

Vico International Holdings Limited

域高國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1621

SHARE OFFER

Sole Sponsor

SUNWAH KINGSWAY

新華滙富

Kingsway Capital Limited

Joint Bookrunners and Joint Lead Managers

SUNWAH KINGSWAY

新華滙富

Kingsway Financial Services Group Limited



聯合證券
Head & Shoulders Securities

IMPORTANT

IMPORTANT: If you are in any doubt about this prospectus, you should obtain independent professional advice.

Vico International Holdings Limited

域高國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Number of Offer Shares	: 250,000,000 Shares (subject to the Offer Size Adjustment Option)
Number of Public Offer Shares	: 25,000,000 Shares (subject to reallocation)
Number of Placing Shares	: 225,000,000 Shares (subject to reallocation and the Offer Size Adjustment Option)
Offer Price	: Not more than HK\$0.50 per Offer Share and not less than HK\$0.30 per Offer Share (payable in full on application in Hong Kong dollars) plus brokerage of 1%, SFC transaction levy of 0.0027%, and Stock Exchange trading fee of 0.005%
Nominal value	: HK\$0.01 per Share
Stock code	: 1621

Sole Sponsor

SUNWAH KINGSWAY

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Kingsway Capital Limited

Joint Bookrunners and Joint Lead Managers

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Kingsway Financial Services Group Limited



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

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

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

The Offer Price is expected to be fixed by an agreement between our Company and the Joint Bookrunners (for themselves and on behalf of the other Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or about Monday, 5 February 2018 or such other date or time as may be agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the other Underwriters). The Offer Price will be not more than HK\$0.50 per Offer Share and is expected to be not less than HK\$0.30 per Offer Share, unless otherwise announced. Applicants for the Offer Shares are required to pay, on application, the maximum Offer Price of HK\$0.50 for each Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price should be lower than HK\$0.50.

The Joint Bookrunners (for themselves and on behalf of the other Underwriters), with the consent of our Company, may reduce the indicative Offer Price range below that as stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such event, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, an announcement and will be posted on the website of the Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.vicointernational.hk) of such change. Further details are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus. If, for whatsoever reason, our Company and the Joint Bookrunners (for themselves and on behalf of the other Underwriters) are unable to reach an agreement at or prior to Wednesday, 7 February 2018 or such other date or time as may be agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the other Underwriters), the Share Offer will not become unconditional and will lapse immediately. In such event, our Company will issue an announcement to be published on the Stock Exchange’s website at www.hkexnews.hk and our Company’s website at www.vicointernational.hk.

Prospective investors of the Share Offer should note that the Share Offer will not proceed if the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) terminates the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement after any of the events set out in the section headed “Underwriting — Underwriting arrangements and expenses — Public Offer — Grounds for termination” in this prospectus occurs prior to 8:00 a.m. on the Listing Date. It is important that you refer to the section headed “Underwriting” in this prospectus for further details. It is important that you carefully read those sections before making any investment decision.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, including, without limitation, the risk factors set out in the section headed “Risk Factors” in this prospectus.

30 January 2018

EXPECTED TIMETABLE⁽¹⁾

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

2018⁽¹⁾

Latest time to complete electronic applications under the HK eIPO White Form service through the designated website at www.hkeipo.hk ⁽²⁾	11:30 a.m. on Friday, 2 February
Application lists open ⁽³⁾	11:45 a.m. on Friday, 2 February
Latest time to lodge WHITE and YELLOW Application Forms and to give electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Friday, 2 February
Latest time to complete payment of HK eIPO White Form applications by effecting internet banking transfer(s)	12:00 noon on Friday, 2 February
Application lists close ⁽³⁾	12:00 noon on Friday, 2 February
Expected Price Determination Date ⁽⁵⁾	Monday, 5 February
Announcement of the final Offer Price, the level of application in the Public Offer, the indication of level of interest in the Placing, and the basis of allotment of the Public Offer Shares to be published (a) in the South China Morning Post (in English) and Hong Kong Economic Journal (in Chinese); (b) on our Company's website at www.vicointernational.hk ; and (c) on the Stock Exchange's website at www.hkexnews.hk on or before	Friday, 9 February
Results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available under a variety of channels as described in the section headed "How to apply for Public Offer Shares — Publication of results" in this prospectus including our Company's website at www.vicointernational.hk and the Stock Exchange's website at www.hkexnews.hk from	Friday, 9 February

EXPECTED TIMETABLE⁽¹⁾

2018⁽¹⁾

Results of allocations in the Public Offer will be available at the designated result of allocation website at www.tricor.com.hk/ipo/result with a “search by ID” function Friday, 9 February

Despatch/collection of Share certificates of the Offer Shares or deposit of Share certificates of the Offer Shares into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer on or before⁽⁶⁾ Friday, 9 February

Despatch/collection of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications pursuant to the Public Offer on or before⁽⁷⁾ Friday, 9 February

Dealing in the Shares on the Main Board expected to commence at 9:00 a.m. on Monday, 12 February

Notes:

1. All times and dates refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus.
2. You will not be permitted to submit your application through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application money) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force at any time between 9:00 a.m. and 12:00 noon on Friday, 2 February 2018, the application lists will not open and close on that day. Further information is set out in the section headed “How to apply for Public Offer Shares — Effect of bad weather on the opening and closing of the application lists of the Share Offer” in this prospectus.
4. Applicants who apply by giving **electronic application instructions** to HKSCC should refer to the section headed “How to apply for the Public Offer Shares — Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
5. The Price Determination Date is expected to be on or about Monday, 5 February 2018, and in any event not later than Wednesday, 7 February 2018. If, for any reason, the Offer Price is not agreed by us and the Joint Bookrunners (for themselves and on behalf of the other Underwriters) on or before Wednesday, 7 February 2018, the Share Offer will not proceed and will lapse.

EXPECTED TIMETABLE⁽¹⁾

6. Applicants who apply on **WHITE** Application Forms or through **HK eIPO White Form** service for 1,000,000 Shares or more under the Public Offer and have provided all information required by their application forms may collect refund cheques and (where applicable) share certificates in person from the Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 9 February 2018. Identification and (where applicable) authorisation documents acceptable to the Hong Kong Share Registrar must be produced at the time of collection.

Applicants who apply on **YELLOW** Application Forms for 1,000,000 Shares or more under the Public Offer and have provided all information required by their application forms may collect their refund cheques (if any) but may not elect to collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participant stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for applicants who apply on **YELLOW** Application Forms for Shares is the same as that for applicants who apply on **WHITE** Application Forms.

Applicants who apply for the Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed "How to apply for Public Offer Shares" in this prospectus for details.

If an applicant has applied for less than 1,000,000 Public Offer Shares, the share certificate (if applicable) and/or refund cheque will be despatched by ordinary post (at the applicant's own risk) to the address specified on the Application Form.

Uncollected share certificates and refund cheques will be despatched by ordinary post (at the applicants' own risk) to the addresses specified in the relevant Application Forms. Further information is set out in the section headed "How to Apply for Public Offer Shares — 13. Despatch/collection of share certificates and refund monies" in this prospectus.

7. e-Auto Refund payment instructions and refund cheques will be made/issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price as finally determined is less than the initial Offer Price per Share payable on application. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque, if any. Inaccurate completion of your Hong Kong identity card number/passport number may lead to a delay in encashment of, or may invalidate, your refund cheque, if any.

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. (Hong Kong time) on the Listing Date provided that (i) the Share Offer has become unconditional; and (ii) neither of the Underwriting Agreements has been terminated in accordance with the terms therein. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

Particulars of the structure of the Share Offer, including the conditions thereto, are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus. Details relating to how to apply for Public Offer Shares are set out in the section headed "How to Apply for Public Offer Shares" in this prospectus.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Share Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

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

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are principally engaged in the distribution of third-party branded petrochemicals and the sales of our self-branded lubricant oil mainly in Hong Kong. We are also an authorised fleet card reseller of Oil Company Y in Hong Kong. According to the Frost & Sullivan Report, we were ranked as the second largest diesel distributor in Hong Kong, with a market share of approximately 19.8% in terms of the estimated distribution value of diesel in Hong Kong in the year ended 31 March 2017. As at 31 March 2017, we operated a total number of 28,921 fleet card accounts, and we were ranked as the second largest fleet card reseller in terms of the total estimated revenue (on gross basis) in Hong Kong in the year ended 31 March 2017, according to the Frost & Sullivan Report.

OUR PRODUCTS AND SERVICES

Our portfolio of petrochemical products comprises (i) diesel; (ii) lubricant oil (including self-branded lubricant oil and third-party branded lubricant oil); and (iii) other petrochemicals such as bitumen. We are also an authorised reseller of fleet cards issued by Oil Company Y.

During the Track Record Period, we sourced semi-finished lubricant oil in bulk volume and/or finished lubricant oil from overseas suppliers for our in-house blending and/or repackaging into wholesale and retail packs for sales in Hong Kong.

SUMMARY

The following table sets forth details of our revenue and gross profit derived from each business segment in the Track Record Period:

	For the year ended 31 March						For the four months ended 31 July														
	2015			2016			2017			2016			2017								
	Revenue (HK\$'000)	% of total gross profit	Gross profit margin	Revenue (HK\$'000)	% of total gross profit	Gross profit margin	Revenue (HK\$'000)	% of total gross profit	Gross profit margin	Revenue (HK\$'000)	% of total gross profit	Gross profit margin	Revenue (HK\$'000)	% of total gross profit	Gross profit margin						
Sales of diesel	814,889	91.1%	1.2%	652,752	89.4%	2.3%	598,279	89.1%	11,483	27.8%	1.9%	183,555	87.6%	3,810	25.9%	2.1%	194,064	88.2%	3,847	23.4%	2.0%
Sales of lubricant oil	64,270	7.2%	17.1%	57,019	7.8%	28.7%	49,109	7.3%	15,669	37.9%	31.9%	18,018	8.6%	6,050	41.2%	33.6%	16,220	7.4%	5,890	35.9%	36.3%
Self-branded lubricant oil	30,119	3.4%	27.9%	27,001	3.7%	41.9%	23,415	3.5%	11,684	28.3%	49.9%	8,404	4.0%	4,312	29.3%	51.3%	8,483	3.9%	3,790	23.1%	44.7%
Third-party branded lubricant oil	34,151	3.8%	7.5%	30,018	4.1%	16.8%	25,694	3.8%	3,983	9.6%	15.5%	9,614	4.6%	1,738	11.9%	18.1%	7,737	3.5%	2,100	12.8%	27.1%
Provision of fleet cards service ⁽¹⁾	6,727	0.8%	58.2%	15,064	2.1%	61.8%	20,350	3.0%	12,972	31.4%	63.7%	6,711	3.2%	4,458	30.3%	66.4%	8,400	3.8%	6,410	39.0%	76.3%
Sales of others ⁽²⁾	8,839	0.9%	12.1%	5,636	0.7%	26.0%	4,067	0.6%	1,227	2.9%	30.2%	1,363	0.6%	383	2.6%	28.1%	1,270	0.6%	273	1.7%	21.5%
Total	894,725	100.0%	2.8%	730,471	100.0%	5.7%	671,805	100.0%	41,351	100.0%	6.2%	209,647	100.0%	14,701	100.0%	7.0%	219,954	100.0%	16,420	100.0%	7.5%

Notes:

- Income from provision of fleet cards service is recognised based on the difference between gross proceeds received and receivable from fleet card holders and gross amounts paid and payable to Oil Company Y. Please also refer to the sub-section headed "Business — Sales and marketing — Pricing policy — Pricing policy for fleet card products" and Note 4 to the Accountants' Report in Appendix I to this prospectus for further details.
- "Others" mainly include bitumen and kerosene.

SUMMARY

Average sales price and sales volume

The following table sets forth the average sales price and sales volume for our different products:

	For the year ended 31 March						For the four months ended 31 July			
	2015		2016		2017		2016		2017	
	Average sales price <i>HK\$/Litre</i>	Sales Volume <i>Million Litres</i>	Average sales price <i>HK\$/Litre</i>	Sales Volume <i>Million Litres</i>	Average sales price <i>HK\$/Litre</i>	Sales Volume <i>Million Litres</i>	Average sales price <i>HK\$/Litre</i>	Sales Volume <i>Million Litres</i>	Average sales price <i>HK\$/Litre</i>	Sales Volume <i>Million Litres</i>
Diesel	5.4	151.0	3.4	192.0	3.2	187.0	3.0	61.1	3.3	59.2
Lubricant oil	17.5	3.7	17.3	3.3	17.6	2.8	17.8	1.0	17.5	0.9

For further details of our products and services, please refer to the sub-section headed “Business — Our products and services” in this prospectus.

Our fleet card business

Business model

During the Track Record Period and as at the Latest Practicable Date, we were an authorised fleet card reseller of Oil Company Y (which is ranked as one of the four dominant oil companies in Hong Kong according to the Frost & Sullivan Report). We deployed our in-house sales team and engaged third party sales agent to attract fleet card customers, and we are contractually required to fully settle the monthly invoice issued by Oil Company Y for all fleet card accounts operated by us, regardless of whether we eventually receive full payment from our fleet card customers. In return, Oil Company Y offered better pricing term (“**Authorised Reseller Price**”) to us which is generally not available to fleet card end users. The main incentive for customers using our fleet card is that the fuel price paid with fleet card (“**Fleet Card Price**”) is relatively lower than the retail price (“**Oil Station Price**”) as applicable at the Network Gas Station.

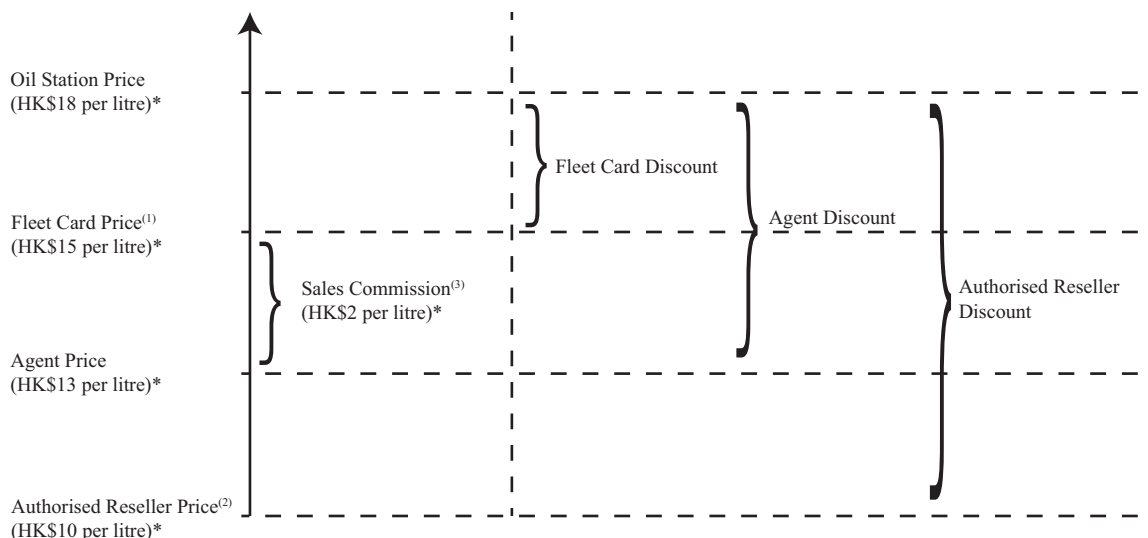
According to the Frost & Sullivan Report, (a) all of the oil companies in Hong Kong choose to cooperate with selected authorised fleet card resellers to promote their fleet cards; (b) oil companies generally prefer cooperating with selected authorised fleet card resellers and offering to such resellers more favourable pricing (which is generally not available to fleet card end users) mainly because when compared with end users, such resellers have the strengths in scale of business, aspiration for expanding customer base as well as marketing efficiency; and (c) the main benefit for oil companies to cooperate with selected authorised fleet card resellers is to acquire and retain more market shares with better cost efficiency, and avoid maintaining a large team of in-house administrative and marketing personnel.

Revenue model

During the Track Record Period and as at the Latest Practicable Date, we promoted fleet card products through our in-house marketing team as well as third-party sales agents. Our revenue (on net basis) arises from (1) customers procured by our in-house marketing team; and (2) customers procured by third-party sales agents. In addition, we are also entitled to cash rebate (“**Volume Rebate**”) from Oil Company Y if certain sales volume targets are met. We only pay commission

SUMMARY

(“**Sales Commission**”) to third-party sales agents based on the fuel purchases by our fleet card customers who are procured by such third-party sales agents. Our fleet card revenue model and the steps involved in calculating the Sales Commission could be illustrated by the following simplified chart:



* All prices are for illustrative purpose only.

Notes:

- (1) It represents the gross proceeds receivable from our fleet card customers.
- (2) It represents the gross amounts payable to Oil Company Y.
- (3) It represents our cost of sales in deriving revenue from customers procured by third-party sales agents.

