their associates determine their own remuneration. The Remuneration Committee consists of three independent non-executive Directors, namely Mr. Tam Ka Hei Raymond (chairman), Mr. Ng Hung Fai Myron and Mr. Yu Tak Chi Michael.

As the Shares were only listed on the Stock Exchange on the Listing Date, no Remuneration Committee meeting was held during FY2020. During the Relevant Period, one Remuneration Committee meeting was held to review the Company's policy and structure for the remuneration of all Directors and senior management, assess the performance of the executive Directors and the senior management, review the remuneration package of the executive Directors and the senior management and make recommendation to the Board on their remuneration. All members attended the said meeting.

Details of the remuneration payable to each Director for FY2020 are set out in note 7 to the consolidated financial statements in this annual report.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the Directors and senior management by band for FY2020 is set out below:

Emolument bands	No. of individuals
Nil to HK\$1,000,000	2
HK \$1,000,001 to HK \$1,500,000	Nil
HK \$1,500,001 to HK \$2,000,000	Nil
HK \$2,000,001 to HK \$2,500,000	1
HK\$ 2,500,000 to HK\$6,500,000	Nil
HK\$6,500,000 to HK\$7,000,000	1

Corporate Governance Report

Nomination Committee

The Nomination Committee was established with terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board annually; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to appointment or reappointment of Directors. The Nomination Committee consists of three independent non-executive Directors, namely Mr. Ng Hung Fai Myron (chairman), Mr. Tam Ka Hei Raymond and Mr. Yu Tak Chi Michael.

To ensure that the Board maintains a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business, and to enhance the nomination process for a Director candidate, a nomination policy was adopted during the Relevant Period as a guidance on the selection process and board succession planning. The Nomination Committee utilizes various methods for identifying director candidates, including recommendations from Board members, management, and professional search firms. The evaluation of Director candidates may include review of resume and job history, personal interviews, verification of professional and personal references and performance of background checks etc. In addition, the Nomination Committee will consider Director candidates, including incumbents and candidates nominated by the Shareholders, properly submitted by the Shareholders. The Nomination Committee will take into account whether a candidate has the qualifications, skills and experience, gender diversity, etc. that can add to and complement the range of skills, experience and background of existing Directors, and considers the following qualifications are at a minimum to be required of a Director candidate in recommendation to the Board, or the continued service of existing Director:

- the highest personal and professional ethics and integrity;
- proven achievement and competence in the nominee's field and the ability to exercise sound business judgment;
- skills that are complementary to those of the existing Board;
- the ability to assist and support management and make significant contributions to the Company's success;
- an understanding of the fiduciary responsibilities that is required of a member of the Board and the commitment of time and energy necessary to diligently carry out those responsibilities; and
- independence as required under the GEM Listing Rules.

The Board and the Nomination Committee will also make reference to the Board Diversity Policy, details of which are set out in the section headed "Board Diversity" above.

Corporate Governance Report

As the Shares were only listed on the Stock Exchange on the Listing Date, no Nomination Committee meeting was held during FY2020. During the Relevant Period, one Nomination Committee meeting was held to review the size and composition of the Board, assess the independence of the independent non-executive Directors and make recommendation on the re-election of retiring Directors. All members attended the said meeting.

Financial Reporting Committee

The Financial Reporting Committee was established pursuant to a resolution of the Directors passed on 11 December 2020. Among other things, the primary duties of the Financial Reporting Committee are to oversee the Group's financial reporting system risk management and internal control systems and review the Group's financial information and application of accounting policies. The Financial Reporting Committee consists of four members, including three independent non-executive Directors, namely Mr. Yu Tak Chi Michael, Mr. Tam Ka Hei Raymond and Mr. Yeung Kwong Wai (chairman), and a non-executive Director, namely Mr. Heung Wai Keung.

As the Shares were only listed on the Stock Exchange on the Listing Date, no Financial Reporting Committee meeting was held during FY2020. During the Relevant Period, two Financial Reporting Committee meetings were held to review the financial results for FY2020 and for the one month ended 31 January 2021, monitor integrity of the Company's financial statements and annual report and to review significant financial reporting judgments contained in them, as well as review the Company's financial controls, risk management and internal control systems. All members attended the said meetings.

COMPANY SECRETARY

The company secretary is responsible for advising the Board on corporate governance matters and maintaining minutes recorded in sufficient details of all the meetings of the Board and committees of the Company. All Directors have access to the advice and services of the company secretary to ensure that the Board procedures and all applicable laws, rules and regulations, are followed.

Mr. Li Chun Fung was appointed as the company secretary of the Company on 20 July 2018. Please refer to the section headed "Biographical Details of Directors and Senior Management" of this annual report for his biographical information.

Mr. Li confirmed that he has complied with rule 5.15 of the GEM Listing Rules by taking no less than 15 hours of relevant professional training during FY2020.

Corporate Governance Report

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparation of the consolidated financial statements which give a true and fair view of the state of affairs of the Group. In preparing the financial statements which give a true and fair view, it is fundamental that appropriate accounting policies should be selected and applied consistently. As at 31 December 2020, the Directors were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements of the Group.

INTERNAL CONTROL AND RISK MANAGEMENT

The Company recognises the importance of good internal control procedures and, as disclosed in the Prospectus, intends to adopt or have adopted a number of measures. In order to ensure compliance with applicable laws and regulations and related policies in different operational aspects, the Group has established and adopted an internal control system, covering areas such as, among other things (i) financial reporting; (ii) credit risk and cashflow mismatch; (iii) procurement and accounts payable; and (iv) human resources management. The Group believes that its internal control system is effective and adequate.

The Board has overall responsibility for the risk management and internal control systems for reviewing its effectiveness. The Group has an internal audit function which conducts review on adequacy and effectiveness of the risk management and internal control systems of the Group. Such review is conducted annually and cycles reviewed are under rotation basis. During FY2020, the Company engaged an external independent internal control consultant to conduct a review on the effectiveness of the Group's internal control system. The Group has implemented the recommendations from the independent internal control consultant to improve and enhance the Group's internal control system. The independent internal control consultant also performed a follow-up review on the status of the Group's actions and reported that the deficiencies identified have been remedied. As confirmed from the management of the Group, the Board believes that the internal control measures implemented by the Group are adequate and effective, and could effectively ensure a proper internal control system of the Group and prevent any occurrence of non-compliance incident in the future.

To strengthen the Group's internal control and ensure future compliance with the applicable laws and regulations (including the GEM Listing Rules), the Group has adopted the following additional internal control measures and processes:

- the Board will continuously monitor, evaluate and review the Group's internal control system to ensure compliance with the applicable legal and regulatory requirements and will adjust, refine and enhance the Group's internal control system as appropriate;
- the Group will regularly assess the credit rating of its customers and make amendments to their credit period and payment terms in accordance with the Group's assessment to minimise the risk of customer default and cashflow mismatch;

Corporate Governance Report

- the Group's management will continue to monitor the price change of cargo space in the market and frequently compare the purchase costs of the cargo space the Group sources from its suppliers against the prevailing market rates in order to maintain its price competitiveness;
- if necessary, the Group may consider arranging its Directors, members of senior management and relevant employees to attend trainings on the legal and regulatory requirements applicable to the Group's business operations from time to time; and
- the Group has appointed external legal advisers to advise it on matters relating to compliance with the GEM Listing Rules and if necessary, seek advice on the applicable laws and regulations in places of the Group's business operations.

INSIDE INFORMATION

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company has developed a policy on disclosure of inside information which provides guidelines and procedures to the Directors, senior management and employees in evaluating and handling confidential information and monitoring information disclosure. Internal control measures have been implemented to ensure that the procedures for the handling and disclosure of inside information are in compliance with the continuous disclosure obligations under the GEM Listing Rules and the disclosure of inside information requirements under the SFO.

The Board acknowledges that it is responsible for the risk management and internal control systems and for reviewing the effectiveness of the risk management and internal control systems. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Audit Committee and Financial Reporting Committee are also accountable for and will review the Company's financial controls, risk management and internal control systems on a regular basis.

AUDITOR'S REMUNERATION

For FY2020, the fee paid or payable in respect of the audit and non-audit services provided by the auditor of the Group, Mazars CPA Limited, were as follows:

Nature of services	Amount <i>HK\$'000</i>
Audit services for FY2020	1,000
Professional services for being the reporting accountants in relation to the Listing of Shares (<i>Note</i>)	5,860
Total	6,860

Note: The amount represents the total fee for the entire professional services as the reporting accountants for the Listing of Shares. Such professional fees have been/ will be recognised in varies accounting periods.

Corporate Governance Report

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

Procedures and Right for Shareholders to Convene Extraordinary General Meeting

The following procedures for Shareholders to convene an extraordinary general meeting are subject to the Articles, and the applicable legislation and regulations, in particular the GEM Listing Rules:

Any 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 carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (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 (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.

Shareholders may make reference to article 58 of the Articles for further details.

Procedures for Shareholders to Propose a Person for Election as a Director of the Company

If a Shareholder, who is duly qualified to attend and vote at the general meeting convened to deal with the appointment or election of Director(s), wishes to propose a person for election as a Director at that meeting, he/she may lodge a written notice at the Company's principal place of business in Hong Kong at Unit 817, 8/F, Tower B, Mandarin Plaza, 14 Science Museum Road, Kowloon, Hong Kong for the attention of the company secretary of the Company. Detailed procedures for Shareholders to propose a person for election as a Director can be found on the Company's website (www.grandpowerexpress.com).

Investors Relations

The Company has adopted its Shareholders' communication policy on 11 December 2020 reflecting mostly the current practices of the Company for communication with its Shareholders. Such policy aims to provide Shareholders with information about the Company and enabling them to engage actively with the Company and exercise their rights as shareholders in an informed manner.