Our revenue (on net basis) arising from customers procured by in-house marketing team

Pursuant to our fleet card agreements with Oil Company Y, we are entitled to fuel price discount from Oil Company Y (“**Authorized Reseller Discount**”) as compared to the retail fuel price applicable at a Network Gas Station (“**Oil Station Price**”). For customers procured by in-house marketing team, we may offer such customers a specified fleet card discount (“**Fleet Card Discount**”) as compared to the Oil Station Price.

For illustrative purpose only, assuming the Authorized Reseller Discount is HK\$8 below the Oil Station Price per litre while the Fleet Card Discount is HK\$3 below Oil Station Price per litre, our Company attains revenue of HK\$5 per litre from customers procured by our in-house sales team.

Our revenue (on net basis) arising from customers procured by third-party sales agents

Pursuant to our sales agency agreements with third-party sales agents, we offer such third-party sales agents a specified discount (“**Agent Discount**”) as compared to the Oil Station Price. When the Agent Discount is agreed between the third-party sales agents and us, the third-party sales agents have the discretion to offer prospective customers a specified Fleet Card Discount, which must also comply with our sales policy and is subject to our final approval.

For illustrative purpose only, assuming the Authorized Reseller Discount is HK\$8 below the Oil Station Price per litre while the Fleet Card Discount is HK\$3 below Oil Station Price per litre, our Company attains revenue of HK\$5 per litre from customer procured by third party sales agents.

All the customers settle the fleet card bill directly with us. For customers procured by the third party sales agents, the Sales Commission payable by us to third-party sales agents represents the difference of Agent Discount minus the Fleet Card Discount. For illustrative purpose only, assuming

SUMMARY

the Agent Discount is HK\$5 below Oil Station Price per litre while the Fleet Card Discount is HK\$3 below Oil Station Price per litre, we should pay Sales Commission at HK\$2 per litre to the third-party sales agents.

Volume Rebate

We are also entitled to the Volume Rebate from Oil Company Y if certain sales volume targets are met, while we do not offer any volume rebate to either our fleet card customers or third-party sales agents during the Track Record Period. For further details about the Volume Rebate, please refer to the sub-section headed “Business — Sales and marketing — Pricing policy — Pricing policy for fleet card products” in this prospectus.

Settlement arrangement

Pursuant to our fleet card agreement with Oil Company Y, we are granted a credit term of 15 days following the date of each monthly invoice from Oil Company Y. Correspondingly, we bill our customers on a monthly basis after we receive from Oil Company Y a schedule with detail invoice data of our fleet card customers. Our customers are required to settle our bills by the twelfth or fifteenth day of each month generally by way of pre-authorized direct debit arrangement. For further details about the settlement arrangement in our fleet card business, please refer to the sub-sections headed “Business — Business model — Provision of fleet cards service” and “Business — Our products and services — Fleet cards — Our fleet card agreement with Oil Company Y” in this prospectus.

Our credit exposure and credit risk management measures in fleet card business segment

We are contractually required to fully settle the invoice issued by Oil Company Y, regardless of whether or not we eventually receive full payment from our fleet card customers. As such, we bear the credit risk of default by our fleet card customers, which is in line with market practice in Hong Kong according to the Frost & Sullivan Report. Our general credit control policy is to suspend the fleet card account if the monthly bill is not settled on or before the sixteenth day in the following calendar month. The table below sets forth the gross proceeds received and receivable from our fleet card customers, and the gross amount paid and payable to Oil Company Y during the Track Record Period:

	For the year ended 31 March			For the four months ended
	2015	2016	2017	31 July 2017
	<i>In HK\$ million</i>			
Gross proceeds received and receivable from our fleet card customers	132.2	184.4	199.1	76.5
Gross amounts paid and payable to Oil Company Y	125.9	167.5	179.3	67.0

We have implemented a series of credit control policies and measures, which mainly include screening and reviewing of fleet card applicants, establishment and adjustment of monthly spending limit for each fleet card account, and on-going monitoring of the activities and performance of our fleet card accounts. We also maintain a vigorous control over collection of default payments by following our standard internal procedures. During the Track Record Period, each case with our default customers involved an overdue amount below HK\$40,000, and we filed claims in Small Claims Tribunal against such default customers. For the years ended 31 March 2015, 2016, 2017 and four months ended 31 July 2017, the respective default amounts was approximately HK\$69,000, HK\$120,000, HK\$41,000 and HK\$29,000. As at the Latest Practicable Date, approximately

SUMMARY

HK\$11,000 relating to one default customer remained unpaid. For further details, please refer to the sub-section headed “Business — Credit policy — Fleet cards credit management and control measures” in this prospectus.

Views of our Hong Kong Legal Advisers on whether fleet card business is a lending business

On the basis that our business is the promotion and the reselling of the fleet cards and the object of which is to obtain profits by reselling the fleet cards to customers and taking into account of the fact that no interest was charged against the fleet card holders during the Track Record Period, our Hong Kong Legal Advisers are of the view that our fleet card reselling business is not a lending business, therefore we are not required to obtain money lender’s licence under the Money Lenders Ordinance (Cap. 163 of the Laws of Hong Kong).

PRICING POLICY

For the distribution and sales of petrochemicals, we adopt the pricing policy of cost-plus with mark-up margin. We consider our costs of purchase and delivery, prevailing market prices, as well as applicable credit policy we offer to customers when determining the prices of our products.

For our pricing policy of fleet card business segment and further details about our overall pricing policy, please refer to the sub-sections headed “— Our fleet card business — Revenue model” in this section and “Business — Sales and marketing — Pricing policy” in this prospectus respectively.

FEATURES OF THE INDUSTRY AND COMPETITIVE LANDSCAPE

Given that our selling prices of petrochemical products are generally correlated with the prevailing market price with reference to various benchmark indicators such as the Europe Brent spot crude price, our business performance is affected by the volatility of oil prices on the market. Please refer to the sub-section headed “Risk Factors — Our business and results of operations are dependent on the crude oil price which is driven by factors beyond our control”. Please also refer to the sub-section headed “Financial Information — Sensitivity analysis — Diesel price” for a sensitivity analysis which illustrates the effects on our net profit with hypothetical changes in the price of diesel.

We derived a substantial portion of our revenue from the distribution of diesel during the Track Record Period. According to the Frost & Sullivan Report, all diesel products consumed in Hong Kong are imported from overseas, and the entire market is dominated by four oil companies (including Oil Company X and Oil Company Y). There are a limited number of major distributors who directly contract with such oil companies to source for diesel. According to the Frost & Sullivan Report, it is rare for a major distributor (like our Group) to directly source oil products (including diesel and/or third-party branded lubricant oil) from multiple oil companies at the same time; and it is common for a major distributor in Hong Kong (like our Group) to concentrate its source of supply to one of the four dominant oil companies in Hong Kong.

According to the Frost & Sullivan Report: (a) there are over 50 distributors in Hong Kong who specialized in the distribution and transportation of oil products; (b) the five largest distributors of diesel in Hong Kong (including our Group) collectively accounted for a market share of approximately 53.8% in terms of the estimated distribution value of diesel in Hong Kong in the year ended 31 March 2017; (c) the overall lubricant oil market in Hong Kong is fragmented with more than 100 market players selling products with international brands and local brands; and (d) the top five players in the Hong Kong fleet card sales market take up a total market share of approximately 48.6% in terms of the estimated revenue (on gross basis) for the year ended 31 March 2017.

SUMMARY

OUR CUSTOMERS

Our petrochemical products are primarily sold to downstream distributors of petrochemicals, as well as commercial end customers mainly in the construction, civil engineering and transportation sectors in Hong Kong. Over the years, we have cultivated stable business relationships with our major customers, and we have maintained business relationships with our five largest customers (in terms of revenue) during the Track Record Period for up to 14 years. For the year ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, approximately 69.7%, 76.2%, 73.9% and 75.7%, respectively, of our total revenue was attributable to our sales to five largest customers; and the sales to our largest customer (in terms of revenue), being Customer A (who is principally engaged in logistics business in Hong Kong), accounted for approximately 30.6%, 44.4%, 39.1% and 41.5%, respectively, of our total revenue for the same periods.

To the best of our knowledge and belief, we sold most of our petrochemicals to logistics company, downstream distributor of petrochemicals and commercial end users during the Track Record Period. Breakdown of our top five customers are set out as follows:

	For the year ended 31 March						For the four months ended 31 July			
	2015		2016		2017		2016		2017	
	Revenue (HK\$'000)	% of total revenue	Revenue (HK\$'000)	% of total revenue	Revenue (HK\$'000)	% of total revenue	Revenue (HK\$'000) (unaudited)	% of total revenue	Revenue (HK\$'000)	% of total revenue
Top five customers — Logistics companies	273,763	30.6%	324,103	44.4%	262,469	39.1%	85,852	41.0%	91,260	41.5%
Top five customers — Downstream distributors of petrochemicals	350,120	39.1%	232,540	31.8%	233,785	34.8%	65,381	31.2%	75,210	34.2%
Customers other than top five customers (including commercial end users)	270,842	30.3%	173,828	23.8%	175,551	26.1%	58,414	27.9%	53,484	24.3%
Total	894,725	100.0%	730,471	100.0%	671,805	100.0%	209,647	100.0%	219,954	100.0%

For further details, please refer to the sub-section headed “Business — Our major customers” in this prospectus.

OUR SUPPLIERS

Our purchases mainly include diesel, third-party branded lubricant oil, semi-finished lubricant oil, finished lubricant oil, as well as other finished petrochemicals (such as bitumen). We also purchase additives, packaging materials and other consumables for the in-house blending of our self-branded lubricant oil.

We select our suppliers based on their product quality, price and delivery schedule. As at the Latest Practicable Date, we had approximately 25 approved suppliers. Our purchase from suppliers is generally made on an order-by-order basis, except that we have entered into term contracts with our major suppliers of diesel, third-party branded lubricant oil and bitumen. As at the Latest Practicable Date, we also had a subsisting fleet card contract with Oil Company Y for a term up to April 2021. For further details, please refer to the sub-sections headed “Business — Our purchase and suppliers — Our relationship with Oil Company X” and “Business — Our products and services — Fleet cards” in this prospectus.

SUMMARY

We received the “35 Years of Long Service Award” from Oil Company X for the long-term distribution of its own branded lubricant oil. The aforesaid award was granted to our Group by Oil Company X in recognition of its decades-long business relationships not only with the first member company of our Group (being Yee Sing Hong which was incorporated in 2002), but also with other corporate entities owned by Mr. Hui before the incorporation of Yee Sing Hong. During the Track Record Period and as at the Latest Practicable Date, we have been sourcing diesel under fuel supply agreements with Oil Company X for around six years. As at the Latest Practicable Date, our subsisting fuel supply agreement for the procurement of diesel from Oil Company X has a term up to 30 June 2019, which agreement may be terminated by either party with or without cause upon at least 14 days’ prior written notice to the other party. Please refer to the sub-section headed “Business — Our purchase and suppliers — Our relationship with Oil Company X — Contractual arrangement with Oil Company X” in this prospectus for salient terms of such fuel supply agreement. We were also an authorised fleet card reseller of Oil Company Y during the Track Record Period and as at the Latest Practicable Date.

For further details, please refer to the sub-section headed “Business — Our purchase and suppliers” in this prospectus.

SALES AND MARKETING

Our sales network comprises of (i) direct sales to downstream distributors of petrochemicals as well as commercial and individual end customers; and (ii) promotion of fleet cards through sales agents. For the distribution of petrochemicals, we focus on direct sales in Hong Kong through our established distribution network and our distribution facilities, including the Sham Shui Po Outlet and our fleet of wagons. In our fleet card business segment, we mainly rely on the sales referral from our sales agents in Hong Kong. As at the Latest Practicable Date, we engaged a total of 21 third-party sales agents who solicited customers and promoted fleet cards for us in Hong Kong pursuant to the respective sales agency agreements with us. For further details, please refer to the sub-section headed “Business — Sales and marketing” in this prospectus.

COMPETITIVE STRENGTHS AND BUSINESS STRATEGIES

Our Directors believe that our success is attributable to, among other things, our competitive strengths in terms of (i) proven track record in achieving growth in profitability; (ii) portfolio of quality petrochemicals with a wide range of products; (iii) well-established business relationships with our customers and suppliers; (iv) being an authorised fleet card reseller of Oil Company Y in Hong Kong; (v) being an early mover in offering value-added services to fleet card users via mobile app; (vi) possession of self-owned fleet of wagons; and (vii) contribution and commitment from an experienced and dedicated management team. For further details, please refer to the sub-section headed “Business — Competitive strengths” in this prospectus.

We intend to continue building our competitive strengths so as to increase market share and improve profitability. To achieve our goal, we plan to (i) expand our in-house blending and repackaging capacity to capitalize on the growing demand for lubricant oil in Hong Kong; (ii) enhance the overall brand awareness of our self-owned brands and trade names; (iii) broaden the offering of value-added services on our self-developed “TFH” app to provide “one-stop-shop” experience; (iv) continue to increase our market share in the diesel sales market in Hong Kong and expand our fleet of wagons; and (v) continue to recruit, foster and retain talent. For further details, please refer to the sub-section headed “Business — Business strategies” in this prospectus.

SUMMARY

MAJOR RISK FACTORS

Our Group believes that our operations involve certain risks and uncertainties. For details, please refer to the section headed “Risk Factors” in this prospectus. We have categorised these risks and uncertainties into: (a) risks relating to our business; (b) risks relating to the industry; (c) risks relating to Hong Kong; (d) risks relating to the Share Offer and our Shares; and (e) risks relating to statements made in this document. Many of these risks are beyond our control and the major risk factors include (i) we are dependent on the supply of diesel, lubricant oil and other products from our suppliers; (ii) we generate a substantial portion of our revenue from Customer A; and any decrease or loss of business from Customer A could adversely and substantially affect our operations and financial conditions; (iii) we rely on our sales to major customers, and our customers have no long-term commitments on purchasing petrochemicals from us; (iv) our business performance and financial position are susceptible to a number of factors attributable to the nature of our industry and our expansion plan; and (v) the demand for our diesel would be adversely affected by the delay in public sector projects, or by changes in the market conditions and trends in the construction industry as well as in the overall economy.

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares that may be issued upon the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme), Max Fortune will effectively hold an aggregate of 720,000,000 Shares, representing 72% of the total issued share capital of our Company. Max Fortune is held by Mr. Hui, Ms. Tong and Mr. Eric Hui as to 35.0%, 35.0% and 30.0%, respectively. Max Fortune is an investment holding company and has not commenced any substantive business activities as at the Latest Practicable Date. Mr. Hui, Ms. Tong and Mr. Eric Hui have decided to exercise direct control over the Company by holding their interests through a common holding company, namely, Max Fortune. Hence, Mr. Hui, Ms. Tong, Mr. Eric Hui and Max Fortune are a group of Controlling Shareholders within the meaning of the Listing Rules.

PRE-IPO INVESTOR

Pursuant to the Pre-IPO Sale and Purchase Agreement, the Pre-IPO Investor acquired from Max Fortune a total number of 30 Shares (representing 4.0% of our Company’s issued share capital before completion of the Share Offer and Capitalisation Issue) on 13 April 2017 and 26 April 2017, respectively, for an aggregate consideration of HK\$4,000,000. Immediately following completion of the Share Offer (without taking into account any Shares which may be allotted and issued upon exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), the Pre-IPO Investor will be beneficially interested in approximately 3.0% of the issued share capital of our Company.

The Pre-IPO Investor is an investment holding company incorporated in the BVI on 11 January 2017 and is beneficially owned as to 100% by Mr. Chuang Fu-Yuan, an Independent Third Party. The Pre-IPO Investor has been partly financed by a subsidiary of Joyas International Holdings Limited, a company listed in Singapore and in respect of whom, Mr. Ong Chor Wei, our non-executive Director, is a substantial shareholder and director. Save for the investment in our Group and Mr. Ong Chor Wei’s position in the financier to the Pre-IPO Investor, the Pre-IPO Investor and its ultimate beneficial owner are Independent Third Parties and have no past or present relationships with our Group, our Shareholders, our Directors, our senior management personnel, or any of their respective associates and any connected persons of our Company.

The Pre-IPO Investor has voluntarily undertaken to the Joint Bookrunners, the Joint Lead Managers and the Company that it will not, in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares or securities directly or indirectly beneficially owned by it.