Corporate Governance Report

In order to ensure timely, transparent and accurate communications between the Shareholders and the Company, information shall be communicated to Shareholders through the Company's financial reports (quarterly, half-year and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available all the (i) corporate communication documents including, but not limited to, copy of annual reports, half-year reports, quarterly reports, notices of meeting, circulars, proxy forms ("**Corporate Communication**"); (ii) other documents issued by the Company which are published on the website of the Stock Exchange for the information or action of holders of any of its securities, including announcements, monthly returns on movements in the Company's securities for each month and next day disclosure returns; (iii) constitutional documents of the Company and board committees, (iv) corporate information including list of Directors; and (v) other Corporate Communication which are published on the Company's website, including the procedures Shareholders can use to propose a person for election as a Director.

Latest news and updates of the Group's business and operation are also available on the Company's website (www.grandpowerexpress.com).

Putting forward Enquiries to the Board

Shareholders may send written enquiries to the Company for the attention of the company secretary at the Company's principal place of business in Unit 817, 8/F, Tower B, Mandarin Plaza, 14 Science Museum Road, Kowloon, Hong Kong.

Putting forward Proposals at a General Meeting

A Shareholder shall make a written requisition to the Board or the company secretary at the principal place of business in Hong Kong of the Company at Unit 817, 8/F, Tower B, Mandarin Plaza, 14 Science Museum Road, Kowloon, Hong Kong, specifying the shareholding information of the Shareholder, his/her contact details and the proposal he/she intends to put forward at general meeting regarding any specified transaction/business and its supporting documents.

CONSTITUTIONAL DOCUMENTS

The Articles were conditionally adopted pursuant to written resolutions passed on 11 December 2020 and effective from 13 January 2021. A copy of the Articles is available at the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.grandpowerexpress.com). There had been no changes in the Articles since the Listing Date to the date of publication of this annual report.

Independent Auditor's Report



MAZARS CPA LIMITED

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To the members of

Grand Power Logistics Group Limited

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Grand Power Logistics Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on 56 to 121, which comprises the consolidated statement of financial position at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group at 31 December 2020, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
<i>Recognition of expenses for the initial listing of the shares of the Company</i>	
<i>Refer to Note 2 to the consolidated financial statements</i>	
<p>Relevant costs incurred for the initial listing of the shares of the Company are allocated and classified among (i) profit or loss as listing expenses, and (ii) equity as a reduction of share premium upon the capitalisation issue, on the basis that whether the costs are (a) costs for the Company to obtain the listing status or (b) incremental costs for the Company to raise additional funds from the issue of new shares. Such allocation of costs involved significant judgement of the management. During the year ended 31 December 2020, costs attributable to obtaining the listing status of HK\$10,171,000 (2019: HK\$7,058,000) were charged to profit or loss.</p>	<p>Our procedures, among others, included:</p> <ul style="list-style-type: none">a) enquiring the management of the Group on the basis of classification and allocation for the relevant costs and assessing the reasonableness of these basis with reference to the applicable accounting standards and guidelines; andb) checking samples of expenses items that made up the total costs incurred for the initial listing of the shares of the Company to invoices and agreements to confirm the natures of the items and checking whether these items have been correctly classified and allocated according to the basis determined by the management of the Group.
<p>We have identified the above matter as a key audit matter because the amounts involved are significant and the classification and allocation of relevant costs incurred involves a significant degree of management judgement and therefore is subject to an inherent risk of error.</p>	

Independent Auditor's Report

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
<p>Loss allowances for expected credit loss ("ECL") of trade receivables</p> <p><i>Refer to Note 14 to the consolidated financial statements</i></p> <p>At 31 December 2020, the Group had trade receivables (net of loss allowance for ECL) of HK\$185,224,000 (2019: HK\$89,506,000). The loss allowance for ECL was HK\$1,566,000 (2019: HK\$10,059,000) at 31 December 2020.</p> <p>In determining the ECL for trade receivables, the management of the Group assesses whether the credit risk on trade receivables has increased significantly since initial recognition and whether trade receivables are credit impaired, and considers the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions. The Group engaged an independent professional valuer to provide valuation in this regard.</p> <p>We identified the loss allowance for ECL on trade receivables as a key audit matter due to its significance to the consolidated financial statements, and the use of judgement and estimation by the management of the Group in evaluating the ECL of trade receivable.</p>	<p>Our procedures, among others, included:</p> <ul style="list-style-type: none">a) enquiring the management of the Group to understand the Group's process for estimating the ECL of trade receivables;b) evaluating the independent professional valuer's competence, capabilities and objectivity;c) assessing the methodologies used and the appropriateness of key assumptions adopted;d) checking the accuracy and relevance of the input data used;e) evaluating the design and implementation of key controls relating to estimation of loss allowances for ECL of trade receivables;f) evaluating the judgement made by the management of the Group in identifying trade receivables with significant increase in credit risk and credit-impaired trade receivables;g) assessing whether the loss allowances for ECL of trade receivables is properly supported by referring to available forward-looking information, the debtors' ageing analysis, settlement record and history of bad debt;h) for credit-impaired trade receivables, testing and evaluating the reasonableness of the loss allowances made on specific customers with material impaired balances with reference to the future estimated cash flows from the customers prepared by the management of the Group, including the expected recoverable amount from counterparties or guarantors, on a sample basis; andi) recalculating the loss allowances ECL of trade receivables made by the management of the Group.

Independent Auditor's Report

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the 2020 annual report of the Company but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Mazars CPA Limited

Certified Public Accountants

42nd Floor, Central Plaza

18 Harbour Road, Wanchai

Hong Kong, 25 March 2021

The engagement director on the audit resulting in this independent auditor's report is:

She Shing Pang

Practising Certificate number: P05510

Consolidated Statement of Profit or Loss

Year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
Revenue	4	871,883	353,341
Cost of services		(777,506)	(319,413)
<hr/>			
Gross profit		94,377	33,928
Other income	5	2,705	829
Administrative and other operating expenses		(51,740)	(23,139)
Provision for impairment loss on trade receivables	14(b)	(1,566)	(8,597)
Finance costs	6	(2,485)	(3,096)
Listing expenses		(10,171)	(7,058)
<hr/>			
Profit (Loss) before income tax	6	31,120	(7,133)
Income tax expenses	9	(7,946)	(306)
<hr/>			
Profit (Loss) for the year		23,174	(7,439)
<hr/>			
Earnings (Losses) per share attributable to owners of the Company			
		HK\$ cents	HK\$ cents
Basic and diluted	10	10.30	(3.31)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2020

	2020 HK\$'000	2019 HK\$'000
Profit (Loss) for the year	23,174	(7,439)
Other comprehensive loss:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on consolidation	(399)	(541)
Total comprehensive income (loss) for the year	22,775	(7,980)

Consolidated Statement of Financial Position

At 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Property, plant and equipment	13	34,662	35,836
Deferred tax assets	19	126	74
		34,788	35,910
Current assets			
Trade and other receivables	14	193,773	98,227
Tax recoverable		—	89
Pledged bank deposits	15	24,696	29,685
Bank balances and cash	15	27,580	26,141
		246,049	154,142
Current liabilities			
Trade and other payables	16	122,203	50,457
Tax payables		7,504	—
Interest-bearing borrowings	17	48,038	58,576
Lease liabilities	18	596	771
		178,341	109,804
Net current assets		67,708	44,338
Total assets less current liabilities		102,496	80,248
Non-current liabilities			
Lease liabilities	18	—	527
		—	527
NET ASSETS		102,496	79,721

Consolidated Statement of Financial Position

At 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
Capital and reserves			
Share capital	20	—*	—*
Reserves	21	102,496	79,721
TOTAL EQUITY		102,496	79,721

* Represent amounts less than HK\$1,000.

The consolidated financial statements on pages 56 to 121 were approved and authorised for issue by the Board of Directors on 25 March 2021 and signed on its behalf by

Chiu Ricky Tong

Director

Tse Chi Kwan Decky

Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2020

	Share capital HK\$'000 (Note 20)	Capital reserve HK\$'000 (Note 21(a))	Translation reserve HK\$'000 (Note 21(b))	Reserves		Total HK\$'000
				Statutory reserve HK\$'000 (Note 21(c))	Accumulated (losses) profits HK\$'000	
At 1 January 2019	—*	97,438	(288)	110	(9,559)	87,701
Loss for the year	—	—	—	—	(7,439)	(7,439)
Other comprehensive loss:						
<i>Items that may be reclassified subsequently to profit or loss</i>						
Exchange differences on consolidation	—	—	(541)	—	—	(541)
Total comprehensive loss for the year	—	—	(541)	—	(7,439)	(7,980)
At 31 December 2019	—*	97,438	(829)	110	(16,998)	79,721
At 1 January 2020	—*	97,438	(829)	110	(16,998)	79,721
Profit for the year	—	—	—	—	23,174	23,174
Other comprehensive loss:						
<i>Items that may be reclassified subsequently to profit or loss</i>						
Exchange differences on consolidation	—	—	(399)	—	—	(399)
Total comprehensive (loss) income for the year	—	—	(399)	—	23,174	22,775
At 31 December 2020	—*	97,438	(1,228)	110	6,176	102,496

* Represent amounts less than HK\$1,000.

Consolidated Statement of Cash Flows

Year ended 31 December 2020

	2020 HK\$'000	2019 HK\$'000
OPERATING ACTIVITIES		
Profit (Loss) before income tax	31,120	(7,133)
Adjustments for:		
Depreciation	2,723	3,640
Dividend income	—	(73)
Exchange differences	(1,472)	(11)
Finance costs	2,485	3,096
Interest income	(49)	(179)
Gain on redemption of mutual fund units	—	(453)
Provision for impairment loss on trade receivables	1,566	8,597
Reversal of impairment loss on trade receivables	(647)	(28)
Operating cash inflows before movements in working capital	35,726	7,456
Changes in working capital:		
Trade and other receivables	(96,465)	17,933
Trade and other payables	71,746	(10,605)
Cash generated from operations	11,007	14,784
Income tax paid	(405)	(668)
Interest paid	(2,485)	(3,096)
Net cash from operating activities	8,117	11,020
INVESTING ACTIVITIES		
Decrease (Increase) in pledged bank deposits	4,989	(5,991)
Dividend received	—	73
Interest received	49	179
Purchase of property, plant and equipment	(1,338)	(177)
Proceeds from redemption of mutual fund units	—	18,231
Net cash from investing activities	3,700	12,315

Consolidated Statement of Cash Flows

Year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
FINANCING ACTIVITIES	23(b)		
Inception of interest-bearing borrowings		87,944	91,163
Repayment of interest-bearing borrowings		(98,482)	(102,682)
Repayment of lease liabilities		(848)	(1,228)
Net cash used in financing activities		(11,386)	(12,747)
Net increase in cash and cash equivalents		431	10,588
Cash and cash equivalents at beginning of the year		26,141	16,094
Effect on exchange rate changes		1,008	(541)
Cash and cash equivalents at the end of year, represented by bank balances and cash		27,580	26,141

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

Grand Power Logistics Group Limited (the “Company”, together with its subsidiaries are collectively referred to as the “Group”) was incorporated in the Cayman Islands as an exempted company with limited liability on 29 March 2018 under the Companies Act of the Cayman Islands. The shares of the Company were listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 13 January 2021 (the “Listing”). The address of the Company’s registered office is Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company’s principal place of business and the Group’s headquarter is situated at Unit 817, 8/F, Tower B, Mandarin Plaza, 14 Science Museum Road, Kowloon, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of air-freight and ocean-freight forwarding services as an integrated logistics services provider.

At the date of this report, in the opinion of the directors of the Company, the ultimate controlling parties are Mr. Chiu Ricky Tong and Ms. Wong Sheng Ning Candace (together the “Ultimate Controlling Party”), who have been acting in concert over the course of the Group’s business history.

Pursuant to a group reorganisation (the “Reorganisation”), which was completed on 20 July 2018, as detailed in the paragraph headed “Reorganisation” of the section headed “History, Reorganisation and Corporate Structure” of the prospectus dated 30 December 2020 (the “Prospectus”) issued in connection with the Listing, the Company became the holding company of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong. The consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”).

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”) and all amounts have been rounded to the nearest thousand (“HK\$’000”), unless otherwise indicated.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2019 consolidated financial statements as set out in Appendix I of the Prospectus, except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current period.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in accounting policies of new/revised HKFRSs

The Group has applied, for the first time, the following new/revised HKFRSs that are relevant to the Group:

Amendments to HKASs 1 and 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business

Amendments to HKASs 1 and 8: Definition of Material

The amendments clarify the definition of material and align the definition used across HKFRSs.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKFRS 3: Definition of a Business

The amendments, among others, revise the definition of a business and include new guidance to evaluate whether an acquired process is substantive.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

A summary of the principal accounting policies adopted by the Group in preparing the consolidated financial statements is set out below.

Basis of measurement

The measurement basis used in the preparation of the consolidated financial statements is historical cost basis.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company using consistent accounting policies.

All intra-group balance, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to the owners of the Company and the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Changes in ownership interest

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the holding company had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position which is presented within the notes to the consolidated financial statements, investments in subsidiaries are stated at cost less impairment loss. The carrying amount of the investments is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives at the annual rate/useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Right-of-use assets	Shorter of assets useful lives or the unexpired term of lease
Leasehold properties	Over the lesser of 50 years or the unexpired term of the lease
Leasehold improvements	20% — 50%
Computer equipment	20% — 33.33%
Furniture and fixtures	10% — 20%
Motor vehicles	20%

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument and, in case of financial assets, on trade date basis. Financial assets (except for trade receivables which are initially measured at transaction price) and financial liabilities of the Group are initially measured at fair value and transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than those measured at fair value through profit or loss ("FVPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs of financial assets or financial liabilities carried at FVPL are expensed in profit or loss.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Classification and measurement

(i) Financial assets

On initial recognition, a financial asset is classified as measured at amortised cost, FVPL or fair value through other comprehensive income ("FVOCI").

Financial assets are not reclassified subsequent to their initial recognition, except if and the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of financial assets depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its financial assets:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is calculated using the effective interest method.

Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/losses together with foreign exchange gains and losses. Impairment gains or losses are presented, if material, as separate line item in the statement of profit or loss.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Classification and measurement (Continued)

(i) Financial assets (Continued)

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss.

The Group's financial assets, including trade and other receivables, pledged bank deposits and bank balances and cash, are subsequently measured at amortised cost using the effective interest method less identified impairment charges, as the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income or are not designated as fair value through other comprehensive income are measured at FVPL.

(ii) Financial liabilities

Financial liabilities include trade and other payables, interest-bearing borrowings and lease liabilities. All financial liabilities (except for lease liabilities) are initially measured at their fair value, net of transaction costs incurred, if any, and, subsequently at amortised cost using the effective interest method.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. The loss allowance for expected credit losses is recognised on the financial assets measured at amortised costs, financial assets measured at FVOCI, and contract assets recognised under HKFRS 15. The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition. Impairment on these financial assets are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

If a significant increase in credit risk of a financial asset has occurred since initial recognition, then impairment is measured as lifetime expected credit losses unless the financial asset is determined to have a low credit risk at the reporting date. Nevertheless, the loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit losses.

A financial asset is considered to be in default if:

- the debtor is unlikely to settle the amounts due in full, without taking account of any collateral or security held; or
- the financial asset is more than 90 days past due.

A financial asset is considered as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidences that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or being more than 90 days past due;
- the Group, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession(s) that the Group would not otherwise consider;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation;

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment (Continued)

- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The Group considers the probability of default upon initial recognition of a financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the end of the reporting period with the risk of default as at the date of initial recognition with consideration of available reasonable and supportive forward-looking information, in particular the following indicators are incorporated:

- actual or expected significant adverse changes in external credit rating of the debtors;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and/or
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of the debtors in the Group.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due.

The gross carrying amount of a financial asset is written off (either in its entirety or a portion thereof) to the extent when there is no realistic prospect of recovering the financial asset. In general, this happens when the Group determines that it is likely that the debtor does not have assets or source of income that could generate sufficient cash flows to settle the amounts due. However, in accordance with the Group's policy for recovery, those financial assets that are written off could still be subject to enforcement activities.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the contractual rights to receive the cash flows of the financial assets expire; or where the Group transfers the financial assets and either (i) it has transferred substantially all the risks and rewards of ownership of the financial assets or (ii) it has neither transferred nor retained substantially all the risks and rewards of ownership of the financial assets but has not retained control of the financial assets.

Financial liabilities are derecognised when they are extinguished, i.e. when the obligation is discharged, cancelled or expires.

Cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Revenue recognition

The Group adopts 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 Group satisfies a performance obligation

Revenues are recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Control of the good or service is transferred over time if the Group's performance:

- provides the benefits which are received and consumed simultaneously by the customer as the Group performs;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete the satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods and services.

Freight forwarding services income is recognised over time upon the performance obligation is satisfied. Revenue is recognised over time when the Group transfers control of the services over time, based on the actual service provided to date as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously.

For revenue recognised over time under HKFRS 15, provided the outcome of the performance obligation can be reasonably measured, the Group applies the input method (i.e. based on the proportion of the actual inputs deployed to date as compared to the estimated total inputs) to measure the progress towards complete satisfaction of the performance obligation because there is a direct relationship between the Group's inputs and the transfer of control of goods or services to the customers and reliable information is available to the Group to apply the method. Otherwise, revenue is recognised only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation. The input method applies to freight forwarding services is based on the cost incurred.

The Group has applied the practical expedient and thus has not adjusted the promised amount of consideration for the effects of any significant financing components because the Group does not expect, at contract inception, the period between the transfer of the provided goods or services to the customer and the payment by the customer exceeds one year.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Contract assets and contract liabilities

If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset, excluding any amounts presented as a receivable. Conversely, if a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the contract is presented as a contract liability when the payment is made or the payment is due (whichever is earlier). A receivable is the Group's right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due.

For a single contract or a single set of related contracts, either a net contract asset or a net contract liability is presented. Contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

For freight forwarding business, it is common for the Group to receive from the customer the whole or some of the contractual payments before the services are completed or when the goods are delivered (i.e. the timing of revenue recognition for such transactions). The Group recognises a contract liability until it is recognised as revenue. During that period, any significant financing components, if applicable, will be included in the contract liability and will be expensed as accrued unless the interest expense is eligible for capitalisation.

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in the currency of HK\$, which is also the Company's functional currency, and rounded to the nearest thousands unless otherwise indicated.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currency translation *(Continued)*

The results and financial position of all the group entities that have a functional currency different from the presentation currency (“foreign operations”) are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rate;
- all resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group’s net investment in a foreign operation are recognised as a separate component of equity;
- on the disposal of a foreign operation, which includes a disposal of the Group’s entire interest in a foreign operation, a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest is no longer equity-accounted for, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised;
- on the partial disposal of the Group’s interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss; and
- On all other partial disposals, which includes partial disposal of associates that do not result in the Group losing significant influence, the proportionate share of the cumulative amount of exchange differences recognised in the separate component of equity is reclassified to profit or loss.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of other assets

At the end of the reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that property, plant and equipment (including right-of-use assets) and the Company's investment in a subsidiary may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

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 cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior periods. Reversal of impairment loss is recognised as an income in profit or loss immediately.

Borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account/recognised as a deduction from the carrying amount of the relevant asset and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

The Group assesses whether a contract is, or contains, a lease at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

The Group leases various assets during the reporting periods. Lease contracts are typically made for fixed periods of 2 to 27 years. The lease terms are negotiated on an individual basis with a wide range of different terms and conditions, and leased assets may be used as security for borrowing purposes.

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

The Group has elected not to separate non-lease components from lease components, and accounts for each lease component and any associated non-lease components as a single lease component.

The Group accounts for each lease component within a lease contract as a lease separately. The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component.

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

Leases are recognised as a right-of-use asset (included in "property, plant and equipment") and corresponding liability at the date of which the leased asset is available for use by the Group. Each lease payment is discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee and allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The depreciation of the right-of-use asset is provided to write off the cost less accumulated impairment losses over the shorter of the asset's useful life and the unexpired term of lease on a straight-line basis (unless the lease transfers ownership of the underlying assets to the Group by the end of the lease term or if the cost of the right-of-use assets reflects that the Group will exercise a purchase option – in which case depreciation is provided over the estimated useful life of the underlying assets).

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as lessee (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments that are not paid:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease if the lease term reflects the Group exercising an option to terminate the lease.

Right-of-use assets are measured at cost comprising the followings:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentive received; and
- any initial direct costs.

Payments associated with short-term leases or leases of low-value assets are recognised on a straight-line basis over the lease term as an expense in profit or loss.

Employee benefits

Short term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees.

Defined contribution plans

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

In accordance with the rules and regulations in the People's Republic of China (the "PRC"), the employees of the Group's entities established in the PRC are required to participate in defined contribution retirement plans organised by local governments. Contributions to these plans are expensed in profit or loss as incurred and other than these monthly contributions, the Group has no further obligation for the payment of retirement benefits to its employees.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Related parties

A related party is a person or entity that is related to the Group.

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a holding company of the Group.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

- (b) An entity is related to the Group if any of the following conditions applies:
- (i) the entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) both entities are joint ventures of the same third party.
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
 - (vi) the entity is controlled or jointly controlled by a person identified in (a).
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the holding company of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations.

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

Key sources of estimation uncertainty:

Useful lives of property, plant and equipment (including right-of-use assets)

The management of the Group determines the estimated useful lives of the Group's property, plant and equipment based on the historical experience of the actual useful lives of assets of similar nature and functions. The estimated useful lives could be different as a result of technical innovations which could affect the related depreciation charges included in profit or loss.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Critical accounting estimates and judgements *(Continued)*

Key sources of estimation uncertainty: *(Continued)*

Impairment of property, plant and equipment (including right-of-use assets)

The management of the Group determines whether the Group's property, plant and equipment are impaired when an indication of impairment exists. This requires an estimation of the recoverable amount of the property, plant and equipment which is equal to the higher of fair value less costs of disposal and value in use. Estimating the value in use requires the management to make an estimate of the expected future cash flows from the property, plant and equipment and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Any impairment will be charged to profit or loss.

Impairment of trade and other receivables

The provisioning policy for bad debts and loss allowance of the Group is based on the evaluation by the management of the collectability of the trade and other receivable. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness, the past collection history and available reasonable and supportive forward-looking information of each debtor. If the financial conditions of these debtors were to deteriorate, resulting in an impairment of their ability to make payments, allowance will be required.

Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes and deferred taxation. There are transactions and calculations for which the ultimate tax determination is uncertain where the final tax outcome of these matters may be different from the amounts that were initially recorded and such differences will affect the income tax and deferred tax provision in the period in which such determination is made.

Critical judgements made in applying accounting policies:

Recognition of expenses for the listing of the shares of the Company

The management of the Group determines the allocation and classification of relevant costs incurred for the Listing among (i) profit or loss as listing expenses and (ii) equity as a reduction of share premium upon the capitalisation issue based on its judgement on whether such costs are (a) costs for the Company to obtain the listing status or (b) incremental costs for the Company to raise additional funds from the issue of new shares, respectively.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future changes in HKFRSs

At the date of approving these consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the current period, which the Group has not early adopted:

Amendments to HKFRS 16	<i>COVID-19-Related Rent Concessions</i> ⁽¹⁾
Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16	<i>Interest Rate Benchmark Reform – Phase 2</i> ⁽²⁾
Amendments to HKAS 16	<i>Proceeds before Intended Use</i> ⁽³⁾
Amendments to HKAS 37	<i>Cost of Fulfilling a Contract</i> ⁽³⁾
Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i> ⁽³⁾
Annual Improvements to HKFRSs	<i>2018–2020 Cycle</i> ⁽³⁾
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> ⁽⁴⁾
HKFRS 17	<i>Insurance Contracts</i> ⁽⁴⁾
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁽⁵⁾

⁽¹⁾ Effective for annual periods beginning on or after 1 June 2020

⁽²⁾ Effective for annual periods beginning on or after 1 January 2021

⁽³⁾ Effective for annual periods beginning on or after 1 January 2022

⁽⁴⁾ Effective for annual periods beginning on or after 1 January 2023

⁽⁵⁾ The effective date to be determined

The management of the Group does not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

3. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being identified as the chief operating decision makers (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of services provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments are as follows:

- 1) Air-freight forwarding segment: provision of air-freight forwarding services.
- 2) Ocean-freight forwarding segment: provision of ocean-freight forwarding services.

Segment revenue and results

The accounting policies of the operating segments are set out in Note 2.

Segment revenue represents revenue derived from provision of (i) air-freight forwarding services and (ii) ocean-freight forwarding services.

Segment results represent the gross profit reported by each segment without allocation of other income, administration and other operating expenses, provision for impairment loss on trade receivables, finance costs, listing expenses and income tax expenses. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

No analysis of the Group's assets and liabilities by operating segment is presented as it is not regularly provided to the CODM for review.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

3. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

The segment information provided to the CODM of the Group for the reportable segments for the year is as follows:

	Air-freight forwarding HK\$'000	Ocean-freight forwarding HK\$'000	Total HK\$'000
Year ended 31 December 2020			
Revenue			
Export	843,738	26,073	869,811
Import	191	1,881	2,072
Segment revenue	843,929	27,954	871,883
Segment results	93,852	525	94,377
Unallocated income and expenses:			
Other income			2,705
Administrative and other operating expenses			(51,740)
Provision for impairment loss on trade receivables			(1,566)
Finance costs			(2,485)
Listing expenses			(10,171)
Profit before income tax			31,120
Income tax expenses			(7,946)
Profit for the year			23,174

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

3. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

	Air-freight forwarding HK\$'000	Ocean-freight forwarding HK\$'000	Total HK\$'000
Year ended 31 December 2019			
Revenue			
Export	318,666	32,402	351,068
Import	551	1,722	2,273
Segment revenue	319,217	34,124	353,341
Segment results	31,505	2,423	33,928
Unallocated income and expenses:			
Other income			829
Administrative and other operating expenses			(23,139)
Provision for impairment loss on trade receivables			(8,597)
Finance costs			(3,096)
Listing expenses			(7,058)
Loss before income tax			(7,133)
Income tax expenses			(306)
Loss for the year			(7,439)

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

3. SEGMENT INFORMATION (Continued)

Geographical information

The following table sets out information about the geographical location of (a) the Group's revenue from external customers and (b) the Group's property, plant and equipment (the "Specified Non-current Assets"). The geographical location of the revenue is presented based on the export shipments by destination and import shipments by origin. The geographical location of the Specified Non-current Assets is presented based on the physical location of the assets.

a) Location of revenue

Revenue generated from export shipments by destination

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Europe	468,928	115,235
Asia	72,782	146,510
North America	307,866	69,848
Others	20,235	19,475
	869,811	351,068

Revenue generated from import shipments by origin

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Europe	1,838	492
Asia	19	152
North America	30	1,627
Others	185	2
	2,072	2,273

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

3. SEGMENT INFORMATION (Continued)

Geographical information (Continued)

b) Location of the Specified Non-current Assets

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	29,038	29,716
Macau	5,447	5,708
The PRC	177	412
	<hr/> 34,662	<hr/> 35,836

Information about major customers

Revenue from customers individually contributing 10% or more of the total revenue of the Group is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A from air-freight forwarding segment	<hr/> 359,784	<hr/> 47,634

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

4. REVENUE

	2020 HK\$'000	2019 HK\$'000
Revenue from contracts with customers within HKFRS 15		
Air-freight forwarding services	843,929	319,217
Ocean-freight forwarding services	27,954	34,124
	871,883	353,341

In addition to the information shown in segment disclosures, the revenue from contracts with customers within HKFRS 15 is disaggregated as follows:

	2020 HK\$'000	2019 HK\$'000
Timing of revenue recognition:		
— Over time		
Air-freight forwarding services	843,929	319,217
Ocean-freight forwarding services	27,954	34,124
	871,883	353,341

5. OTHER INCOME

	2020 HK\$'000	2019 HK\$'000
Interest income	49	179
Government grant (Note i)	1,276	—
Exchange gain, net	314	—
Gain on redemption of mutual fund units (Note ii)	—	453
Dividend income	—	73
Recovery of bad debts previously written-off	33	39
Reversal of impairment loss of trade receivables	647	28
Sundry income	386	57
	2,705	829

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

5. OTHER INCOME (Continued)

Notes:

- (i) Government grants primarily consists of the fiscal support that the relevant government authorities offered to the Group's entities for subsidising staff costs under COVID-19.
- (ii) During the year ended 31 December 2019, the Group has disposed of the unlisted investments — mutual fund units of approximately HK\$17,778,000 with total consideration of approximately HK\$18,231,000. Gain on redemption of mutual fund units of approximately HK\$453,000 was recognised.