SUMMARY

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, our consolidated results of operations. All the ratios calculated in this prospectus are calculated with number rounded to the nearest thousands, except when otherwise indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	For the year ended 31 March			For the four months ended 31 July	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue	894,725	730,471	671,805	209,647	219,954
Cost of sales	(869,260)	(688,591)	(630,454)	(194,946)	(203,534)
Gross profit	25,465	41,880	41,351	14,701	16,420
Other income, gains and losses	1,370	805	316	29	17
Selling and distribution expenses	(4,065)	(4,084)	(4,127)	(1,253)	(1,273)
Administrative expenses	(9,388)	(9,850)	(7,651)	(2,448)	(2,617)
Listing expenses	—	—	(2,394)	—	(8,711)
Other operating expenses	(1,250)	(1,299)	(1,249)	(427)	(371)
Finance costs	(762)	(737)	(589)	(214)	(169)
Profit before taxation	11,370	26,715	25,657	10,388	3,296
Income tax expense	(1,734)	(4,358)	(4,628)	(1,706)	(2,055)
Profit and total comprehensive income for the year/period	9,636	22,357	21,029	8,682	1,241

Revenue

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

	For the year ended 31 March						For the four months ended 31 July			
	2015		2016		2017		2016		2017	
	HK\$'000	% of total revenue	HK\$'000	% of total revenue	HK\$'000	% of total revenue	HK\$'000	% of total revenue	HK\$'000	% of total revenue
Sales of diesel	814,889	91.1%	652,752	89.4%	598,279	89.1%	183,555	87.6%	194,064	88.2%
Sales of lubricant oil	64,270	7.2%	57,019	7.8%	49,109	7.3%	18,018	8.6%	16,220	7.4%
Provision of fleet cards service ⁽¹⁾	6,727	0.8%	15,064	2.1%	20,350	3.0%	6,711	3.2%	8,400	3.8%
Sales of others ⁽²⁾	8,839	0.9%	5,636	0.7%	4,067	0.6%	1,363	0.6%	1,270	0.6%
Total	894,725	100.0%	730,471	100.0%	671,805	100.0%	209,647	100%	219,954	100.0%

Notes:

- Income from provision of fleet cards service is recognised based on the difference between gross proceeds received and receivables from fleet card holders and gross amounts paid and payable to Oil Company Y. Please also refer to the sub-section headed “Business — Sales and marketing — Pricing policy — Pricing policy for fleet card products” and Note 4 to the Accountants’ Report in Appendix I to this prospectus for further details.
- “Others” mainly include bitumen and kerosene.

SUMMARY

Decrease in revenue during the three years ended 31 March 2017

Our revenue was approximately HK\$894.7 million, HK\$730.5 million, HK\$671.8 million and HK\$220.0 million for the year ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, respectively. Our revenue demonstrated a decreasing trend during the three years ended 31 March 2017 mainly due to the decrease in our revenue from diesel and lubricant oil products, which was mainly attributable to the decrease in the average selling price of our lubricant oil and diesel products. Such a trend aligns with the decrease of benchmark indicators such as Europe Brent spot crude price. The decrease in revenue from diesel and lubricant oil products during the three years ended 31 March 2017 was partially offset by the growth in revenue arising from our resale of fleet card, which is mainly attributable to our active marketing activities.

For the four months ended 31 July 2017, our revenue increased by approximately 5.0% as compared to the same interim period in 2016, which was mainly attributable to the increase in the average selling price of our diesel products and revenue generated from our provision of fleet cards services. The increase in revenue from diesel products and provision of fleet cards service during the four months ended 31 July 2017 was partially offset by the decrease in revenue arising from lubricant oil products, which was mainly attributable to decrease in the average selling price of our lubricant oil products.

Fluctuation in gross profit margin and net profit margin during the Track Record Period

During the Track Record Period, we recorded a gross profit margin of approximately 2.8%, 5.7%, 6.2% and 7.5%, respectively, for the three years ended 31 March 2017 and the four months ended 31 July 2017. We also recorded a net profit margin of approximately 1.1%, 3.1%, 3.1% and 0.6% respectively, for the three years ended 31 March 2017 and the four months ended 31 July 2017. The rise in our gross profits margin and net profit margin during the Track Record Period was mainly driven by (i) the wider price spread of diesel between the sale price offered by Oil Company X to our Group and our Group's sale price offered to our customers, when the oil prices are generally low, and (ii) customers generally have moderate price sensitivity when the oil prices are low.

Our Directors wish to stress that, although historical performance of Europe Brent oil price and our gross profit margin during the Track Record Period suggested that we generally enjoyed an increased price spread between the purchase price and selling price of our diesel products when the oil price remained at a relatively low level mainly due to customers' moderate price sensitivity to oil products, such customers' moderate price sensitivity to oil products as a result of the drop in oil price is only a seasonal customer behavior, in respect of which we do not have any assurance. There is no assurance that we are always able to achieve higher profitability as a diesel distributor in Hong Kong when the Europe Brent spot crude price plunges. For details, please refer to "Risk Factors — There is no assurance that we will achieve higher profitability as diesel distributor in Hong Kong when the Europe Brent spot crude price plunges" in this prospectus.

Profit and total comprehensive income for the year

Our net profit and total comprehensive income was approximately HK\$9.6 million, HK\$22.4 million, HK\$21.0 million and HK\$1.2 million for the year ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, respectively. For the four months ended 31 July 2017, our net profit decreased by approximately 85.7% to HK\$1.2 million from HK\$8.7 million during the corresponding period in 2016, which is mainly due to the listing expenses of HK\$8.7 million recorded during the four months ended 31 July 2017. For further details, please refer to the sub-section headed "Financial Information — Description of selected items for the consolidated statements of profit or loss" in this prospectus.

SUMMARY

Selected items of the consolidated statements of financial position

	As at 31 March			As at 31 July
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets	27,467	25,982	22,560	21,792
Current assets	42,688	64,827	80,888	83,000
Total assets	70,155	90,809	103,448	104,792
Current liabilities	51,707	60,669	57,610	57,813
Net current (liabilities) assets	(9,019)	4,158	23,278	25,187
Total assets less current liabilities	18,448	30,140	45,838	46,979
Non-current liabilities	1,347	862	523	423
Total liabilities	53,054	61,531	58,133	58,236
TOTAL EQUITY	17,101	29,278	45,315	46,556

As at 31 March 2016, 2017 and 31 July 2017, we had net current assets of approximately HK\$4.2 million, HK\$23.3 million and HK\$25.2 million, respectively. We recorded net current liabilities of approximately HK\$9.0 million as at 31 March 2015. For further details, please refer to the sub-section headed “Financial Information — Discussion of selection items of the consolidated statements of financial position” in this prospectus.

Impact of crude oil price on our results of operations

For the three years ended 31 March 2017, a significant portion of our revenue was derived from sales of diesel, lubricant oil and other products. In addition, our fleet card customers use our fleet cards primarily for the purchase of diesel and petrol at Network Gas Stations. Accordingly, our operating results are affected by oil prices, which are subject to significant volatility. The prices of petrochemical products generally follow the trend of crude oil price in the international market and have mainly been driven by various market forces, all of which are beyond our control.

According to the Frost & Sullivan Report, there was a significant decrease in the Europe Brent spot crude price since June 2014 due to international political and macroeconomic dynamics. Following the similar trend, the imported price of diesel in Hong Kong also experienced a slump between August 2014 and February 2016 until its gradual recovery in March 2017.

To manage risk exposures as a result of the volatile crude oil price, we normally place orders with our suppliers of diesel upon confirmation of orders from clients on a back-to-back basis, so that we could maintain flexibility in our sales strategies, minimise our risk exposure to obsolete stock, and reduce our working capital requirement. Moreover, given that our sale prices of petrochemicals are determined based on a cost-plus approach with mark-up margin, we are generally able to pass on the increase in purchase costs to our customers.

MATERIAL LICENCES

As confirmed by our Hong Kong Legal Advisers, during the Track Record Period, except for the “Offensive Trade Licence”, our Group has obtained the following material licences for our business activities:

- Licences for the Conveyance of Dangerous Goods in Category 5 by Vehicles
- Licence for the Storage of Dangerous Goods (Category 5, Class 2)^{Notes}
- Pesticides Licence
- Licence for the Import and Export of Hydrocarbon Oil

SUMMARY

Notes: We did not renew such licence after it expired on 14 January 2018 since we have ceased selling kerosene as at 31 December 2017. Kerosene was the only petrochemical sold by us during the Track Record Period which required the said licence and its attributable gross profit was only approximately HK\$0.29 million, HK\$0.44 million and HK\$0.15 million during the three years ended 31 March 2017 respectively.

Please refer to the sub-section headed “Business — Licences, permits and certifications” in this prospectus for details.

During the Track Record Period, our Group failed to obtain the “Offensive Trade Licence” for retail sales of petrochemical products (such as lubricant oil and kerosene) at the Sham Shui Po Outlet. The Offensive Trade Licences were executed and issued on 12 December 2017 and were registered at the Land Registry on 28 December 2017. Our Legal Counsel is of the view that the chance of prosecution against us with respect to the failure to obtain Offensive Trade Licences during the Track Record Period is remote.

NON-COMPLIANCE

During the Track Record Period, we had the following non-compliance incidents: (a) breach of government leases in our use of the Sham Shui Po Outlet; and (b) filing of tax returns with incorrect information. For further details, please refer to the sub-section headed “Business — Non-compliance” in this prospectus.

RECENT DEVELOPMENT

Riding on our operational resources and experience, our Directors believe that we are well-positioned to capture the growing demand for diesel and lubricant oil in Hong Kong for the reasons set out in the sub-sections headed “Industry Overview — Overview of diesel market in Hong Kong — Market drivers”, “Industry Overview — Overview of lubricant market in Hong Kong — Market drivers” and “Industry Overview — Overview of Hong Kong fleet card markets — Market drivers”. In particular, we believe that more public construction projects initiated by government and the drivers’ tendency to use fleet cards will be the key contributors to our future growth.

For the nine months ended 31 December 2017, our sales quantity of diesel and lubricant oil amounted to approximately 147.7 million litres and 2.2 million litres respectively, which remained relatively stable as compared to the same interim period in the year ended 31 March 2017.

Subsequent to the end of the Track Record Period and as of the Latest Practicable Date, we have been actively broadening our clientele and strengthening our cooperation with key customers and suppliers. Our fleet card accounts have increased from 31,410 as at 31 July 2017 to 40,988 as at the Latest Practicable Date.

Save and except for the listing expenses as disclosed herein, our Group did not have any significant non-recurrent items in our consolidated statements of comprehensive income subsequent to the Track Record Period. Our results of operations for the year ending 31 March 2018 is expected to be significantly affected by the non-recurring listing expenses, details of which are set out in the section headed “Financial Information — Listing expenses” in this prospectus.

MATERIAL ADVERSE CHANGE SUBSEQUENT TO 31 JULY 2017

Our Directors confirm that, up to the date of this prospectus and save for the one-off listing expenses which will have a material adverse impact on the financial results of our Group for the year ending 31 March 2018, there has been no material adverse change in our financial, operational or trading position since 31 July 2017, being the end of the period reported on in the Accountants’ Report in Appendix I to this prospectus.

SUMMARY

LISTING EXPENSES

Assuming the Offer Price of HK\$0.4 per Offer Share, being the mid-point of the indicative Offer Price, the total expenses in relation to the Listing are estimated to be approximately HK\$32.5 million, of which approximately nil, nil, HK\$2.4 million and HK\$8.7 million was recognized in our consolidated statements of profit or loss during the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017 respectively. We expect to incur additional listing expenses of approximately HK\$7.3 million which is expected to be recognised in profit or loss for the year ending 31 March 2018. The balance of approximately HK\$14.1 million is expected to be recognized as a deduction in equity upon Listing.

Our Directors are of the view that the one-off listing expenses will have a material adverse impact on the financial results of our Group for the year ending 31 March 2018. The aforesaid amount of listing expenses is a current estimate for reference only and the final amount to be recognized in our consolidated statement of profit and loss for the year ending 31 March 2018 will be subject to adjustments based on audit and changes in variables and assumptions.

DIVIDENDS

For the year ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, we declared and distributed dividends of approximately HK\$9.6 million, HK\$10.2 million, HK\$5.0 million and nil, respectively, to our then shareholders. There is no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. Please refer to the sub-section headed “Financial Information — Dividends” in this prospectus for further details. We do not have any specific dividend policy nor pre-determined dividend payout ratios.

FUTURE PLANS AND USE OF PROCEEDS

We estimate that the net proceeds we will receive from the Share Offer (after deducting underwriting commissions and estimated total expenses paid and payable by us in connection with the Share Offer) will be approximately HK\$67.5 million, assuming an Offer Price of HK\$0.4 per Offer Share, being the mid-point of the Offer Price range stated in this prospectus. We plan to apply these net proceeds in the following purposes:

- (1) approximately HK\$51.6 million, representing approximately 76.4% of the net proceeds, will be used for the development of our new blending site with storage facility;
- (2) approximately HK\$6.8 million, representing approximately 10.1% of the net proceeds, will be used for the purchase of nine new vehicles;
- (3) approximately HK\$7.9 million, representing approximately 11.7% of the net proceeds, will be used for recruiting and retaining high calibre talents in management, quality control, operational support at the new blending site with storage facility sales and marketing as well as internal control and compliance, so as to support future growth of the Group; and
- (4) approximately HK\$1.2 million, representing approximately 1.8% of the net proceeds will be used for additional working capital and other general corporate purposes.

Please refer to the sub-sections headed “Future Plans and Use of Proceeds — Use of proceeds” and “Business — Expand our in-house blending and repackaging capacity to capitalise on the growing demand for lubricant oil in Hong Kong” in this prospectus for further details.

SUMMARY

SHARE OFFER STATISTICS

Market capitalisation upon Listing ⁽¹⁾	HK\$300,000,000 to HK\$500,000,000
Number of Offer Shares	250,000,000
Offering structure	225,000,000 Shares for the Placing and 25,000,000 Shares for the Public Offer
Offer Price per Share	HK\$0.30 to HK\$0.50
Board lot	8,000 Shares
Unaudited pro forma adjusted consolidated net tangible assets per Share ⁽²⁾	HK\$0.13 to HK\$0.18

- (1) Assuming the Offer Size Adjustment Option is not exercised at all.
- (2) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share is calculated based on 812,500,000 Shares in issue immediately following the completion of the Share Offer and Capitalisation Issue assumed to be on 31 July 2017 but takes no account of the exercise of Offer Size Adjustment Option or any Shares which may be issued upon the exercise of options that may be granted under the Share Option Scheme or any Shares which may be allotted or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred in Appendix V to this prospectus.

DEFINITIONS

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

“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s) or, where the context so requires, any of them, relating to the Public Offer
“Articles” or “Articles of Association”	the articles of association of our Company conditionally adopted on 16 January 2018 to take effect on the Listing Date and which will become effective upon the Listing, as amended from time to time, a summary of which is set out in the section headed “Summary of the constitution of the Company and Cayman Islands Companies Law in Appendix IV to this prospectus”
“associate(s)”	has the meaning as ascribed thereto under the Listing Rules
“Billion Faith”	Billion Faith (Hong Kong) Limited (億暉(香港)有限公司), a company incorporated under the laws of Hong Kong on 17 October 2005 with limited liability, which is wholly owned by Tycoon City
“Billion Harvest”	Billion Harvest Ventures Limited (億豐創投有限公司), a company incorporated on 5 January 2017 in the BVI, which is wholly owned by the Company
“Board”	the board of Directors
“business day”	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate, a method of assessing the average growth of a value over a certain time period
“Call Option Deed”	the call option deed dated 12 April 2017 executed by Max Fortune and the Pre-IPO Investor, pursuant to which the Pre-IPO Investor granted a call option to Max Fortune
“Capitalisation Issue”	the issue of Shares to be made upon the capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the paragraph headed “Resolutions in Writing of Our Shareholders Passed on 16 January 2018” in Appendix V to this prospectus
“Carmen Logistics”	Carmen Logistics Limited (裕豪物流有限公司), a company incorporated under the laws of Hong Kong on 19 March 2012 with limited liability, which is wholly owned by Diamond Decade

DEFINITIONS

“Cayman Sale and Purchase Agreement”	the agreement relating to the sale and purchase of 11,000 shares in Billion Harvest dated 12 April 2017 and entered into among our Company, Max Fortune, Mr. Hui, Mr. Eric Hui and Ms. Tong as described in the section headed “History, Reorganisation and Corporate Structure — Reorganisation” in this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“close associate(s)”	has the meaning as ascribed thereto under the Listing Rules
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Vico International Holdings Limited (域高國際控股有限公司) (formerly named as Rico International Holdings Limited), an exempted company incorporated in the Cayman Islands with limited liability on 24 March 2017
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and, in the context of this prospectus, refers to Max Fortune, Mr. Hui, Ms. Tong and Mr. Eric Hui
“Deed of Indemnity”	the deed of indemnity dated 16 January 2018 and given by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries), details of which are set out in the sub-section headed “Statutory and General Information — Other information — Indemnities” in Appendix V to this prospectus

DEFINITIONS

“Deed of Non-competition”	the deed of non-competition dated 16 January 2018 given by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries) regarding the non-competition undertakings, details of which are set out in the section headed “Relationship with our Controlling Shareholders” in this prospectus
“Diamond Decade”	Diamond Decade Investments Limited, a company incorporated on 23 January 2017 in the BVI, which is wholly owned by Billion Harvest
“Director(s)”	the director(s) of our Company
“Fire Services Department”	the Fire Services Department of Hong Kong
“Frost & Sullivan”	Frost & Sullivan International Limited, an independent market research consultant
“Frost & Sullivan Report”	a market research report commissioned by us and prepared by Frost & Sullivan on the overview of the industries in which our Group operates
“GDP”	gross domestic product
“Grand Wealthy”	Grand Wealthy Holdings Limited (駿滙集團有限公司), a company incorporated under the laws of Hong Kong on 12 March 2003 with limited liability, which is wholly owned by Tycoon City
“GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider
“Group”, “our Group”, “we”, “our” or “us”	our Company and its subsidiaries, or any of them or, where the context so requires, in respect of the period before our Company became the holding company, the present subsidiaries of our Company or, where the context otherwise specifies or so requires in respect of financial or accounting information, our Company and its subsidiaries
“Head & Shoulders”	Head & Shoulders Securities Limited, a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities, being one of the Joint Bookrunners and Joint Lead Managers to the Share Offer
“HK\$” or “Hong Kong dollars” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“HK eIPO White Form”	the application for the Public Offer Shares to be issued in applicant’s own name by submitting applications online through the designated website at www.hkeipo.hk
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at www.hkeipo.hk

DEFINITIONS

“HKFRS” or “HKFRSs”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK” or “HKSAR”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Legal Advisers”	Reed Smith Richards Butler, the legal advisers to our Company as to the laws of Hong Kong
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Hong Kong Stock Exchange”, “HKSE” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hui Family”	Mr. Hui, Ms. Tong and Mr. Eric Hui
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) our Company and our connected persons
“Internal Control Consultant”	HLB Hodgson Impey Cheng Risk Advisory Services Limited, an independent internal control consultant engaged by our Company
“Joint Bookrunners” and “Joint Lead Managers”	Kingsway Financial and Head & Shoulders
“Kingsway Capital” or “Sole Sponsor”	Kingsway Capital Limited, the sole sponsor for the Listing and a corporation licensed under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
“Kingsway Financial”	Kingsway Financial Services Group Limited, a corporation licensed under the SFO to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 9 (asset management) regulated activities, being one of the Joint Bookrunners and Joint Lead Managers to the Share Offer
“Korea”	the Republic of Korea
“Latest Practicable Date”	22 January 2018, being the latest practicable date prior to the publication of this prospectus for ascertaining certain information in this prospectus

DEFINITIONS

“Legal Counsel”	Mr. Jon K.H. Wong, barrister-at-law of Hong Kong, who is an Independent Third Party
“Listing”	the proposed listing of the Shares on the Main Board
“Listing Committee”	The listing committee of the Hong Kong Stock Exchange
“Listing Date”	the date expected to be on or about 12 February 2018, on which dealings in the Shares first commence on Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board, as amended, modified and supplemented from time to time
“Main Board”	the main board of the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Max Fortune”	Max Fortune Holdings Limited (駿朗控股有限公司), a company incorporated under the laws of the BVI on 21 March 2017 with limited liability, which is owned by Mr. Hui, Ms. Tong and Mr. Eric Hui as to 35%, 35% and 30%, respectively
“Memorandum”	the memorandum of association of our Company adopted on 19 May 2017 as amended from time to time, a summary of which is set out in Appendix IV in this prospectus
“Mr. Eric Hui”	Mr. Hui Yip Ho Eric, an executive Director, our chief executive officer and a Controlling Shareholder
“Mr. Hui”	Mr. Hui Pui Sing, an executive Director, chairman of the Board and a Controlling Shareholder
“Ms. Tong”	Ms. Tong Man Wah, an executive Director and a Controlling Shareholder
“Network Gas Station(s)”	the gas station(s) operated by Oil Company Y in Hong Kong
“Offer Price”	the final offer price per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) which shall be not more than HK\$0.50 and is expected to be not less than HK\$0.30, such price to be determined on the Price Determination Date, as may be agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters)
“Offer Share(s)”	collectively, the Public Offer Shares and the Placing Shares

DEFINITIONS

“Offer Size Adjustment Option” or “Adjustment Option”	the option granted by the Company to the Placing Underwriters, exercisable with the consent of the Company by Kingsway Financial on behalf of the Placing Underwriters, whereby the Company may be required to allot and issue up to 37,500,000 additional Placing Shares representing up to 15% of the Offer Shares initially available under the Share Offer, at the Offer Price per Offer Share solely to cover over-allocations in the Placing, subject to the terms of the Placing Underwriting Agreement
“Oil Company X”	the Hong Kong subsidiary (or, where the context so requires, any of its subsidiaries or affiliates) of a multinational energy group headquartered in California, United States which is one of the world’s leading integrated energy companies mainly engaged in the exploration, production and transportation of crude oil and natural gas, as well as the refining, marketing and sales of automotive fuels and lubricant oil
“Oil Company Y”	the Hong Kong subsidiary (or, where the context so requires, any of its subsidiaries or affiliates) of a multinational energy group headquartered in The Hague, the Netherlands which is a leading oil and gas group worldwide mainly engaged in the exploration and liquefying of natural gas, the refining of crude oil, as well as the production and sales of a variety of petrochemical products for industrial and automotive use
“Pacific Group”	Pacific Group Enterprises Ltd., a company incorporated on 22 November 1999 in the BVI, which as at the date of this prospectus is wholly owned by one of our Controlling Shareholders, Mr. Hui
“Placing”	the conditional placing by the Placing Underwriters of the Placing Shares on behalf of our Company for cash at the Offer Price, as further described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Shares”	the 225,000,000 Shares being offered at the Offer Price pursuant to the Placing
“Placing Underwriters”	the underwriters of the Placing as listed in the paragraph headed “Underwriting — Placing underwriters” in this prospectus
“Placing Underwriting Agreement”	the conditional placing underwriting agreement to be entered into among our Company, the Joint Lead Managers, the Placing Underwriters and other parties relating to the Placing
“PRC” or “China” or “Mainland China”	the People’s Republic of China, save that, for the purpose of this prospectus and unless the context otherwise requires, references in this prospectus to the PRC do not include Hong Kong, Macau and Taiwan

DEFINITIONS

“Pre-IPO Investments”	investment by the Pre-IPO Investor pursuant to the Pre-IPO Sale and Purchase Agreement and the Call Option Deed as further described in the section headed “History, Reorganisation and Corporate Structure — Pre-IPO investments” in this prospectus
“Pre-IPO Investor”	Allied Diamond Limited, a company incorporated in the BVI on 11 January 2017 and is wholly owned by Mr. Chuang Fu-Yuan, an Independent Third Party, who will directly hold approximately 3% of the issued share capital of our Company immediately upon completion of the Share Offer (assuming the Offer Size Adjustment Option and options to be granted under the Share Option Scheme are not exercised)
“Pre-IPO Sale and Purchase Agreement”	the agreement relating to the sale and purchase of 30 Shares dated 12 April 2017 and entered into among Max Fortune, Mr. Hui and the Pre-IPO Investor, principal terms of which are described in the section headed “History, Reorganisation and Corporate Structure — Pre-IPO investments” in this prospectus
“Price Determination Date”	the date, expected to be on or around 5 February 2018, or such other date as may be agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), on which the Offer Price is fixed for the purpose of the Share Offer
“Public Offer”	the offer of the Offer Shares for subscription by the members of the public in Hong Kong for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), payable in full on application, and subject to the terms and conditions described in this prospectus and the Application Forms
“Public Offer Shares”	the 25,000,000 Shares initially being offered for subscription at the Offer Price under the Public Offer
“Public Offer Underwriters”	the underwriters of the Public Offer as listed in the paragraph headed “Underwriting — Public offer underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the conditional public offer underwriting agreement dated 29 January 2018 entered into among our Company, the Controlling Shareholders, the executive Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters, particulars of which are set out in the paragraph headed “Underwriting — Public offer underwriting agreement” in this prospectus
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing as described in the section headed “History, Reorganisation and Corporate Structure — Reorganisation” in this prospectus and the section headed “Statutory and General Information — Reorganisation” in Appendix V to this prospectus

DEFINITIONS

“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to our Directors by our Shareholders, further details of which are contained in the section headed “Statutory and General Information — A. Further information about our Company and our Group” in Appendix V to this prospectus
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Sham Shui Po Outlet”	the premises located at Ground Floor (excluding the cockloft), Wing Fat Building, No. 204 and 206 Fuk Wing Street, Kowloon, Hong Kong which is leased by the Group and used as sales outlet of petrochemical products during the Track Record Period and up to the Latest Practicable Date
“Share(s)”	ordinary share(s) in the share capital of our Company
“Shareholder(s)”	holder(s) of the Shares
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 16 January 2018, a summary of the principal terms and conditions of which is set forth in the section headed “Statutory and general information — D. Share option scheme” in Appendix V to this prospectus
“sq.ft.”	square feet
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs, as may be amended, supplemented or otherwise modified from time to time
“Tien Fung Hong”	Tien Fung Hong Holdings Limited (佢豐行集團有限公司), a company incorporated under the laws of Hong Kong on 4 February 2004 with limited liability, which is wholly owned by Tycoon City
“Track Record Period”	the period comprising the three financial years ended 31 March 2015, 2016, 2017 and the four months ended 31 July 2017
“Trillion Star”	Trillion Star Global Limited (億星環球有限公司), a company incorporated on 1 December 2016 in the BVI, which is wholly owned by Billion Harvest
“Tycoon City”	Tycoon City International Limited (亨城國際有限公司), a company incorporated on 28 November 2016 in the BVI, which is wholly owned by Billion Harvest

DEFINITIONS

“Underwriters”	the Placing Underwriters and Public Offer Underwriters
“Underwriting Agreements”	the Placing Underwriting Agreement and the Public Offer Underwriting Agreement
“United States” or “U.S.” or “USA”	the United States of America
“US\$” or “U.S. dollars” or “USD”	United States dollars, the lawful currency of the U.S.
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“ WHITE Application Form(s)”	the application form(s) for the Offer Shares for use by the public who require such Offer Shares to be issued in the applicant’s own name
“Yee Sing Hong”	Yee Sing Hong Petroleum Chemicals Company Limited (義盛行石油化工有限公司), a company incorporated under the laws of Hong Kong on 1 February 2002 with limited liability, which is wholly owned by Trillion Star
“Yee Sing Logistics”	Yee Sing Logistics Company Limited (義盛物流運輸有限公司), a company incorporated under the laws of Hong Kong on 20 September 2002 with limited liability, which is wholly owned by Diamond Decade
“ YELLOW Application Form(s)”	the application form(s) for the Offer Shares for use by the public who require such Offer Shares to be deposited directly into CCASS
“Yuen Long Site”	the premises located at Lot No. 2617 and the remaining portion of Lot No. 2618 in D.D. 120, Yuen Long, New Territories, Hong Kong which is leased by the Group and used storage during the Track Record Period and up to the Latest Practicable Date
“%”	per cent

GLOSSARY OF TECHNICAL TERMS

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

“Additives”	chemical compounds that improve the lubricant performance
“API”	American Petroleum Institute
“ATF”	automatic transmission fluids, which are fluids used in vehicles with self-shifting or automatic transmissions
“barrel”	a barrel, which is equivalent to 158.988 litres or 0.134 tonnes of oil (at an API gravity of 33 degrees)
“blending”	a manufacturing process in which base components and additives are mixed to form a homogeneous product
“crude oil”	petroleum as it comes from the ground, before refining
“Dangerous Goods Ordinance”	the Dangerous Goods Ordinance (Chapter 295 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“diesel”	any liquid fuel used in diesel engines, whose fuel ignition takes place, without spark, as a result of compression of the inlet air mixture and then injection of fuel
“Dutiable Commodities Ordinance”	the Dutiable Commodities Ordinance (Chapter 109 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“flash point”	the temperature at which a particular organic compound gives off sufficient vapour to ignite in air
“Fleet Card Discount”	the fuel discount (as compared to the Oil Station Price) offered by our Group to fleet card holders in transactions of fuel purchase by our fleet card customers at the Network Gas Station
“fluid”	oil or water based products that are in a liquid form
“fuel oil”	oils that make up the distillation residue. It comprises all residual fuel oils (including those obtained by blending). Its kinematic viscosity is above 10 centistokes, a unit for measuring viscosity, at 80 degree Celsius. The flash point is always above 50 degree Celsius and the density is always more than 900 gram per litre. In this sense, diesel is a type of fuel oil
“GFA”	gross floor area
“grease”	a semi-solid oil-based lubricant
“litre” or “L”	a measurement unit for diesel

GLOSSARY OF TECHNICAL TERMS

“LPG”	liquefied petroleum gas
“lubricant oil”	a substance introduced to reduce friction between surfaces in mutual contact, which ultimately reduces the heat generated when the surfaces move
“mobile app” or “app”	mobile Internet application
“Oil Company Discount”	the fuel discount (as compared to the Pump Price) offered by Oil Company Y to our Group in transactions of fuel purchase by our fleet card customers at the Network Gas Station
“OPEC”	acronym for the Organisation of the Petroleum Exporting Countries, a permanent intergovernmental organisation of 13 oil-exporting developing countries that coordinates and unifies the petroleum policies of its member countries
“piston”	a moving component contained in a cylinder and present in reciprocating engines, reciprocating pumps, and gas compressors, among other similar mechanisms
“PMCC”	acronym for the Pensky–Martens Closed-Cup test, a method to test and determine the flash points of a wide range of substances
“ppm”	one part per million, which denotes one part per 1,000,000 parts, a measurement unit for sulphur contents
“Pump Price”	the retail fuel price applicable at a Network Gas Station
“self-owned branded lubricant oil”	lubricant oil marketed and sold under the Group’s own three brands, namely “AMERICO”, “Dr. Lubricant” and “U-LUBRICANT”
“specialty fluid”	specialised, proprietary or unlisted fluids that are based upon nonstandard chemistries
“third-party branded lubricant oil”	lubricant oil marketed and sold under brands not owned by our Group
“tonnes”	metric tons
“viscosity”	the state of being thick, sticky, and semi-fluid in consistency, due to internal friction
“C”	degree Celsius, a scale and unit of measurement for temperature

FORWARD-LOOKING STATEMENTS

This prospectus contains certain statements and information that are “forward-looking” and uses forward-looking terminology such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “may”, “ought to”, “should” or “will” or similar terms, in particular, in the sections headed “Business” and “Financial information” in this prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These statements are based on various assumptions regarding our present and future business strategy and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions including the risk factors described in this prospectus and the following:

- our business and operating strategies and the various measures to implement such strategies;
- our dividends;
- our operations and business prospects, including development plans for its existing and new businesses;
- the future competitive environment for the industries in which we operate;
- the regulatory environment as well as the general industries outlook for the industries in which we operate;
- future developments in the industries in which we operate;
- the effects of the global financial markets and economic crisis; and
- other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations and the Listing Rules, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section. In this prospectus, unless otherwise stated, statements of or references to our intentions or those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

RISK FACTORS

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

RISKS RELATING TO OUR BUSINESS

We are dependent on the supply of diesel, lubricant oil and other products from our suppliers

We are dependent on the supply of diesel and lubricant oil from Oil Company X which is one of the four dominant oil companies in the Hong Kong market according to the Frost & Sullivan Report. For the year ended 31 March 2015, 2016, 2017 and the four months ended 31 July 2017, our revenue derived from the sales of diesel accounted for approximately 91.1%, 89.4%, 89.1% and 88.2%, respectively, of our total revenue; and our purchase of diesel accounted for approximately 92.7%, 92.7%, 93.1% and 93.4%, respectively, of our total cost of sales. During the Track Record Period, approximately 98.0%, 97.7%, 98.7% and 99.7%, respectively, of the diesel distributed by us (in terms of volume) was sourced from Oil Company X, and our total purchase (in terms of value) from this supplier represented approximately 93.6%, 94.0%, 94.9% and 94.7%, respectively, of our total purchases for the three years ended 31 March 2017 and the four months ended 31 July 2017. We received the "35 Years of Long Service Award" from Oil Company X for the long-term distribution of its own branded lubricant oil. The aforesaid award was granted to our Group by Oil Company X in recognition of its decades-long business relationships not only with the first member company of our Group, being Yee Sing Hong which was incorporated in 2002, but also with other corporate entities owned by Mr. Hui before the incorporation of Yee Sing Hong. During the Track Record Period and as at the Latest Practicable Date, we have been sourcing diesel under fuel supply agreements with Oil Company X for around six years. For details about our relationship and agreements with Oil Company X, please refer to the sub-section headed "Business — Our purchase and suppliers — Our relationship with Oil Company X" in this prospectus. Being a distributor of petrochemicals in Hong Kong, we also purchase third-party branded products such as lubricant oil and bitumen from various oil companies and petrochemical distributors located in Hong Kong and overseas.