6. PROFIT (LOSS) BEFORE INCOME TAX

This is stated after charging (crediting):

	2020 HK\$'000	2019 HK\$'000
Finance costs		
Interest on interest-bearing borrowings	2,435	2,935
Interest on bank overdrafts	—	113
Interest on lease liabilities	50	48
	2,485	3,096
Staff costs (including directors' emoluments)		
Salaries, discretionary bonus, allowance and other benefits in kind	24,042	10,351
Contributions to defined contribution plans	585	796
	24,627	11,147
Other items		
Auditor's remuneration	1,000	386
Depreciation	2,723	3,640
Exchange (gain) loss, net	(314)	250
Gain on redemption of mutual fund units	—	(453)
Recovery of bad debts previously written off	(33)	(39)
Provision for impairment loss on trade receivables, net	919	8,569

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

7. DIRECTORS' REMUNERATION

The Company was incorporated in the Cayman Islands on 29 March 2018. Mr. Chiu Ricky Tong and Mr. Tse Chi Kwan Decky were appointed as executive directors of the Company on 29 March 2018. Ms. Wong Sheng Ning Candace and Mr. Heung Wai Keung were appointed as non-executive directors of the Company on 29 March 2018 and 11 December 2020, respectively. Mr. Tam Ka Hei Raymond, Mr. Ng Hung Fai Myron, Mr. Yu Tak Chi Michael and Mr. Yeung Kwong Wai were appointed as independent non-executive directors of the Company on 11 December 2020.

The aggregate amounts of remuneration received and receivable by the directors of the Company during the years ended 31 December 2020 and 2019 are set out below.

Year ended 31 December 2020

	Directors' fees HK\$'000	Salaries, allowances and other benefits in kind HK\$'000	Discretionary bonus HK\$'000	Contributions to defined contribution plans HK\$'000	Total HK\$'000
<i>Executive directors</i>					
Mr. Chiu Ricky Tong	—	756	6,000	18	6,774
Mr. Tse Chi Kwan Decky	—	1,232	1,023	25	2,280
<i>Non-executive directors</i>					
Ms. Wong Sheng Ning Candace	—	—	—	—	—
Mr. Heung Wai Keung	—	—	—	—	—
<i>Independent non-executive directors</i>					
Mr. Tam Ka Hei Raymond	—	—	—	—	—
Mr. Ng Hung Fai Myron	—	—	—	—	—
Mr. Yu Tak Chi Michael	—	—	—	—	—
Mr. Yeung Kwong Wai	—	—	—	—	—
	—	1,988	7,023	43	9,054

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

7. DIRECTORS' REMUNERATION (Continued)

Year ended 31 December 2019

	Directors' fees HK\$'000	Salaries, allowances and other benefits in kind HK\$'000	Discretionary bonus HK\$'000	Contributions to defined contribution plans HK\$'000	Total HK\$'000
<i>Executive directors</i>					
Mr. Chiu Ricky Tong	—	756	—	18	774
Mr. Tse Chi Kwan Decky	—	1,051	65	40	1,156
<i>Non-executive director</i>					
Ms. Wong Sheng Ning Candace	—	—	—	—	—
	—	1,807	65	58	1,930

During the years ended 31 December 2020 and 2019, no emoluments were paid by the Group to any of these directors as an inducement to join or upon joining the Group, or as a compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2020 and 2019.

8. FIVE HIGHEST PAID INDIVIDUALS

An analysis of the five highest paid individuals during the years ended 31 December 2020 and 2019 is as follows:

	Number of individuals	
	2020	2019
Director	2	2
Non-director	3	3
	5	5

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

8. FIVE HIGHEST PAID INDIVIDUALS (Continued)

Details of the remuneration of the above highest paid non-director individuals are as follows:

	2020 HK\$'000	2019 HK\$'000
Salaries, allowances and other benefits in kind	1,404	1,708
Discretionary bonus	4,734	143
Contributions to defined contribution plans	54	54
	6,192	1,905

The number of these non-director individuals whose emoluments fell within the following emoluments band is as follows:

	Number of individuals	
	2020	2019
Nil to HK\$1,000,000	—	3
HK\$1,000,001 to HK\$1,500,000	1	—
HK\$1,500,001 to HK\$2,000,000	1	—
HK\$3,000,001 to HK\$3,500,000	1	—
	3	3

During the years ended 31 December 2020 and 2019, no remuneration was paid by the Group to any of these highest paid non-director individuals as an inducement to join or upon joining the Group, or as a compensation for loss of office. There was no arrangement under which any of these highest paid non-director individuals waived or has agreed to waive any emoluments during the years ended 31 December 2020 and 2019.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

9. TAXATION

In March 2018, the two-tiered profits tax rates regime was signed into law of Hong Kong, under which, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of corporations in the Group not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

For the years ended 31 December 2020 and 2019, Hong Kong profits tax for the qualifying company is calculated in accordance with the two-tiered profits tax rates regime. The in-come tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income.

For the years ended 31 December 2020 and 2019, Hong Kong profits tax was calculated at a flat rate of 16.5% of the estimated assessable profits, taking into account a reduction of 100% of the tax payable subject to a maximum reduction of HK\$10,000.

The Group's entities established in the Cayman Islands and the BVI are exempted from income tax of those jurisdictions.

The Group's entities established in the PRC are subject to enterprise income tax of the PRC at a statutory rate of 25% during the years ended 31 December 2020 and 2019.

No Macau complementary tax has been provided as the Group had no estimated assessable profits exceeding Macau Pataca ("MOP") 600,000 arising in or derived from Macau for years ended 31 December 2020 and 2019.

	2020 HK\$'000	2019 HK\$'000
Current tax		
Hong Kong profits tax		
Current year	7,578	358
Under provision in prior year	420	22
	<hr/> 7,998	<hr/> 380
Deferred tax		
Changes in temporary differences (Note 19)	(52)	(74)
	<hr/> 7,946	<hr/> 306

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

9. TAXATION (CONTINUED)

Reconciliation of income tax expenses

	2020 HK\$'000	2019 HK\$'000
Profit (Loss) before income tax	31,120	(7,133)
Income tax at statutory tax rate applicable in respective territories	4,985	(1,182)
Non-deductible expenses	2,756	1,508
Unrecognised tax losses	564	277
Unrecognised temporary differences	25	(43)
Tax exempt revenue	(299)	(98)
Recognition of previously unrecognised deferred tax assets	—	(74)
Utilisation of previously unrecognised tax losses	—	(267)
Others	(85)	185
Income tax expenses	7,946	306

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

10. EARNINGS (LOSSES) PER SHARE

The calculation of the basic and diluted earnings (losses) per share is based on the following data:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit (Loss) for the year attributable to owners of the Company, used in basic and diluted earnings (losses) per share calculation	23,174	(7,439)
	<i>'000</i>	<i>'000</i>
<i>Number of shares:</i>		
Weighted average number of ordinary shares for basic and diluted earnings (losses) per share calculation	225,000	225,000

The weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings (losses) per share was on the basis as if the Capitalisation Issue (Note 20) had been effective on 1 January 2019.

Diluted earnings (losses) per share are same as the basic earnings (losses) per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2020 and 2019.

11. DIVIDENDS

No dividend was paid or declared by the Company during the years ended 31 December 2020 and 2019.

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12. SUBSIDIARIES

Details of the subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation/ establishment	Place of operation	Date of incorporation/ establishment	Issued/ Paid-up capital	Equity interest attributable to the Company		Principal activities
					2020	2019	
Directly held							
Grand Power Logistics Holdings Limited	The BVI	The BVI	28 October 2016	United States dollars ("US\$") 10,002	100%	100%	Investment holding
Indirectly held							
Grand Power Express International Limited	Hong Kong	Hong Kong	31 May 2000	HK\$92,750,000	100%	100%	Provision of air-freight and ocean-freight forwarding services
Grand Power Express Forwarders Company Limited	Macau	Macau	19 December 1996	MOP2,200,000	100%	100%	Provision of air-freight forwarding services
裕程國際貨運有限公司 (Grand Power Express International (China) Limited*)	Shanghai, the PRC	The PRC	26 November 2004	US\$7,250,000	100%	100%	Provision of air-freight and ocean-freight forwarding services
United Air Cargo & Express Limited	The BVI	Macau	25 October 1999	US\$100	100%	100%	Provision of air-freight forwarding services and holding property for own use
港裕程國際貨運代理(深圳)有限公司 (Grand Power Express International (Shenzhen) Limited*)	Shenzhen, the PRC	The PRC	19 December 2006	Renminbi ("RMB") 5,000,000	100%	100%	Provision of air-freight and ocean-freight forwarding services
Lumen Corporation Limited	Hong Kong	Hong Kong	24 November 2009	HK\$1	100%	100%	Holding property for own use
Metroplus Asia Limited	The BVI	The BVI	30 March 2007	US\$50,000	100%	100%	Investment holding
Redcap Logistics Limited	Hong Kong	Hong Kong	8 June 2007	HK\$10,000	100%	100%	Provision of air-freight and ocean-freight forwarding services

* English translation for identification purpose only.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

13. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets HK\$'000	Leasehold properties HK\$'000	Leasehold improvements HK\$'000	Computer equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Reconciliation of carrying amounts – year ended 31 December 2019							
At 1 January 2019	—	34,876	1,441	94	35	769	37,215
Adjustment on transition to HKFRS 16 (Note i)	36,228	(34,876)	—	—	—	(679)	673
Additions	1,423	—	88	15	74	—	1,600
Transfers	(376)	—	—	—	—	376	—
Depreciation	(2,396)	—	(1,091)	(55)	(22)	(76)	(3,640)
Exchange realignments	(11)	—	—	—	—	(1)	(12)
At 31 December 2019	34,868	—	438	54	87	389	35,836
Reconciliation of carrying amounts – year ended 31 December 2020							
At 1 January 2020	34,868	—	438	54	87	389	35,836
Additions	193	—	1,330	8	—	—	1,531
Depreciation	(2,134)	—	(378)	(25)	(21)	(165)	(2,723)
Exchange realignments	17	—	—	—	—	1	18
At 31 December 2020	32,944	—	1,390	37	66	225	34,662
At 31 December 2019							
Cost	42,075	—	5,493	954	506	1,782	50,810
Accumulated depreciation	(7,207)	—	(5,055)	(900)	(419)	(1,393)	(14,974)
Net carrying amounts	34,868	—	438	54	87	389	35,836
At 31 December 2020							
Cost	41,517	—	6,823	1,000	522	2,388	52,250
Accumulated depreciation	(8,573)	—	(5,433)	(963)	(456)	(2,163)	(17,588)
Net carrying amounts	32,944	—	1,390	37	66	225	34,662

Notes:

- (i) The Group has initially adopted HKFRS 16 since 1 January 2019 and made adjustments to the carrying amounts recognised in relation to the lease commitments in the consolidated financial statements at the date of initial application.
- (ii) The leasehold properties with a total carrying amount at the end of the reporting period of approximately HK\$32,363,000 (2019: HK\$33,619,000) were pledged to secure bank facilities granted to the Group (Note 17).
- (iii) The motor vehicles with total carrying amounts of Nil (2019: HK\$22,000) were pledged to secure certain of the Group's lease liabilities (Note 18) at 31 December 2020.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

14. TRADE AND OTHER RECEIVABLES

	Note	2020 HK\$'000	2019 HK\$'000
Trade receivables		186,790	99,565
Less: Loss allowances	14(b)	(1,566)	(10,059)
	14(a)	185,224	89,506
Other receivables			
Prepayments (Note)		5,748	6,887
Deposits and other receivables		2,801	1,834
		8,549	8,721
		193,773	98,227

Note: The amount included prepaid listing expenses of approximately HK\$5,648,000 (2019: HK\$5,780,000) at 31 December 2020.

14(a) The credit terms granted to customers are varied and are generally the result of negotiations between individual customers and the Group. The average credit period granted was up to 90 days. At the end of the reporting period, the ageing analysis of trade receivables (net of loss allowances) based on invoice date is as follows:

	2020 HK\$'000	2019 HK\$'000
Within 30 days	108,869	38,357
31 to 60 days	72,819	32,972
61 to 90 days	3,531	16,778
Over 90 days	5	1,399
	185,224	89,506

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

14. TRADE AND OTHER RECEIVABLES (Continued)

14(a) (Continued)

At the end of the reporting period, the ageing analysis of trade receivables (net of loss allowances) by due date is as follows:

	2020 HK\$'000	2019 HK\$'000
Not yet due	185,219	88,106
Past due:		
Within 30 days	5	1,131
31 to 60 days	—	204
61 to 90 days	—	59
Over 90 days	—	6
	5	1,400
	185,224	89,506

The Group does not hold any collateral over these balances, except for a debtor with gross trade receivables of approximately HK\$8,142,000 included in the trade receivables at 31 December 2019 which was guaranteed by the controlling shareholder of the debtor. At 31 December 2019, an impairment of approximately HK\$8,092,000 was made in respect of the trade receivables from this debtor because a winding up petition/bankruptcy petition has been filed on the debtor and its controlling shareholder. During the year ended 31 December 2020, the impaired trade receivable of approximately HK\$8,092,000 was fully written off as the debtor was wound up by the court in October 2020 and the bankruptcy order in respect of the controlling shareholder of the debtor was made in June 2020.

The Group has not impaired certain of its trade receivables which are past due at the end of the reporting periods as there has not been a significant change in credit quality.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

14. TRADE AND OTHER RECEIVABLES (Continued)

14(b) Loss allowances

The Group determines the provision for expected credit losses by grouping together trade receivables with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions. For trade receivables relating to accounts which are long overdue with significant amounts with known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Balance at beginning of the reporting period	10,059	1,503
Increase in allowance	1,566	8,597
Amounts recovered	(647)	(28)
Amounts written off	(9,412)	—
Exchange realignments	—	(13)
	<hr/>	<hr/>
Balance at the end of the reporting period	1,566	10,059

For the purposes of estimating the expected credit losses, the trade receivables are grouped according to the nature of the credit risk, i.e. whether it is principally a risk of non-payment (credit impaired) or a risk of late-payment only (non-credit impaired). The Group applies a provision matrix to those groups which is based on the historical observed loss rates over the expected life of the trade receivables which is adjusted for forward-looking estimates; and/or with reference to the subsequent settlement received. In addition, the Group adopted a simplified approach to recognise full provision on individual debtor with insignificant balance and without guarantee executed with more than 90 days past due (net of subsequent settlement received) as the Group considers the expected costs to be incurred for the debt recovery actions would out-weight the expected recoverable amount. At the end of the reporting period, the grouping and the historical observed loss rates are updated in light of the latest information that is relevant for the credit risk assessment and changes in the forward-looking estimates are analysed.

The changes in the loss allowances were driven by the changes in the credit risk profile of the outstanding trade debtors under the COVID-19 outbreak.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

14. TRADE AND OTHER RECEIVABLES (Continued)

14(b) Loss allowances (Continued)

The information about the exposure to credit risk and expected credit losses for trade receivables using a provision matrix is summarised as follows:

At 31 December 2020

	Weighted- average loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Carrying amount HK\$'000
<i>(approximately)</i>				
Non-credit impaired				
— Without guarantee	0.8%	186,727	(1,508)	185,219
Credit impaired				
Over 90 days				
— Without guarantee	92.1%	63	(58)	5
		186,790	(1,566)	185,224

At 31 December 2019

	Weighted- average loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Carrying amount HK\$'000
<i>(approximately)</i>				
Non-credit impaired				
— Without guarantee	—	89,456	—	89,456
Credit impaired				
Over 90 days				
— With guarantee (Known insolvencies)	99.4%	8,142	(8,092)	50
— Without guarantee	100%	1,967	(1,967)	—
		10,109	(10,059)	50
		99,565	(10,059)	89,506

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Year ended 31 December 2020

14. TRADE AND OTHER RECEIVABLES (Continued)

14(b) Loss allowances (Continued)

Notwithstanding full provision had been made on certain trade receivables, the Group would write-off the relevant balances when the debtors are unreachable or evidences were available to prove the debtors do not have any assets or source of income/cash flows to settle the amounts due. The trade receivables with the contractual amount outstanding of approximately HK\$9,412,000 was written off during the year 31 December 2020 (2019: Nil). For the written off made of approximately HK\$9,412,000 at 31 December 2020, the Group has provided provision for impairment loss on trade receivables in prior periods. The amount written off are still subject to enforcement activities.

15. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits are bank deposits which are pledged as securities in favour of banks (Note 17). The pledged bank deposits are denominated in HK\$ and USD.

Cash at banks earn interest at floating rates based on daily bank deposit rates.

16. TRADE AND OTHER PAYABLES

	Note	2020 HK\$'000	2019 HK\$'000
Trade payables	16(a)	106,269	47,069
Other payables			
Accruals and other payables (Note)		14,936	1,473
Salaries payables		719	517
Contract liabilities	16(b)	279	1,398
		15,934	3,388
		122,203	50,457

Note: The amount included accrued listing expenses of approximately HK\$6,397,000 at 31 December 2020 (2019: HK\$678,000).

Notes to the Consolidated Financial Statements

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16. TRADE AND OTHER PAYABLES (Continued)

16(a) The trade payables are non-interest bearing and the Group is normally being granted with credit terms up to 60 days.

At the end of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	2020 HK\$'000	2019 HK\$'000
Within 30 days	72,714	37,545
31 to 60 days	32,289	7,114
61 to 90 days	984	1,364
Over 90 days	282	1,046
	106,269	47,069

16(b) The movements (excluding those arising from increases and decreases both occurred within the same reporting period) of contract liabilities within HKFRS 15 during the years 31 December 2020 and 2019 are as follows:

	2020 HK\$'000	2019 HK\$'000
At the beginning of the reporting period	1,398	1,423
Refund made	(1,153)	—
Exchange realignments	34	(25)
	279	1,398

The contract liabilities represented the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as of the end of the reporting period of approximately HK\$279,000 (2019: HK\$1,398,000). At 31 December 2020, the Group expects the transaction price of approximately HK\$279,000 (2019: HK\$1,398,000) allocated to the unsatisfied performance obligations will be recognised as revenue in one year or less when the relevant customers exercise their right to utilise.

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17. INTEREST-BEARING BORROWINGS

At the end of the reporting period, details of the interest-bearing borrowings of the Group are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest-bearing borrowings — secured	48,038	58,576

The interest-bearing borrowings represent amounts due to various banks which are due within 1 year, 5 years or 15 years since its inception at 31 December 2020 and 2019 and normally be renewed with banks upon expiry/maturity.

The weighted average annual effective interest rates of the interest-bearing borrowings at 31 December 2020 is approximately 4.22% (2019: 4.51%).

The interest-bearing borrowings are secured by:

- (i) leasehold properties recognised under right-of-use assets with aggregate net carrying amount at the end of the reporting period of approximately HK\$32,363,000 (2019: HK\$33,619,000) (Note 13);
- (ii) properties insurance on the pledged leasehold properties executed by the Group in favour of the bank with coverage at the end of the reporting period amounting to HK\$14,150,000 (2019: HK\$14,150,000);
- (iii) pledged bank deposits with carrying amount at the end of the reporting period of HK\$24,696,000 (2019: HK\$29,685,000) (Note 15);
- (iv) guarantees provided by the Ultimate Controlling Party and a related company ultimately controlled by the Ultimate Controlling Party at 31 December 2020; and/or
- (v) guarantee provided by the Government of the Hong Kong Special Administrative Region.