There is no assurance that we could always maintain our business relationship with our suppliers. Any deterioration in our relationship with our suppliers may have an impact on our ability to secure stable supply of diesel, lubricant oil and other products. Furthermore, if there is any shortage of or delay in the supply of diesel, lubricant oil and other products by our suppliers, or any change in our suppliers' current business plan or market strategies such as any sudden reduction in supply volume to us, our ability to fulfil our customers' orders may be adversely affected. If we are not able to effectively respond to such shortage or delay in supply or to our suppliers' changes in business plan or market strategies, or if we fail to promptly engage alternative suppliers on comparable commercial terms, we may lose business to our competitors, and our business, results of operations and financial condition may be materially and adversely affected.

RISK FACTORS

Our fleet card business is dependent on the gas stations network of Oil Company Y in Hong Kong

Our fleet card business is dependent on the availability of Network Gas Stations in Hong Kong, as well as the stable supply of diesel, petrol, lubricant oil and greases at such gas stations. Being an authorised branded reseller of fleet cards issued by Oil Company Y in Hong Kong, we promote fleet cards issued by Oil Company Y to commercial fleets and individual car-owners, who could then purchase diesel or petrol (as applicable), as well as lubricant oil and greases supplied by Oil Company Y at Network Gas Stations. For the year ended 31 March 2015, 2016, 2017 and the four months ended 31 July 2017, our revenue derived from the fleet card business amounted to approximately HK\$6.7 million, HK\$15.1 million, HK\$20.4 million and HK\$8.4 million, respectively, representing approximately 0.8%, 2.1%, 3.0% and 3.8%, respectively, of our total revenue for the same period. If there is frequent shortage of diesel, petrol, lubricant oil or greases at Network Gas Stations, or there is any change in the sales and marketing strategies of Oil Company Y which results in the downsizing of its network of Network Gas Stations in Hong Kong, our customers may find it less convenient to refuel with our fleet cards, and thus cease to use the fleet cards issued by Oil Company Y, thereby adversely affecting our business and results of operations.

We generate a substantial portion of our revenue from Customer A; and any decrease or loss of business from Customer A could adversely and substantially affect our operations and financial conditions

For the year ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, the revenue contributed by Customer A (which is a logistics company based in Hong Kong) amounted to approximately HK\$273.8 million, HK\$324.1 million, HK\$262.5 million and HK\$91.3 million, which accounted for approximately 30.6%, 44.4%, 39.1% and 41.5% of our total revenue for the corresponding periods. During the Track Record Period and as at the Latest Practicable Date, we had a five-year framework supply agreement with Customer A which will expire in June 2018. Although our relationship with Customer A is mutually beneficial and the reliance, if any, is complementary, we expect to continue to derive a significant amount of our revenue from Customer A in the near future. Please also refer to the sub-section headed “Business — Our major customers — Our relationship with Customer A” in this prospectus for further details.

However, there is no assurance that our relationship with Customer A will not deteriorate or Customer A will not terminate the framework supply agreement with our Group in the future. There is no guarantee that we will be able to renew the framework supply agreement with Customer A in a timely manner either. Any change or deterioration in our relationship with Customer A may cause a significant adverse effect to our business, financial condition and results of operations. As such, should there be any adverse development related to Customer A’s operations or any other reasons resulting in the termination of our business relationship with Customer A, our business, financial condition and results of operation may be materially and adversely affected.

Even if we manage to secure other customers with a level of revenue contribution to our Group comparable to Customer A, it would take time and resources for us to develop relationship with such new customers. If we cannot secure other comparable customers, our business, financial condition and results of operation could be adversely affected.

RISK FACTORS

In addition to reliance on Customer A, we also rely on our sales to other major customers, and our major customers do not have long-term commitments to purchase petrochemicals from us

In addition to Customer A, we also rely on our sales to other major customers which are mainly Hong Kong-based downstream distributors and commercial end users. For the year ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, sales to our four largest customers other than Customer A (in terms of revenue) was approximately HK\$350.1 million, HK\$232.5 million, HK\$233.8 million and HK\$75.2 million, respectively, which accounted for approximately 39.1%, 31.8%, 34.8% and 34.2%, respectively, of our total revenue for the corresponding periods. As a result, it is critical for us to maintain close and mutually beneficial relationships with our major customers. Although the portion of our revenue from the four largest customers other than Customer A (in terms of revenue) remained relatively stable in our total revenue during the Track Record Period, there can be no assurance that we can continue to derive the same level of revenue from our major customers in the future.

Further, we have not entered into any long-term agreements with most of our customers, and our customers do not have long-term commitments to purchase diesel, lubricant oil or other products from us. During the Track Record Period and to the best of our knowledge and belief, we derived approximately 30.6%, 44.4%, 39.1% and 41.5% of our revenue in the year ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, respectively, from our top five customers who are engaged in logistics business; and approximately 39.1%, 31.8%, 34.8% and 34.2% of revenue in the corresponding periods from our top five customers who are downstream distributors of petrochemicals in Hong Kong. In line with industry norms, our customers generally place orders through separate confirmation of purchase request for diesel, lubricant oil, and other products at such prices and quantities as agreed on a case-by-case basis. As a result, our customers, including our major customers, may reduce or defer purchase orders at their own discretion. We cannot assure you that our customers, including our major customers, will continue to place purchase orders with price acceptable to us, or with comparable purchase volume, or at all. Any significant reduction in sales to our major customers or the loss of any major customer could materially and adversely affect our business, financial condition and results of operation.

Moreover, the future growth of our business depends on our ability to maintain and increase orders from our existing customers as well as to obtain orders from new customers. There is no assurance that our existing customers will continue to purchase from us in the future or we will succeed in developing new customers. If any of our major customers terminates its business relationship with us, and we fail to secure sufficient new orders on a timely basis, there could be an adverse effect on our business operations, financial performance and profitability. Also, if we fail to meet the needs of our customers or we become unable to deliver diesel, lubricant oil or other products to our customers in a timely manner, our cash flow and reputation will suffer and our business operation could be adversely affected.

We had net current liabilities as at 31 March 2015

As at 31 March 2015, we had net current liabilities of approximately HK\$9.0 million, as compared to net current assets of approximately HK\$4.2 million, HK\$23.3 million and HK\$25.2 million as at 31 March 2016 and 2017 and 31 July 2017, respectively. As at 31 March 2015, the major components of our current liabilities were bank borrowings and amounts due to directors, which amounted to approximately HK\$26.6 million and HK\$19.2 million, respectively. For the details of discussion on our improvement in terms from net current liabilities position to net current asset position, please refer to the section headed “Financial Information — Net Current Assets and Liabilities” in this prospectus.

RISK FACTORS

During the Track Record Period, we financed our operations primarily through cash flows from operations and bank borrowings. We obtain bank borrowings primarily for expanding our business and meeting working capital requirements. There can be no assurance that we will not experience liquidity problems in the future. If we fail to generate sufficient revenue from our operations, or if we fail to maintain sufficient cash and financing, we may not have sufficient cash flows to fund our business, operations and capital expenditure, as a result of which our business and financial position will be adversely affected.

Our business performance and financial position are susceptible to a number of factors given the nature of our industry and in light of our expansion plan

Although we achieved continuous growth in terms of profitability during the Track Record Period as described in the sub-section headed “Business — Competitive strengths — We have proven track record in achieving growth in profitability” in this prospectus, there is no guarantee that we are able to maintain the same growth trend in our profitability in the future because of various factors, in particular the following:

- ***Seasonality.*** According to the Frost & Sullivan Report, demand for petrochemicals in Hong Kong is subject to seasonal fluctuation. As the commercial end users of diesel and lubricant oil distributed by us are mainly in the construction, civil engineering and transportation sectors, we generally experience a weak demand for such products during the Chinese New Year holiday from January to February, the rainy season in Hong Kong generally from April to June when the construction and civil engineering projects are in slow progress as affected by weather conditions. Generally our fleet card business segment also records fewer sales during holiday seasons such as Christmas and Chinese New Year holidays. This seasonality fluctuation may affect our business performance during any interim period in a financial year. As a result, our high or low levels of revenue in one period are not necessarily predictive or indicative of continued high or low levels of revenue in any future period.
- ***Potential increase in depreciation and staff cost.*** In order to implement our expansion plan, including the establishment of a new blending site for our in-house blending operation, we plan to use approximately 10.7% of the net proceeds from the Share Offer to recruit and retain high calibre talents serving various functions in our Group’s business. For further details, please refer to the sub-sections headed “Business — Business strategies — Expand our in-house blending and repackaging capacity to capitalize on the growing demand for lubricant oil in Hong Kong” and “Future plan and use of proceeds — Use of proceeds” in this prospectus. As a result, there could be potential increase of our depreciation and staff costs going forward, bringing impacts on our business and results of operations.
- ***Business susceptibility and our low-margin business.*** During the Track Record Period, our gross profit margin remained at a relatively low level, being approximately 2.8%, 5.7%, 6.2% and 7.5% in the year ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, respectively. This is primarily due to the low margin in our sales of diesel, being the major contributor of our revenue during the Track Record Period, with a gross profit margin at approximately 1.2%, 2.3%, 1.9% and 2.0% in the year ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, respectively. As a result, any material change in the business environment, such as changes in interest rates, losses of business from our major customers, substantial increase of bad debts or material change in our staff costs, could impair our profitability.

RISK FACTORS

- ***Reliance on third-party manufactured products and the goodwill of third-party brands.*** During the Track Record Period, a substantial portion of diesel we sold to our customers was sourced from Oil Company X. We also distributed various third-party branded lubricant oil to our customers, which accounted for approximately 53.1%, 52.6%, 52.3% and 47.7% of our total revenue derived from the sales of lubricant oil. The marketability and sales performance of such externally sourced finished products could be affected by a number of factors beyond our control, including without limitation the goodwill of such third-party owned brands, the quality of such products, as well as customers' preference. If there are material quality defects, consumer complaints, product liability claims, or product recalls, or negative media publicity against such third-party brands or the respective finished products distributed by us, these events could cause negative impact to the marketability and sales performance of such products, which could adversely affect our business, results of operation and financial condition.
- ***Any adverse change in general economic conditions or decline in demand for fuel and other vehicle products and service in Hong Kong.*** Our operating results are dependent on general economic conditions, both in Hong Kong and worldwide. We generate revenue through the sales of diesel, lubricant oil and other products, as well as the resale of fleet cards issued by Oil Company Y in Hong Kong. Our transaction volume is correlated with general economic conditions and in particular, the amount of business activity in Hong Kong. Unfavourable changes in economic conditions, including declining consumer confidence, inflation, recession or other material changes, may lead to less demand of fuel or other products from our customers, or lead to the reduction in use of our fleet cards by our individual customers. Consequently, our business, results of operations and financial condition could be adversely affected.

Given that a number of the above factors are beyond our control, there is no guarantee that we are always able to respond to any resulting adverse change due to these factors swiftly or at all, in which event our business, results of operations and financial condition could be adversely affected.

The demand for diesel would be adversely affected by the delay in public sector projects, or by changes in the market conditions and trends in the construction industry as well as in the overall economy

The diesel products distributed by us are mainly diesel powering vehicle diesel engines commonly installed on trucks, buses, boats and farm vehicles, and industrial diesel for the machinery used by construction contractors and civil engineering operators. As such, the level of profitability of the diesel market in Hong Kong depends primarily upon the continued availability of construction projects in both public and private sectors. Our Directors consider that by nature of the construction industry, our revenue from the sales of diesel in a given year is highly dependent on the work schedule of projects undertaken by construction contractors and civil engineering operators who are major end consumers of the diesel we distribute in Hong Kong.

According to the Frost & Sullivan Report, the Hong Kong Government has committed to stimulating economic growth and driving local construction activities by increasing its investment in infrastructure projects in the past few years. Some of the major infrastructure projects, such as the Hong Kong-Zhuhai-Macau Bridge project, the Tseung Kwan O — Lam Tin Tunnel, and the Hong Kong International Airport's third runway project, will continue to drive up local construction and transportation activities and hence the demand for diesel. However, our customers' engagement under the public and public-related projects as construction contractors or civil engineering operators may rely on the timely funding approval by the committees of the Legislative Council of Hong Kong. Therefore, lawmakers' filibustering which led to delays in the passing of public works

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funding proposals by the committees of the Legislative Council of Hong Kong in recent years created uncertainty on the commencement date of our customers' construction projects in the public sector, which may impact the demand for our diesel, a key material for construction activities, thereby adversely affecting our operations and financial performance.

For construction projects in private sectors, the timing, size and nature of these projects will be determined by the interplay of a number of factors such as the investment of property developers and the general conditions and prospects of the local economy. Should there be a recurrence of recession, deflation, or a rapid deterioration in the demand for diesel, our business, results of operations and profitability could be adversely affected.

In addition, considering the recent state of political environment in Hong Kong, any protests or occupation activity in Hong Kong may also delay the construction works to be carried out in a particular area. Since our operations are primarily located in Hong Kong, any change of such political arrangements or environment may halt construction activities, thereby directly and negatively affecting the demand of diesel for constructions projects. Consequently, our results of operations and financial condition of our Group could be adversely affected.

We are exposed to the credit risks of our customers

Our diesel, lubricant oil and other products are mainly sold to small and medium-sized businesses based in Hong Kong. We generally demand payments within three to five days upon each delivery of diesel to our customers, and a credit term ranging from 15 to 30 days on average to our customers of lubricant oil and other products following the issuance of our monthly invoice.

Moreover, we operated approximately 31,410 fleet card accounts as at 31 July 2017 which included accounts created for small-to-medium commercial fleets and individual car-owners. Similar to credit card users, customers of our fleet cards are not required to settle the payment on spot. They generally enjoy a credit term of up to 45 days after refuelling at Network Gas Stations, and we do not require any deposit or collateral from our fleet card customers. For further details, please refer to the sub-section headed "Business — Business model — Provision of fleet card service" in this prospectus. According to the Frost & Sullivan Report, it is an industry norm in Hong Kong for fleet card reseller to bear the credit risk of cardholders.

There is no assurance that our customers will meet their payment obligations on time, in full or at all, or that our Group's average trade receivables turnover days will not increase. As at 31 March 2015, 2016 and 2017 and 31 July 2017, the balance of our Group's trade receivables amounted to approximately HK\$20.8 million, HK\$23.8 million, HK\$27.7 million and HK\$31.4 million, respectively.

We maintain a stringent control on our credit risks. Our Group's finance and accounting department regularly reviews the credit status of our existing customers. In our fleet card business, we use various methods to screen potential customers, establish appropriate credit limits for new customers, and may adjust credit limits offered to existing customers from time to time. These methods, however, cannot eliminate all potential credit risks and may not always prevent us from approving fleet card applications that are fraudulently completed. We may also fail to detect changes to the credit risk of our customers over time. We could not guarantee that our Group is able to successfully collect any or all of the debts due, and any failure on the part of our Group's customers to settle or settle on time the amounts due to us may adversely affect our Group's financial condition

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and operating cash flows. If we fail to adequately manage our credit risks, our bad debt expense could be significantly higher than historic levels, which could adversely affect our business, results of operations and financial condition.

We face risks from the transportation, storage and handling of flammable, hazardous or polluting substances

Some of the products traded by us, such as diesel and kerosene, are flammable, hazardous or polluting. The transportation, storage and handling of these flammable, hazardous or polluting substances pose inherent risks. Any accident could materially disrupt our operations and may give rise to potential death or injuries of our work force. While we have a sound health and safety policy and we did not experience any fatalities or serious injuries to our employees during the Track Record Period and up to the Latest Practicable Date, we cannot eliminate entirely the risk of accidents arising from the transportation, storage and handling of these flammable, hazardous or polluting substances. If an accident were to occur, we could be held liable and our employees could be injured or killed, which could adversely affect our business, results of operations and financial condition.

Our licenses and permits to store and transport dangerous substances are subject to our compliance with regulatory requirements and some must be renewed periodically. For details, please refer to the sections headed “Laws and Regulations” and “Business — Licences, permits and certifications” in this prospectus. There can be no assurance that we are always able to maintain or renew all of our licenses or permits, or that we will be able to comply with any new licensing requirements in the case of any promulgation of new laws or regulations or modification to any existing law or regulations. Any failure to comply with regulatory requirements or inability to maintain or renew our license or permits could adversely affect our business, results of operations, financial condition, and prospects.

Any failure to maintain the dangerous goods licence for the conveyance of diesel by our diesel tank wagons or trucks could adversely affect our business and operations

We rely on our diesel tank wagons and trucks to fulfil our customers’ diesel orders. As at the Latest Practicable Date, our fleet comprised 15 wagons in total, including eight diesel tank wagons and four light and medium goods trucks that are duly licensed by the Fire Services Department to convey Category 5 dangerous goods (which include diesel) under the Dangerous Goods Ordinance. Generally, the validity period of a dangerous goods licence lasts for one year, subject to annual review and renewal. Please refer to the sub-section headed “Business — Licences, permits and certifications” in this prospectus for further details. If we fail to comply with the Dangerous Goods Ordinance and any of the relevant rules and regulations, or fail to pass the required annual assessments, we may not be able to renew the dangerous goods licences, or such licences may be suspended or revoked. In such cases, our operations would be disrupted, thereby adversely affecting our business and results of operations.

If leakage occurs during our transportation of petrochemicals, we may be liable for related accidents and our reputation and business operation may be affected

We handle various types of petrochemicals, such as lubricant oil, kerosene and bitumen during our business operation. We also deliver diesel to our customers by our own fleet of licensed wagons which include diesel tank wagons and trucks. Our licensed wagons usually pick up the required quantity of diesel from our suppliers’ oil depots, make delivery to destinations designated by our customers, and then pump the diesel from our wagons either to our customers’ diesel tank wagons or directly to machineries drums or containers at our customer’s instruction.

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Leakage may occur during our storage, handling and transportation of diesel and other products. Leakage of diesel or other products can cause health, safety and environmental risks, including pollution, potential fire and explosion. If such accident occurs, we may become liable and subject to potential claims, penalty and criminal prosecutions. In such event, our reputation, business and results of operations could be adversely affected.

Reliance on key personnel

The success of our Group is dependent, to a significant extent, on our ability to retain the services of our executive Directors and senior management. Our executive Directors and senior management have extensive experience and business relationships in the petrochemical industry and are responsible for formulating and implementing the overall business and corporate growth strategies of our Group. In particular, Mr. Hui, our executive Director and chairman of the Board, is responsible for steering and overseeing the management, operations, strategic planning and future direction of our Group. The loss of services of our executive Directors and/or our senior management without suitable replacements could lead to the deterioration of our business operations and prospects.

Furthermore, our senior management and other key personnel possess in-depth industry knowledge and substantial experience in business management, and have made significant contributions to the development of our Group. To a certain extent, our Group's daily operation is dependent on the performance of our senior management and key personnel. In the event that our Group loses the services of any of our senior management or key personnel and fails to attract competent replacements, our business operations and prospects could be adversely affected.

We are dependent on our self-owned brands; and any adverse impact on our brands may affect our performance and future prospects

Our business is dependent on the goodwill of our self-owned brands, namely "AMERICO", "Dr. Lubricant" and "U-LUBRICANT". Establishing and preserving our reputation is important to maintain our existing customer base and to attract new customers. Our reputation is in turn dependent on the success of our continued efforts in offering quality products and services. Failure to consistently deliver quality products which are necessary to develop and maintain our reputation and the goodwill associated with our brands may materially and adversely affect our ability to maintain or grow our market share in the respective areas. In such an event, our business and financial performance will be adversely affected.

Although we place emphasis on the quality of our products marketed under our self-owned brands, there may be complaints from customers any alleged defect in our products. Such negative publicity, even if unsubstantiated, may lead to a loss or diminution in the goodwill and the commercial value of our "AMERICO", "Dr. Lubricant" and "U-LUBRICANT" branded products. During the Track Record Period, we had not experienced any material claim against us for defects in our products. However, any significant claim against us in the future could have a material adverse effect on our reputation and the goodwill of our products which may, in turn, affect our business, results of operations and prospects.

RISK FACTORS

Registration of our trademarks may not adequately protect us

We have registered our major brands, namely “AMERICO”, “Dr. Lubricant” and “U-LUBRICANT” as trademarks in certain countries and territories where our products are marketed and distributed. In emerging markets including, but not limited to the PRC, there is no assurance that the registration will adequately protect us or that it could prevent a third party from adopting a similar brand or trademarks, as it may be difficult for us to enforce our rights outside Hong Kong. In the event there is widespread infringement of our intellectual property rights or should counterfeit or unauthorised products of inferior quality bearing our trademarks and brands be sold, our reputation could be adversely affected, thereby impairing our ability to maintain competitive edge. Unauthorised use of our brands and trademarks may also confuse our end customers and reduce our sales, thereby materially and adversely affecting our business, results of operation and financial position.

We may not have sufficient resources to effectively prevent such infringement of our intellectual property rights. There is also no assurance that we will be able to obtain adequate remedies in the event of an unauthorised replication of our trademarks or products. If we fail to protect our intellectual property rights adequately, or if we are unable to obtain renewal of our trademarks upon expiry, there could be an adverse impact on our business reputation, goodwill and prospect.

In addition, our self-owned brands may be used by unrelated third parties without our consent in jurisdictions where our Group currently does not have business presence. Such unauthorised use, which our Group has no control over, may have an adverse impact on the perception of our branding in Hong Kong or elsewhere in which our products are sold, as well as our future expansion into these jurisdictions. This may materially and adversely affect our business, results of operation and financial position.

We rely on the goodwill of third-party brands; our business, results of operations and financial condition could be materially and adversely affected if there are material product defects, consumer complaints, product liability claims or product recalls, or negative media publicity against the third-party brands or externally sourced finished products distributed by us

During the Track Record Period, a substantial portion of diesel we sold to our customers was sourced from Oil Company X. We also distributed various third-party branded lubricant oil to our customers, which accounted for approximately 53.1%, 52.6%, 52.3% and 47.7% of our total revenue derived from the sales of lubricant oil.

The marketability and sales performance of such externally sourced finished products could be affected by a number of factors beyond our control, including without limitation the goodwill of such third-party owned brands, the quality of such products, as well as customers’ preference. If there are material quality defects, consumer complaints, product liability claims, or product recalls, or negative media publicity against such third-party brands or the respective finished products distributed by us, these events could cause negative impact to the marketability and sales performance of such products, which could adversely affect our business, results of operation and financial condition.

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The appraisal value of our property may be different from their actual realizable values and are subject to uncertainty or change

The Property Valuation Report set out in Appendix III to this prospectus with respect to the appraised value of our property is based on various assumptions, certain of which are subjective and uncertain in nature. Please refer to the Property Valuation Report set out in Appendix III to this prospectus for such assumptions that used by Greater China Appraisal Limited (an independent property valuer, the “**Property Valuer**”) in the valuation of our property interests.

We cannot assure you that the assumptions used by the Property Valuer in the valuation of our property interests will be realised. Such assumptions may exceed the corresponding parameters in the current market and/or corresponding historical parameters associated with our property. Hence, the appraised value of our property should not be taken as its actual realizable value or a forecast of its realizable value. Unexpected changes to our property and to the national and local economic conditions may affect the value of such property. You should not place undue reliance on such appraised value attributable by the Property Valuer to our property.

Our operating activities in Hong Kong may be limited by our operating space and machinery

We currently carry out the in-house blending and repackaging of lubricant oil for our self-branded products at the Yuen Long Site and the Sham Shui Po Outlet, and our production capacity is constrained by the availability of suitable indoor space for bulky machinery equipment and tools for blending and repackaging of our self-branded products. As our Directors are optimistic about the anticipated growth in market demand for our self-branded products, in particular the expected growth demand for automotive lubricant oil according to the Frost & Sullivan Report and as disclosed in the section headed “Future Plans and Use of Proceeds — Use of proceeds” in this prospectus, we plan to set up a new blending site with storage facility to place additional equipment and tools to expand our operations of in-house blending and repackaging self-branded products. In the event that we fail to set up a new blending site and there is a substantial increase in demand for our self-branded products which we are unable to meet due to the physical constraints of our operating space and machinery, and if we are unable to increase our production capacity and/or procure comparable substitutes to fulfil such high volume demands, our customers may procure similar products from our competitors. As a result, our business, results of operation and financial condition could be adversely affected.

We may be the subject of product liability claims

Although we maintain a rigorous quality control system throughout our sourcing, production and delivery cycle, and we source quality raw materials for our in-house blending and repackaging of lubricant oil, we cannot assure you that all products delivered by us are free of defects. Consequently, any product defects identified by our customers or end users might erode our reputation and negatively affect our customer relationships and future business. Product defects may also result in product returns pursuant to our after-sale policy or product liability claims against us for substantial damages. Such claims, with or without merit, would likely be time-consuming and costly to defend and could divert significant resources and management attention. During the Track Record Period, we have not experienced any incidents arising from product liability claims. However, there is no assurance that we will not face such claims in future, which could have an adverse impact on our business, results of operations and financial condition.

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We may not be able to achieve the same level of our revenue and/or gross profit margin as in the Track Record Period, or to achieve business objectives for future growth

During the Track Record Period, our Group reported total revenue of approximately HK\$894.7 million, HK\$730.5 million, HK\$671.8 million and HK\$220.0 million, respectively, and gross profit of approximately HK\$25.5 million, HK\$41.9 million, HK\$41.4 million and HK\$16.4 million, respectively, with a gross profit margin of approximately 2.8%, 5.7%, 6.2% and 7.5%, respectively, for the three years ended 31 March 2017 and the four months ended 31 July 2017. The future growth of our revenue or gross profit margins depends on a number of factors, including, among other things, global economy, types of products and services we offer, selling prices of our products, as well as our purchase costs. The selling prices of our products and purchase costs of raw materials for each order may vary subject to a combination of several factors including, but not limited to, the trend of crude oil price in the international market, the market demand and supply of petrochemicals, our bargaining power against our customers and suppliers, as well as the general economy environment. Many of these factors are beyond our control. There is no assurance that we will be able to achieve the same level of our revenue and/or gross profit margin in the future as in the Track Record Period.

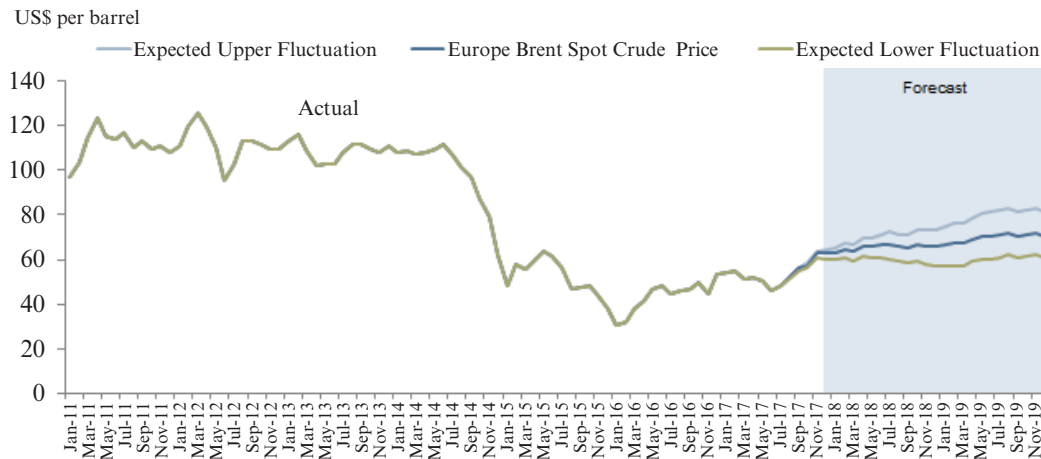
Our Group also intends to expand our existing business in accordance with the future plans as described in the section headed “Future Plans and Use of Proceeds” in this prospectus. Our ability to continue the growth of our business will increasingly depend on our ability to successfully implement our business strategies and future plans. However, our future plans are based on circumstances currently known to the Directors and certain assumptions. There is no assurance that we can successfully implement our strategies or that our strategies, even if implemented, will result in our Group achieving our business objectives. If our Group is not able to implement our strategies or achieve business objectives, our business, financial condition and results of operations may be adversely affected.

There is no assurance that we will achieve higher profitability as a diesel distributor in Hong Kong when the Europe Brent spot crude price plunges

According to the Frost & Sullivan Report, low oil price generally increases the price spread between the purchase price and selling price of diesel products, thus enhancing the profitability of diesel distributors in Hong Kong. The selling price of diesel products in Hong Kong are influenced by various factors such as international oil prices (i.e. import costs), import duty, commercial practices, operating costs of oil companies and distributors, discounts offered by oil companies and distributors. Although the retail price of diesel in Hong Kong and our average selling price are broadly in line with the movement of international oil price, they do not fluctuate exactly the same level as a result of the time lags and customers’ moderate price sensitivity regarding oil products. For example, Brent spot crude oil price dropped by 52.1% from US\$64.1 per barrel in May 2015 to US\$30.7 per barrel in January 2016; whilst the retail diesel price in Hong Kong dropped by 13.5% from HK\$11.41 per liter in May 2015 to HK\$9.87 per liter in January 2016 only. During the Track Record Period, our revenue arising from sales of diesel amounted to approximately HK\$814.9 million, HK\$652.8 million, HK\$598.3 million and HK\$194.1 million in the year ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, respectively which demonstrates a decreasing trend due to the drop of Brent spot crude oil price. Meanwhile, our gross profit arising from sale of diesel amounted to approximately HK\$9.5 million, HK\$14.7 million, HK\$11.5 million and HK\$3.8 million during the same period, with gross profit margin being approximately 1.2%, 2.3%, 1.9% and 2.0%, which are in opposite trend as compared to the movement of Europe Brent oil price.

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The chart below set forth in the Frost & Sullivan Report illustrates the historical and forecasted Europe Brent spot crude price:



Source: U.S. government's Energy Information Administration

Our Directors wish to stress that, although historical performance of Europe Brent oil price and our gross profit margin during the Track Record Period suggested that we generally enjoy an increased price spread between the purchase price and selling price of our diesel products as a result of the drop in oil price, time lags and customers' moderate price sensitivity regarding oil products, such customers' moderate price sensitivity regarding oil products as a result of the drop in oil price only demonstrates a seasonal customer behavior, in respect of which we do not have any assurance. There is no assurance that we are always able to achieve higher profitability as a diesel distributor in Hong Kong when the Europe Brent spot crude price plunges.

A decline in general economic conditions, and in particular, a decline in demand for fuel and other vehicle products and services would adversely affect our business, operating results and financial condition

Our operating results are materially affected by conditions in the economy generally, both in Hong Kong and internationally. We generate revenue through the sales of diesel, lubricant oil and other products, as well as the resale of fleet cards issued by Oil Company Y in Hong Kong. Our transaction volume is correlated with general economic conditions and in particular, the amount of business activity in Hong Kong. Downturns in the Hong Kong economy are generally characterized by reduced commercial activity and, consequently, reduced purchasing of fuel and other vehicle products and services by businesses and individuals. Unfavourable changes in economic conditions, including declining consumer confidence, inflation, recession or other changes, may lead to less demand of fuel or other products from our customers, or lead to the reduction in use of our fleet cards by our individual customers. Consequently, our business, results of operations and financial condition could be adversely affected.

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We may not be able to adequately protect our customers' data, which could subject us to liability and damage our reputation

We electronically receive, process, store and transmit our customers' and business partners' sensitive information, including personal identifiable information, bank account information and expense data. Although we have implemented internal policies and systems to keep such information confidential, our websites, networks, information systems, services and technologies may be targeted for sabotage, disruption or misappropriation. Unauthorised access to our networks and computer systems could result in the theft or leakage of confidential information or the deletion or modification of records, or could otherwise cause interruptions in our service and operations.

Because the techniques used to obtain unauthorised access or to sabotage systems change frequently and may not be recognised until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. Although we believe we have sufficient controls in place to prevent disruption and misappropriation and to respond to such attacks, any inability to prevent security breaches could have a negative impact on our reputation, expose us to liability, decrease market acceptance of our products and cause our present and potential clients to choose other service providers. Any of these developments could have a material adverse effect on our business, results of operations and financial condition.

We may experience software defects, system errors, computer viruses and development delays, which could damage customer relations, decrease our profitability and expose us to liability

Our products and services, in particular our fleet card business, are based on proprietary and third party network and systems. Such network and systems may encounter interruptions or delays, and could be susceptible to undetected errors, viruses or defects. Interruptions, delays, system errors, viruses or defects that result in service interruption or data loss could have a material adverse effect on our business, damage our reputation and subject us to third party liability. In addition, errors, viruses and defects in our network technology and processing systems could result in additional maintenance costs and the diversion of our technical resources from other development efforts or operations. Further, our attempts to limit our potential liability, through disclaimers and limitation of liability provisions in our agreements, may not be successful. If such potential risk and liability materialise, our business, results of operations and financial condition may be adversely affected.

The market for fleet card services is evolving and may not continue to develop or maintain the same level of growth in the future

Our fleet card business relies on the acceptance and use of fleet cards by commercial fleets and individual car-owners in fuel purchases. If the use of fleet cards by commercial fleets and individual car-owners does not continue to grow or maintain the same growth level in Hong Kong, it could have a material adverse effect on our business, results of operations and financial condition. In order to consistently increase and maintain our profitability, our customers must continue to adopt our fleet card products and services. Similarly, growth in the acceptance and use of fleet cards will be impacted by the acceptance and use of other electronic payment transactions generally. Furthermore, new technologies may displace fleet cards as payment mechanisms for fuel purchase transactions. A decline in the acceptance and use of fleet cards, and in electronic payment transactions generally, by commercial fleets and individual car-owners, could have a material adverse effect on our business, results of operations and financial condition.