Notes to the Consolidated Financial Statements

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17. INTEREST-BEARING BORROWINGS *(Continued)*

All of the banking facilities are subject to the fulfilment of covenants relating to certain subsidiaries' financial ratios based on their statements of financial position, as are commonly found in lending arrangements with financial institutions. If the subsidiaries were to breach the covenants, the drawn down facilities would become repayable on demand. In addition, the subsidiaries' loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the subsidiaries have complied with the covenants and met the scheduled repayment obligations.

The Group regularly monitors its compliance with these covenants and does not consider it probable that the banks will exercise their discretion to demand repayment so long as the Group continues to make payments according to the schedule of the loans. Further details of the Group's management of liquidity risk are set out in Note 25. At 31 December 2020 and 2019, none of the covenants relating to drawn down facilities had been breached.

The guarantees provided by the Ultimate Controlling Party and the related company ultimately controlled by the Ultimate Controlling Party were released and replaced by the corporate guarantees provided by the Company and its subsidiary subsequent to the Listing.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

18. LEASE LIABILITIES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Right-of-use assets (Note 13)		
Motor vehicles	—	22
Furniture and fixtures	4	9
Leasehold properties	32,363	33,619
Leased offices	577	1,218
	32,944	34,868
Lease liabilities		
Current	596	771
Non-current	—	527
	596	1,298

In addition to the information disclosed in Note 13, the Group had the following amounts relating to leases during the reporting periods:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Depreciation charges of right-of-use assets		
Motor vehicles	22	280
Furniture and fixtures	5	5
Leasehold properties	1,256	1,256
Leased offices	851	855
	2,134	2,396

The total cash outflow for leases for the year ended 31 December 2020 is HK\$848,000 (2019: HK\$1,228,000).

The Group's motor vehicles recognised under right-of-use assets with aggregate net carrying amount of Nil (2019: HK\$22,000) (Note 13) at the end of the reporting period was pledged to secure lease liabilities.

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18. LEASE LIABILITIES (Continued)

The lease contracts of leased assets contain extension or termination options. These options aim to provide flexibility to the Group in managing the leased assets. During the year ended 31 December 2020, all of the Group's lease contracts for leased properties contains an extension or termination option, in which the total lease payment made amounted to HK\$848,000 (2019: HK\$1,228,000), representing the total cash outflows for lease during the reporting period.

Most of the leases impose a restriction that, unless approval is obtained from the lessor, the right-of-use asset can only be used by the Group and the Group is prohibited from selling or pledging the underlying assets. The Group is also required to keep those leased assets in a good state of repair and return the leased assets in their original condition at the end of the lease.

At 31 December 2020 and 2019, the Group has no commitment to lease contracts in relation to leased properties that have not yet commenced.

During the years ended 31 December 2020 and 2019, no lease contract contains variable lease payment terms.

Commitments and present value of lease liabilities:

	Lease payments		Present value of lease payments	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Amounts payable:				
Within one year	611	818	596	771
More than one year, but not exceeding two years	—	540	—	527
	611	1,358	596	1,298
Less: future finance charges	(15)	(60)	—	—
Total lease liabilities	596	1,298	596	1,298

The weighted average annual effective interest rates of the lease liabilities at 31 December 2020 is 5.29% (2019: 5.01%).

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

19. DEFERRED TAXATION

The movements in the Group's deferred tax liabilities (assets) for the year ended 31 December 2020 and 2019 were as follows:

	Tax depreciation <i>HK\$'000</i>
At 1 January 2019	—
Credit to profit or loss	(74)
<hr/>	
At 31 December 2019 and 1 January 2020	(74)
<hr/>	
Credit to profit or loss	(52)
<hr/>	
At 31 December 2020	(126)

Deferred tax assets are not recognised for the following items:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Deductible temporary differences	3,380	3,230
Tax losses	6,777	4,522
<hr/>		
At the end of the reporting period	10,157	7,752

Deferred tax assets have not been recognised in respect of the capital allowances and tax losses as they have arisen in subsidiaries that have been loss-making for several years and it is not considered probable that taxable profits will be available against which the capital allowances and tax losses can be utilised.

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19. DEFERRED TAXATION (Continued)

Deferred tax assets are not recognised for the following items (Continued)

At 31 December 2020 and 2019, the Group had the following tax losses arising in the PRC that could be offset against future taxable profits of the respective subsidiaries for a maximum of 5 years from the year in which the tax loss was incurred:

	2020 HK\$'000	2019 HK\$'000
Year of expiry		
2020	93	104
2022	1,232	1,262
2023	2,275	2,300
2024	909	856
2025	2,268	—
	6,777	4,522

20. SHARE CAPITAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 29 March 2018 with an initial authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares at HK\$0.01 each and 2 ordinary shares were issued. On 20 July 2018, further 9,888 ordinary shares were issued at HK\$0.01 each.

Pursuant to the resolution of the shareholders passed on 11 December 2020, inter-alia, the authorised share capital of the Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of additional 1,962,000,000 shares of HK\$0.01 each and the Capitalisation Issue (as defined below) was conditionally approved.

Pursuant to the resolution in writing of the Company's shareholders passed on 11 December 2020, subject to the share premium account of the Company being credited as a result of the offering of the Company's shares, the directors of the Company were authorised to allot and issue a total of 224,990,000 shares of HK\$0.01 each to the existing shareholders, credited as fully paid at par by way of capitalisation of the sum of HK\$2,249,900 standing to be credit of the share premium account of the Company (the "Capitalisation Issue") and the shares to be allotted and issued pursuant to this resolution shall carry the same rights as all shares in issue (save for the right to participate in the Capitalisation Issue).

On 13 January 2021, the shares of the Company were listed on GEM of the Stock Exchange and 75,000,000 new ordinary shares of HK\$0.01 each were issued at HK\$0.74 per share by way of share offer (the "Share Offer"). The gross proceeds from the Share Offer amounted to HK\$55,500,000.

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21. RESERVES

21(a) Capital reserve

The capital reserve represents (i) the aggregate amount of the nominal value of the issued/registered capital of the entities now comprising the Group less consideration paid to acquire the relevant interests (if any), after adjusting the issued/registered capital held by those attributable to the non-controlling interests prior to the Reorganisation undergone for the Listing and (ii) staff costs borne by the Ultimate Controlling Party in prior years.

21(b) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of foreign operations for consolidation.

21(c) Statutory reserve

As stipulated by the relevant laws and regulations for enterprises incorporated/established in the PRC, the Group's subsidiaries in the PRC are required to appropriate to the statutory reserve an amount not less than 10% of the amount of profit after tax (as reported in the respective statutory financial statements of the PRC subsidiaries prepared in accordance with the PRC accounting regulations). If the accumulated statutory reserve reaches 50% of the registered share capital of the respective PRC subsidiaries, the subsidiary may not be required to make any further appropriation. The statutory reserve can be used to make up for losses, expand the existing operation and convert to additional capital.

22. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to the written resolutions of the shareholders passed on 11 December 2020.

Under the Scheme, the board of directors (the "Board") may at its discretion offer to any individual who is an employee of the Group (including directors) or any entity in which the Company holds any equity interest and such other persons (the "Participants") in the sole discretion of the Board, has contributed or will contribute to the Group of the options to subscribe for shares in the Company in accordance with the terms of the Scheme and Chapter 23 of the GEM Listing Rules. The principal purposes of the Scheme are to recognise and acknowledge the contributions made by the Participants, to attract skilled and experienced personnel, to incentivise them to remain with the Company and to motivate them to strive for the future development and expansion of the Group. The Scheme commenced on 11 December 2020 and will end on the day immediately prior to the tenth anniversary thereof.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

22. SHARE OPTION SCHEME (Continued)

The maximum number of shares in respect of which options may be granted under the Scheme and any other share option scheme of the Company may not exceed 10% of issued share capital of the Company, or may not exceed a maximum of 30%, should the shareholders renew the 10% limit, from time to time which have been duly allotted and issued. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted under the Scheme where applicable to a director, chief executive, substantial shareholder or to any of their associates, are subject to approval in advance by the independent non-executive directors (excluding any independent non-executive directors who or whose associates are the proposed grantee of an option). In addition, any share options granted to a substantial shareholder or any independent non-executive director of the Company, or any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

An option may be exercised in accordance with the terms of the Scheme where applicable at any time during the option period after the option has been granted by the Board. The option period, during which an option may be exercised, is determined by the Board under the Scheme, but may not be later than ten years after the date of the grant of the option. According to the Scheme where applicable, there is no provision requiring a minimum holding period before an option may be exercised. A nominal consideration of HK\$1.0 is payable on acceptance of the grant of an option under the Scheme where applicable.

The subscription price for the shares subject to options will be a price determined by the Board and notified to each Participant and shall be at least the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the options, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of the options; and (iii) the nominal value of a share.

No option has been granted or exercised under the Scheme at 31 December 2020.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

23. ADDITIONAL INFORMATION ON THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

In addition to the information disclosed elsewhere in the consolidated financial statements, the Group had the following major non-cash transactions:

During the year ended 31 December 2020, the Group entered into lease arrangements in respect of right-of-use assets with a total capital value of the inception of leases of approximately HK\$193,000 (2019: HK\$1,423,000).