RISK FACTORS

Our business operations may be affected by fire, adverse weather conditions, natural disasters, acts of war, terrorist attacks and geopolitical tensions, or outbreak of a contagious epidemic disease

Our business operations are subject to certain risks beyond our control, including, among others, fire, adverse weather conditions, natural disasters, acts of war, terrorist attacks and geopolitical tensions, or outbreak of a contagious epidemic disease. Any or a combination of these could cause material damage to, or the loss of, our operational facilities.

As at the Latest Practicable Date, we maintain insurance policies covering risks in respect of properties in our production sites, equipment and machinery, and our employees. There is no assurance that our insurance coverage is sufficient to cover any or all of our potential losses. For further details on the insurance policies we maintain, please refer to the sub-section headed “Business — Insurance” in this prospectus. In the event that our insurance policies do not or cannot sufficiently compensate for the losses we sustain, we would have to bear the difference on our own, and as a result, our business, financial condition and results of operations could be materially and adversely affected.

RISKS RELATING TO THE INDUSTRY

Our business and results of operations are dependent on the crude oil price which is driven by factors beyond our control

For the three years ended 31 March 2017 and the four months ended 31 July 2017, we derived approximately 99.2%, 97.9%, 97.0% and 96.2% of our revenue from sales of diesel, lubricant oil and other products. In addition, our fleet card customers use our fleet cards primarily for the purchase of diesel and petrol at Network Gas Stations. Accordingly, our operating results are affected by oil prices, which are subject to significant volatility. The prices of diesel, lubricant oil, petrol and other products generally follow the trend of crude oil price in the international market and have mainly been driven by various market forces, all of which are beyond our control. These factors include, among others:

- supply and demand for oil and gas, and market expectations regarding supply and demand;
- actions by members of OPEC and other major oil-producing nations;
- political conditions in oil-producing and gas-producing nations, including insurgency, terrorism or war;
- oil refinery capacity;
- weather;
- the implementation of fuel efficiency standards and the adoption by commercial and individual customers of vehicles with greater fuel efficiency or alternative fuel sources;
- general worldwide economic conditions; and
- governmental regulations on emission standards, development of alternative energy technology, taxes and tariffs.

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According to the Frost & Sullivan Report, Europe Brent spot crude price experienced significant decrease from approximately US\$111.8 per barrel in June 2014 to approximately US\$30.7 per barrel in January 2016, which was mainly due to the turmoil in the Middle-East, weak economies in emerging countries and increased U.S. shale oil production. The Europe Brent spot crude price gently increased after that and bounced back to approximately US\$51.6 per barrel in March 2017. Following the same trend and according to the Frost & Sullivan Report, the imported price of diesel in Hong Kong dropped from HK\$5.8 per litre in August 2014 to the lowest level at HK\$1.9 per litre in February 2016 and subsequently increased and bounced back to approximately HK\$3.1 per litre in March 2017. Details of historical price movements of crude oil are set out in the section headed “Industry overview — Overview of diesel market in Hong Kong — Historical spot crude oil price and forecast on crude oil price” in this prospectus. Therefore, our high levels of revenue in one period are not necessarily predictive or indicative of continued high levels of revenue in any future period. Since the crude oil price may continue to be volatile in the near future, if our selling price for diesel, lubricant oil and other products fails to maintain a positive margin, or if market demand for diesel, lubricant oil and other products dampens for any reason, our business, financial condition and results of operations could be materially and adversely affected.

We operate in a highly competitive industry and if we are unable to compete successfully against other players, our business, financial condition and results of operations could be materially and adversely affected

We operate in a highly competitive environment. According to the Frost & Sullivan Report: (a) there are over fifty distributors in Hong Kong who specialized in the distribution and transportation of oil products; (b) the five largest distributors of diesel in Hong Kong (including our Group) collectively accounted for a market share of approximately 53.8% in terms of the estimated distribution value of diesel in Hong Kong in the year ended 31 March 2017; (c) the overall lubricant oil market in Hong Kong is fragmented with more than 100 market players selling products with international brands and local brands; and (d) the fleet card sales market is relatively concentrated with top five players taking up a total market share of approximately 48.6% in terms of the estimated revenue (on gross basis) in the Hong Kong fleet card market in the year ended 31 March 2017. As such, we compete with a large number of distributors of petrochemical products for customers and suppliers, and we also compete with other fleet card issuers and resellers for customers. Some of our competitors may have longer track records, larger operational scale, greater financial and marketing resources and more established market reputation than us. There is no assurance that we can compete successfully in the future. In the event that we are unable to compete with other market players effectively, our business, financial condition and results of operations could be materially and adversely affected.

We are subject to challenges from the growing popularity of electric vehicles

As a distributor of petrochemicals in Hong Kong, our diesel and lubricant oil are mainly sold to commercial fleets, construction contractors and civil engineering operators. Our fleet cards are also sold to commercial fleets and individual car-owners for the refuelling of their vehicles powered by diesel or petrol. According to the Frost & Sullivan Report, there has been a growing popularity of hybrid or electric vehicles in Hong Kong in recent years.

If the safety, performance, as well as battery life and capacity of electric vehicles continue to improve along with the technological advancements, and if the governments continue to provide incentives to reduce the cost of purchasing and recharging electric vehicles, the consumers' preference and trends may keep shifting towards electric vehicles. Such a trend may have impact on

RISK FACTORS

the overall demand of petrochemicals which may lead to the decrease in our sales of petrochemicals as well as the purchase of diesel and petrol by our fleet card customers. In such event, our business, financial condition and results of operations may be materially and adversely affected.

RISK RELATING TO HONG KONG

The state of economy in Hong Kong

All of our Group's operations and management are currently based in Hong Kong. Our performance and financial conditions depend on the state of economy in Hong Kong. Our revenue attributable to the Hong Kong market accounted for substantially all of our Group's total revenue during the Track Record Period. If there is a downturn in the economy of Hong Kong, our results of operations and financial condition may be adversely affected.

The state of political environment in Hong Kong

Hong Kong is a special administrative region of the PRC. It enjoys a high degree of autonomy under the principle of "one country, two systems" in accordance with the Basic Law of Hong Kong. However, we are not in any position to guarantee that the "one country, two systems" principle and the level of autonomy would be maintained as currently in place. Since our operations are located in Hong Kong, any change of Hong Kong's existing political environment may affect the stability of the economy in Hong Kong, thereby affecting our business, results of operations and financial condition. In 2014, thousands of residents of Hong Kong engaged in civil disobedience protests. Activists protested outside key government buildings and occupied several major intersections, causing major disruption to traffic and trade in the affected areas. Any political and social instability in Hong Kong, if significant and prolonged, could have a material adverse effect on our business, results of operations, financial condition and prospects.

RISK RELATING TO THE SHARE OFFER AND OUR SHARES

There has been no prior public market for the Share and the liquidity, market price and trading volume of the Share may be volatile

Prior to the Listing, there is no public market for the Shares. The listing of, and the permission to deal with, the Shares on the Stock Exchange do not guarantee the development of an active public market or the sustainability thereof following completion of the Share Offer. Factors such as variations in our Group's turnovers, earnings and cash flows, strategic alliances or acquisitions made by our Group or its competitors, industrial or environmental accidents happened to our Group, loss of key personnel, litigation, fluctuations in the market prices for raw materials, the liquidity of the market for the Shares, or the general market sentiment, could cause the market price and trading volume of the Shares to change substantially. In addition, both the market price and liquidity of the Shares could be adversely affected by factors beyond our Group's control and unrelated to the performance of our Group's business, especially if the financial market in Hong Kong experiences a significant fluctuation. In such cases, investors may not be able to sell their Shares at or above the Offer Price.

RISK FACTORS

Investors may experience dilution if our Group issues additional Shares in the future

Our Company may issue additional Shares upon exercise of options to be granted under the Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue would result in the reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share. In addition, our Group may need to raise additional funds in the future to finance business expansion, new development and acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the shareholding of such Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the Offer Shares.

Moreover, any future issue of Shares by our Company or the disposal of Shares by any of the Shareholders or the perception that such issues or sale may occur, may negatively impact the prevailing market price of the Shares. We cannot give any assurance that such event will not occur in the future.

We will continue to be controlled by our Controlling Shareholders, whose interests may differ from our investors' interests and other Shareholders' interests

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares that may be issued upon the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme), Max Fortune will effectively hold an aggregate of 720,000,000 Shares, representing 72.0% of the total issued share capital of our Company. Max Fortune is held by Mr. Hui, Ms. Tong and Mr. Eric Hui as to 35.0%, 35.0% and 30.0%, respectively. For further details, please refer to the section headed "Relationship with Our Controlling Shareholders" in this prospectus. While our Controlling Shareholders will be bound to adhere to the process of decision making set out in the Articles of Association as well as the relevant Listing Rules, laws and regulations, they may still be able to influence our major policy decisions, business strategies and material transactions. It is therefore possible that there may be difference in interests between our Controlling Shareholders and other Shareholders, and we cannot guarantee that our Controlling Shareholders will not influence our Company to pursue or refrain from pursuing opportunities or act in a manner that serves the best interests of the other Shareholders.

Any disposal by our Controlling Shareholders of a substantial number of Shares in the public market could materially and adversely affect the market price of the Shares

Shares held by our Controlling Shareholders are subject to certain lock-up undertakings for periods commencing on the Listing Date and up to 12 months after the Listing Date. Such undertaking is voluntary in nature. Please refer to the sub-section headed "Underwriting — Underwriting arrangements and expenses — Public Offer — Undertakings to the Stock Exchange pursuant to the Listing Rules" in this prospectus for details. After these restrictions lapse, there is no guarantee that our Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after the Listing. Our Group cannot predict the effect, if any, of any future sales of the Shares by any of our Controlling Shareholders, may have on the market price of the Shares. Sales of a substantial number of Shares by any of our Controlling Shareholders or the market perception that such sales may occur could materially and adversely affect the prevailing market price of the Shares.

RISK FACTORS

Investors may experience difficulties in enforcing their shareholders' rights because our Company was incorporated in the Cayman Islands, and the protection to minority shareholders under Cayman Islands law may be different from that under the laws of Hong Kong or other jurisdictions

Our Company was incorporated in the Cayman Islands and its affairs are governed by the Articles, the Companies Law and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority Shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands company law on protection of minority Shareholders is set out in Appendix IV to this prospectus.

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

Any decision to declare any dividend would require the recommendation of our Board and approval of our Shareholders. Any decision to pay any dividend will be made having regard to factors such as the results of operation, financial condition and position, and other factors deemed relevant. Any distributable profits that are not distributed in any given year may be retained and be made available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operation. There can be no assurance that we will be able to declare or distribute any dividend. Our future declarations of dividends will be at the absolute discretion of our Board.

Our Group's future results could differ materially from those expressed in or implied by the forward-looking statements

Included in this prospectus are various forward-looking statements that are based on various assumptions. Our Group's future results could differ materially from those expressed in or implied by such forward-looking statements. For details of these statements and the associated risks, please refer to the section headed "Forward-looking Statements" in this prospectus.

RISKS RELATING TO STATEMENTS MADE IN THIS DOCUMENT

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

Certain facts, information, statistics, and data presented in the section headed "Industry Overview" in this prospectus and elsewhere in this prospectus relating to the industry in which we operate have been derived, in part, from various publications, industry-related sources prepared by government officials or independent third parties and a market research report commissioned by us and prepared by Frost & Sullivan, an independent market research agency. Our Company believes that the sources of such information are appropriate sources for such information, and the Sole Sponsor and our Directors have taken reasonable care to extract and reproduce the publications and industry-related sources in this prospectus. In addition, our Company has no reason to believe that such information is false or misleading, or that any material fact has been omitted, which omission would render such information false or misleading. However, neither our Group, our Directors, the Sole Sponsor, nor any parties involved in the Share Offer have independently verified, or make any representation as to, the accuracy of such information and statistics. It cannot be assured that statistics derived from such sources are prepared on a comparable basis or that such information and statistics are stated or prepared at the same standard or level of accuracy as, or consistent with, those in other publications within or outside Hong Kong. Accordingly, such information and statistics may not be accurate and should not be unduly relied upon.

RISK FACTORS

Investors should read this entire prospectus carefully and we strongly caution you not to place any reliance on any information (if any) contained in press articles, media coverage and/or research analyst reports regarding us and the Share Offer including, in particular, any financial projections, valuations or other forward looking statement

Prior to the publication of this prospectus, there may be press or other media, which contains certain information referring to us and the Share Offer that is not set out in this prospectus. We wish to emphasize to prospective investors that neither we nor any of the Sole Sponsor, the Joint Bookrunners, the Underwriters, our Directors, officers, employees, advisors, agents or representatives of any of them, or any other parties (collectively, the “**Professional Parties**”) involved in the Share Offer have authorised the disclosure of such information in any press or media, and neither the press reports, any future press reports nor any repetition, elaboration or derivative work were prepared by, sourced from, or authorised by us or any of the Professional Parties. Neither we nor any of the Professional Parties accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is not contained in this prospectus or is inconsistent or conflicts with the information contained in this prospectus, we disclaim any responsibility, liability whatsoever in connection therewith or resulting therefrom. Accordingly, prospective investors should not rely on any such information in making your decision as to whether to subscribe the Offer Shares. You should rely only on the information contained in this prospectus and the Application Forms.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY STATEMENT

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

THE PUBLIC OFFER AND THIS PROSPECTUS

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sole Sponsor, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Share Offer. No representation is made that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date after the date of this prospectus.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date after the date of this prospectus.

UNDERWRITING

This prospectus is published in connection with the Share Offer. The Listing is sponsored by the Sole Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters under the terms and conditions of the Public Offer Underwriting Agreement. The Placing Underwriting Agreement relating to the Placing is expected to be entered on or around the Price Determination Date, subject to agreement on pricing of the Offer Shares between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company. The Share Offer is managed by the Joint Bookrunners.

If, for any reason, the Offer Price is not agreed on or before 7 February 2018, the Share Offer will not proceed and will lapse. Further details about the Underwriters and the underwriting arrangements are contained in the section headed "Underwriting" in this prospectus.

PROCEDURES FOR APPLICATION FOR THE PUBLIC OFFER SHARES

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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

STRUCTURE OF THE SHARE OFFER

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

RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES

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

No person is authorised in connection with the Share Offer to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person involved in the Share Offer.

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

The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exception therefrom. Prospective applicants for the Offer Shares should consult their financial advisers and seek legal advice as appropriate, to inform themselves of, and to observe, all applicable laws, rules and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should also inform themselves as to the relevant legal requirements and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein, including the Offer Shares, Shares to be issued under the Capitalisation Issue and Shares which may fall to be issued pursuant to the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme.

Save as disclosed herein, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Listing Date. The Shares will be traded in board lots of 8,000 Shares each. The stock code of the Shares will be 1621.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between Stock Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

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

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

REGISTER OF MEMBERS AND STAMP DUTY

Our Company's principal register of members will be maintained by its principal share registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands, and our Company's Hong Kong branch register of members will be maintained by the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, in Hong Kong. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands.

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

Unless determined otherwise by our Company, dividends payable in respect of the Shares will be paid to the Shareholders listed on the branch register of members of our Company in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder of our Company, or if to joint Shareholders, to the first-named therein in accordance with the Articles of Association.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the Shares or exercising rights attached to them. None of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers or any of the Underwriters, or any of their respective directors, officers, employees, agents, representatives or advisers, or any other person or party involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposition of, or dealing in, or the exercise of any rights in relation to, the Shares.

ROUNDING

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

LANGUAGE TRANSLATION

The English language version of this prospectus has been translated into the Chinese language and English and Chinese versions of this prospectus are being published separately. If there should be any inconsistency between the English and Chinese versions, the English version shall govern.