(b) Reconciliation of liabilities arising from financing activities

The movements during the years ended 31 December 2020 and 2019 in the Group's liabilities arising from financing activities are as follows:

	At 1 January 2020 HK\$'000	Net cash flows HK\$'000	Non-cash changes			At 31 December 2020 HK\$'000
			Additions of property, plant and equipment HK\$'000	Exchange difference HK\$'000	Adjustment on transition to HKFRS 16 HK\$'000	
Year ended 31 December 2020						
Interest-bearing borrowings	58,576	(10,538)	—	—	—	48,038
Lease liabilities	1,298	(848)	193	(47)	—	596
Total liabilities from financing activities	59,874	(11,386)	193	(47)	—	48,634

	At 1 January 2019 HK\$'000	Net cash flows HK\$'000	Non-cash changes			At 31 December 2019 HK\$'000
			Additions of property, plant and equipment HK\$'000	Exchange difference HK\$'000	Adjustment on transition to HKFRS 16 HK\$'000	
Year ended 31 December 2019						
Interest-bearing borrowings	70,095	(11,519)	—	—	—	58,576
Obligations under finance leases	440	—	—	—	(440)	—
Lease liabilities	—	(1,228)	1,423	(10)	1,113	1,298
Total liabilities from financing activities	70,535	(12,747)	1,423	(10)	673	59,874

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

24. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following related party transactions during the reporting periods:

Name of related company	Nature of transaction	2020 HK\$'000	2019 HK\$'000
H.C. Patterson and Company Limited (Note)	Travelling expenses	22	134

Note:

The company is controlled by the Ultimate Controlling Party and his brother, Mr. Chiu Man Lam.

- (b) Remuneration for key management personnel, i.e. directors of the Company:

	2020 HK\$'000	2019 HK\$'000
Salaries, bonus, allowances and other benefits in kind	9,011	1,872
Contributions to defined contribution plans	43	58
	9,054	1,930

Further details of the directors' remuneration are set out in Note 7.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise of trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, interest-bearing borrowings and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's interest-bearing borrowings of HK\$36,000,000 (2019: HK\$43,895,000) with floating interest rates at 31 December 2020. The Group currently does not have a policy to hedge against the interest rate risk as the management of the Group does not expect any significant interest rate risk at the end of the reporting period.

At the end of the reporting period, if interest rate has been 1% higher/lower and all other variables were held constant, the Group's pre-tax results would decrease/increase by HK\$360,000 (2019: increase/decrease by HK\$439,000) for the year ended 31 December 2020.

The sensitivity analysis above has been determined assuming that the change in interest rate had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for the closing balance of interest-bearing borrowings in existence at the end of the reporting period. The stated changes represent management's assessment of a reasonably possible change in interest rates over the next 12 months after the end of the reporting period.

In the opinion of the management of the Group, the sensitivity analysis is unrepresentative of the inherent interest rate risk because the exposure at the end of the reporting period does not reflect the exposure during the years ended 31 December 2020 and 2019.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk

The Group's transactions are mainly denominated in HK\$, US\$ and RMB.

Certain financial assets and financial liabilities of the Group are denominated in currencies other than the functional currency of the respective group entities and therefore exposed to foreign currency risk. The carrying amounts of those financial assets and liabilities are analysed as follows:

	Financial assets	
	2020	2019
	HK\$'000	HK\$'000
HKD	3,891	6,378
US\$	6,782	4,554

	Financial liabilities	
	2020	2019
	HK\$'000	HK\$'000
HKD	1	5
US\$	1,261	799

The following table indicates the approximate change in the Group's pre-tax results if exchange rates of HK\$ and US\$ had changed against the functional currencies of the respective group entities by 10% and all other variables were held constant at the end of the reporting period.

	2020	2019
	HK\$'000	HK\$'000
HKD	389	637
US\$	552	376

The sensitivity analysis has been determined assuming that the changes in foreign exchange rates had occurred at the end of the reporting period and had been applied to the Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

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Year ended 31 December 2020

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk (Continued)

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the next 12 months after the end of the reporting period.

In the opinion of the management of the Group, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the years ended 31 December 2020 and 2019.

Credit risk

Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's credit risk is mainly attributable to trade and other receivables, pledged bank deposits and bank balances and cash. The Group limits its exposure to credit risk by selecting the counterparties with reference to their past credit history and/or market reputation. The Group's maximum exposure to credit risk is summarised as follows:

	2020 HK\$'000	2019 HK\$'000
Trade and other receivables	187,765	90,964
Pledged bank deposits	24,696	29,685
Bank balances and cash	27,580	26,141
	240,041	146,790

The Group trades with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

The management of the Group limits the Group's exposure to credit risk by taking timely actions once there is any indication of recoverability problem of each individual debtor.

The management of the Group also reviews the recoverable amount of each individual debtor, at the end of the reporting period to ensure adequate allowance is made for irrecoverable amount.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

At 31 December 2020, the Group had a concentration of credit risk as 57% (2019: 20%) of the total trade receivables was due from the Group's largest trade debtor, and 82% (2019: 50%) of the total trade receivables was due from the Group's five largest trade debtors.

The management of the Group considers that other receivables have low credit risk based on the borrowers' strong capacity to meet its contractual cash flow obligations in the near term and low risk of default.

The management of the Group considers the credit risk in respect of pledged bank deposits and bank balances and cash is minimal because the counter-parties are authorised financial institution with high credit ratings.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial liabilities and financial assets (e.g. trade and other receivables) and projected cash flows from operations.

The Group's policy is to regularly monitor its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and cash equivalents as well as adequate banking facilities to meet its operation needs at any time.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities at the end of the reporting period based on contractual undiscounted payments is summarised below:

	Total carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	On demand or less than 1 year HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000
At 31 December 2020					
Trade and other payables	121,205	121,205	121,205	—	—
Interest-bearing borrowings (Note)	48,038	48,038	48,038	—	—
Lease liabilities	596	611	611	—	—
	169,839	169,854	169,854	—	—

	Total carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	On demand or less than 1 year HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000
At 31 December 2019					
Trade and other payables	49,059	49,059	49,059	—	—
Interest-bearing borrowings (Note)	58,576	58,576	58,576	—	—
Lease liabilities	1,298	1,358	818	540	—
	108,933	108,993	108,453	540	—

Note: The amounts repayable under bank loan agreement that include a clause that gives the bank an unconditional right to call the borrowings at any time are classified under the category of "on demand or less than 1 year". However, the management of the Group does not expect that the bank would exercise such right to demand the repayment and thus, the borrowings, which included the related interest, would be repaid according to the below schedule as set out in the bank loan agreement as follows:

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

	Total carrying amount <i>HK\$'000</i>	Total contractual undiscounted cash flow <i>HK\$'000</i>	On demand or less than 1 year <i>HK\$'000</i>	1 to 2 years <i>HK\$'000</i>	2 to 5 years <i>HK\$'000</i>	Over 5 years <i>HK\$'000</i>
At 31 December 2020						
Interest-bearing borrowings	48,038	50,202	39,347	3,209	3,159	4,487
At 31 December 2019						
Interest-bearing borrowings	58,576	61,479	47,431	3,203	5,825	5,020

26. FAIR VALUE MEASUREMENTS

All financial assets and financial liabilities are carried at amounts not materially different from their fair values as at 31 December 2020 and 2019.

27. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide returns for equity owners. The Group manages its capital structure and makes adjustments, including payment of dividend to equity owners, call for additional capital from equity owners or sale of assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 December 2020 and 2019.

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

28. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Pursuant to the disclosure requirements of the Hong Kong Companies Ordinance, the statement of financial position of the Company and the movements in its reserves is set out below:

	Note	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Investment in a subsidiary	—*	—*	—*
Current assets			
Amounts due from shareholders	28(a)	—*	—*
Bank balances and cash		2	—
		2	—
Current liabilities			
Other payables		(3,663)	—
Amount due to a subsidiary	28(b)	(65)	(25)
		(3,728)	(25)
Net current liabilities			
		(3,726)	(25)
NET LIABILITIES			
		(3,726)	(25)
Capital and reserves			
Share capital	20	—*	—*
Reserves	28(c)	(3,726)	(25)
TOTAL DEFICITS			
		(3,726)	(25)

* Represent amounts less than HK\$1,000.

The statement of financial position was approved and authorised for issue by the Board of Directors on 25 March 2021 and signed on its behalf by

Chiu Ricky Tong
Director

Tse Chi Kwan Decky
Director

Notes to the Consolidated Financial Statements

Year ended 31 December 2020

28. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

28(a) Amounts due from shareholders

The amounts due from shareholders are unsecured, interest-free and repayable on demand.

28(b) Amount due to a subsidiary

The amount due to a subsidiary is unsecured, interest-free and repayable on demand.

28(c) Reserves of the Company

	Accumulated losses <i>HK\$'000</i>
At 1 January 2019	(5)
Loss and total comprehensive loss for the year	(20)
<hr/>	
At 31 December 2019 and 1 January 2020	(25)
Loss and total comprehensive loss for the year	(3,701)
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At 31 December 2020	(3,726)

Certain corporate administrative costs of the Company and the expenses for the Listing were borne by the subsidiaries of the Company without recharge.

29. EVENTS AFTER THE REPORTING PERIOD

The shares of the Company were listed on GEM of the Stock Exchange on 13 January 2021, details of which are disclosed in Note 20.

Financial Summary

A summary of the results and assets and liabilities of the Group for the last four financial years, as extracted from this annual report and the accountant's report as contained in the Prospectus, is set out below.

RESULTS

	For the year ended 31 December			
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue	871,883	353,341	463,050	425,414
Profit (Loss) before income tax	31,120	(7,133)	6,693	17,133
Income tax expenses	(7,946)	(306)	(2,455)	(4,519)
Profit (Loss) and comprehensive income (loss) for the year	23,174	(7,439)	4,238	12,614

ASSETS AND LIABILITIES

	For the year ended 31 December			
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Total assets	280,837	190,052	231,194	215,669
Total liabilities	178,341	(110,331)	(143,493)	(132,964)
Total equity	102,496	79,721	87,701	82,705