WEBSITE

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

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. HUI Pui Sing (許沛盛)	Flat A 2/F Fortune Well Height 152–154 Boundary Street Kowloon City Kowloon, Hong Kong	Chinese
Ms. TONG Man Wah (湯敏華)	Flat A 2/F Fortune Well Height 152–154 Boundary Street Kowloon City Kowloon, Hong Kong	Chinese
Mr. HUI Yip Ho Eric (許業豪)	Flat A 2/F Fortune Well Height 152 Boundary Street Kowloon City Kowloon, Hong Kong	Chinese
Ms. HUI Wing Man Rebecca (許穎雯)	Flat B 2/F Fortune Well Height 152 Boundary Street Kowloon City Kowloon, Hong Kong	Chinese
Mr. KONG Man Ho (江文豪)	Flat 921 9/F Nga Lam House Tsui Lam Estate Tseung Kwan O Kowloon, Hong Kong	Chinese
<i>Non-executive Director</i>		
Mr. ONG Chor Wei (王祖偉)	Flat A, 3/F, Block A Greenview Gardens 125 Robinson Road Central Hong Kong	Malaysian

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Name	Address	Nationality
<i>Independent non-executive Director</i>		
Mr. LAM Kwong Siu (林廣兆)	Flat B, 23/F, Block 12 Braemar Hill Mansion 37 Braemar Hill Road North Point Hong Kong	Chinese
Mr. TSE Yung Hoi (謝湧海)	Flat G, 25/F Pine Mansion Taikoo Shing 26 Tai Koo Wan Road Hong Kong	Chinese
Mr. WONG Hei Chiu (黃禧超)	Flat A, 1/F, Block 2 Grandeur Villa 21 Tat Chee Avenue Kowloon Tong Kowloon, Hong Kong	Chinese

Further information about our Directors and other senior management members are set out in the section headed “Directors, Senior Management and Employees” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor

Kingsway Capital Limited
7/F, Tower One, Lippo Centre
89 Queensway, Hong Kong

**Joint Bookrunners and
Joint Lead Managers**

Kingsway Financial Services Group Limited
7/F, Tower One, Lippo Centre
89 Queensway
Hong Kong

Head & Shoulders Securities Limited
Room 2511, 25/F Cosco Tower
183 Queen's Road Central
Hong Kong

Legal advisers to our Company

As to Hong Kong law:
Reed Smith Richards Butler
20th Floor, Alexandra House
18 Chater Road
Central
Hong Kong

As to Cayman Islands law:
Conyers Dill & Pearman
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

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

As to Hong Kong law:
Wilson Sonsini Goodrich & Rosati
Suite 1509, 15/F
Jardine House
1 Connaught Place
Central
Hong Kong

Reporting accountants

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F, One Pacific Place
88 Queensway
Hong Kong

Industry consultant

Frost & Sullivan International Limited
Unit 08 26/F
No. 9 Queen's Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Compliance adviser

Kingsway Capital Limited
7/F, Tower One, Lippo Centre
89 Queensway, Hong Kong

Receiving bank

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

Property Valuer

Greater China Appraisal Limited
2703-08, 27 Floor, Shui On Centre
6-8 Harbour Road
Wanchai, Hong Kong

CORPORATE INFORMATION

Registered office in the Cayman Islands	Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Head office and principal place of business in Hong Kong	Unit D, 11/F, Billion Plaza II No. 10 Cheung Yue Street Cheung Sha Wan Hong Kong
Company secretary	Ms. NGAI Kit Fong (<i>FCIS, FCS (PE)</i>) Level 54 Hopewell Centre 183 Queen's Road East, Hong Kong
Authorized representatives	Mr. Hui Yip Ho Eric Flat A, 2/F, Fortune Well Height 152 Boundary Street Kowloon City, Kowloon, Hong Kong Mr. Kong Man Ho Flat 921, 9/F Nga Lam House Tsui Lam Estate Tseung Kwan O Kowloon, Hong Kong
Audit committee	Mr. WONG Hei Chiu (<i>Chairman</i>) Mr. LAM Kwong Siu Mr. TSE Yung Hoi
Nomination committee	Mr. HUI Pui Sing (<i>Chairman</i>) Mr. WONG Hei Chiu Mr. LAM Kwong Siu
Remuneration committee	Mr. WONG Hei Chiu (<i>Chairman</i>) Mr. HUI Yip Ho Eric Mr. TSE Yung Hoi
Cayman Islands principal share registrar and transfer office	Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands

CORPORATE INFORMATION

Hong Kong branch share registrar and transfer office

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

Principal bankers

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

Chong Hing Bank Limited
Chong Hing Bank Centre
24 Des Voeux Road Central
Hong Kong

Website of the Company

www.vicointernational.hk

(the information contained in the website does not form part of the prospectus)

INDUSTRY OVERVIEW

The information that appears in this section has been prepared by Frost & Sullivan and reflects the estimates of market conditions based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. References to Frost & Sullivan should not be considered as the opinion of Frost & Sullivan as to the value of any security or the advisability of investing in the Company. Our Directors believe that the sources of information contained in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. Our Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. Our Directors confirm that, after making reasonable enquiries, there is no adverse change in the market information since the date of the Frost & Sullivan Report that would qualify, contradict or have a material impact on the information in this section.

The information prepared by Frost & Sullivan and set out in this section has not been independently verified by us, the Sole Sponsor, the Joint Bookrunners, the Underwriters or any other party involved in the Share Offer and none of them give any representations as to its accuracy or correctness and accordingly it should not be relied upon in making, or refraining from making, any investment decision.

SOURCE OF INFORMATION

We have commissioned Frost & Sullivan to provide information on the distribution of petrochemicals and related products market in Hong Kong. The Group had agreed to pay a fee of HK\$500,000 to Frost & Sullivan for the report. Our Directors are of the view that the payment does not affect the fairness of the views and conclusions presented in the Frost & Sullivan Report.

RESEARCH METHODOLOGY

In compiling and preparing the research report, Frost & Sullivan conducted primary research including interviews with industry experts and participants and secondary research which involved reviewing the statistics published by the government official statistics, industry publications, annual reports and data based on its own database. Frost & Sullivan presented the figures for various market size projections from historical data analysis plotted against macroeconomic data, as well as data with respect to the related industry drivers and integration of expert opinions. Frost & Sullivan assumed that the social, economic and political environment in the PRC and Hong Kong.

ABOUT FROST & SULLIVAN

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

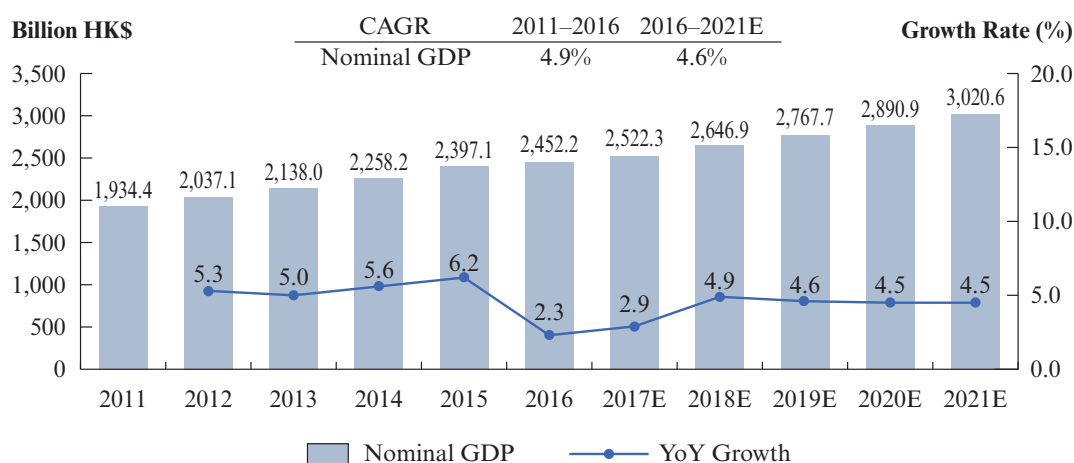
INDUSTRY OVERVIEW

OVERVIEW OF HONG KONG MACRO ECONOMY

Nominal GDP

The following chart sets forth the nominal GDP and year-on-year growth rate from 2011 to 2021 in Hong Kong:

Nominal GDP and Year-on-year Growth Rate, Hong Kong, 2011–2021E



Source: International Monetary Fund, Frost & Sullivan

Over the last five years, Hong Kong's economy has been heavily affected by the weak global and Mainland economic performances and strong US dollars which affected Hong Kong's competitiveness. Underpinned by the resilient domestic demand and stable employment market, Hong Kong experienced an increase in nominal GDP from HK\$1,934.4 billion in 2011 to HK\$2,452.2 billion in 2016 at a CAGR of 4.9%.

Amid the unstable global economic environment and the poor performance in tourism and retail sales in Hong Kong in 2015, the nominal GDP growth rate decreased to 2.3% in 2016. Looking ahead, the global business environment remains challenging in the next five years whereas the domestic economic environment, it is anticipated that Hong Kong economy is expected to recover steadily at a CAGR of 4.6% from 2017 to 2021 driven by the strong domestic consumption with low expected unemployment rate.

OVERVIEW OF OVERALL OIL MARKET IN HONG KONG

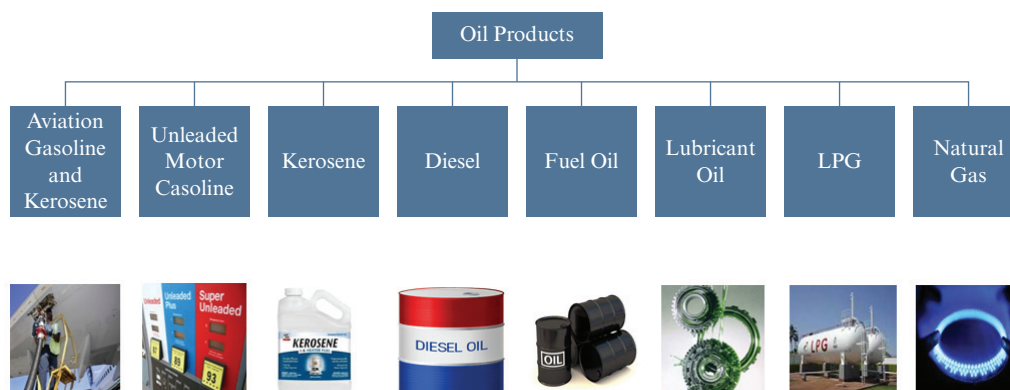
Definition and Classification of Hong Kong Overall Oil Market

Oil products are materials derived from crude oil as it is processed in oil refineries. Oil products in Hong Kong can be mainly categorized into the following products: aviation gasoline and kerosene, unleaded motor gasoline, kerosene, diesel, fuel oil, liquefied petroleum gas (LPG) and lubricant oil, natural gas, etc.

INDUSTRY OVERVIEW

The following chart sets forth the classification of types of oil products in Hong Kong:

Oil Products in Hong Kong



Source: Frost & Sullivan

Sales of Oil Products by Type of Products

The following table sets out the sales quantity of each type of oil products from 2011 to 2016 in Hong Kong:

Sales of Oil Products by Type of Products, Hong Kong, 2011–2016

Thousand kiloliter, unless otherwise specified	CAGR	Aviation gasoline and kerosene	Unleaded motor gasoline	Kerosene	Gas oil, diesel and naphtha	Fuel oil	LPG (thousand ton)	Lubricating oil	Natural Gas (thousand ton)
	2011–2016	2.2%	3.7%	-13.5%	2.7%	-1.2%	-1.4%	-4.0%	3.5%

	2011	2012	2013	2014	2015	2016
■ Natural gas (tonne)	2,067.40	1,947.70	278.10	1,872.20	2,388.70	2,452.20
■ Lubricating oil	86.70	84.70	79.50	75.80	75.50	70.60
■ LPG (tonne)	399.70	392.80	389.60	403.10	375.20	373.30
■ Fuel oil	7,178.80	7,451.90	7,814.40	6,522.10	7,017.70	6,767.90
■ Gas oil, diesel and naphtha	5,435.50	4,401.50	4,266.20	4,295.00	5,322.70	6,199.70
■ Kerosene	13.20	9.80	9.00	7.70	7.10	6.40
■ Unleaded motor gasoline	524.50	545.80	565.00	588.90	614.00	630.30
■ Aviation gasoline and kerosene	6,949.30	6,863.70	6,946.10	7,211.40	7,589.00	7,738.90

Source: HKSAR Census and Statistics Department; Frost & Sullivan

Oil products in Hong Kong generally include eight types, among which, gas oil, diesel, aviation gasoline and kerosene are three of the major oil products in term of consumption in Hong Kong. Diesel in Hong Kong is mainly used for buses, truck, ship and industrial equipment. As government spending on public facilities continued to rise, it stimulated the construction industry sector and increase the demand for diesel. From 2011 to 2016, the sales of gas oil, diesel and naphtha increased from 5,435.5 thousand kiloliter to 6,199.7 thousand kiloliter in 2016, at a CAGR of 2.7%.

INDUSTRY OVERVIEW

OVERVIEW OF DIESEL MARKET IN HONG KONG

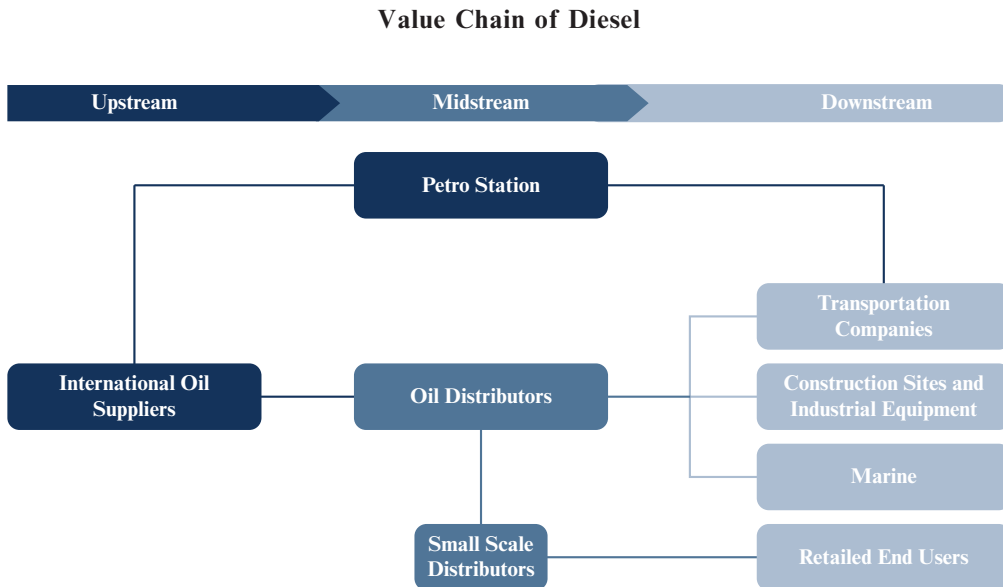
Introduction of Diesel

Oil products in Hong Kong can be mainly categorized in the following products: aviation gasoline and kerosene, unleaded motor gasoline, diesel, petrol, fuel oil, liquefied petroleum gas (LPG), and natural gas, etc.

Diesel is generally used as fuel for commercial vehicles such as buses, tractors, and trucks. It can also be used by marine ships, aircrafts, and trains. Many kinds of construction equipment in heavy industry also rely on diesel as fuel.

Value Chain of Diesel

The following chart illustrates the value chain for diesel in Hong Kong:



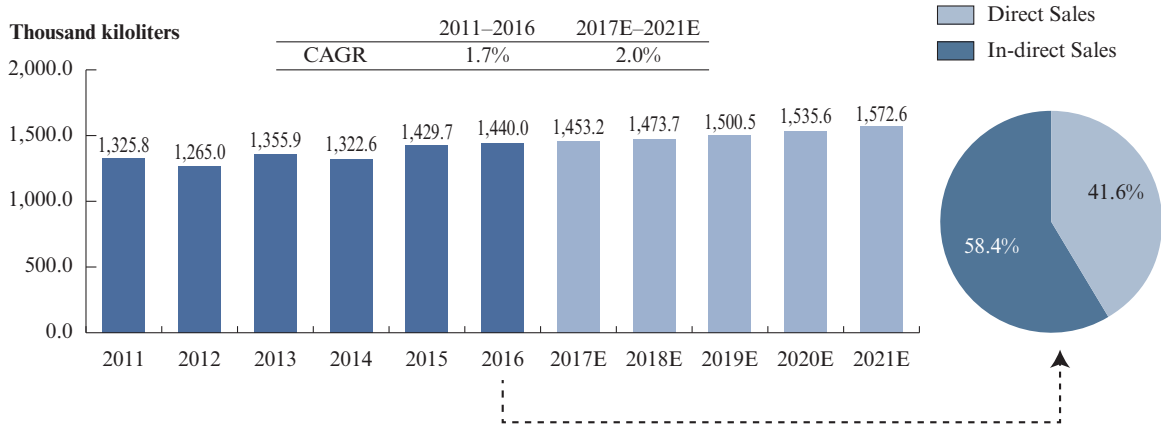
Source: Frost & Sullivan

The diesel market in Hong Kong solely relies on oil products imported from overseas, mainly Singapore and mainland China. Currently there are four dominant oil companies that import oil products from overseas. These oil suppliers can sell their oil products, such as petrol and diesel, directly to end users (i.e. car owners) via petrol station. There are also over fifty distributors in Hong Kong who specialized in the distribution and transportation of oil products. These distributors primarily serve companies with large numbers of transportation vehicles and those who provide construction services.

INDUSTRY OVERVIEW

Market Size of Hong Kong Diesel by Sales Quantity, 2011–2021E

The chart below sets out the Hong Kong diesel market size from 2011 to 2021:



Source: Frost & Sullivan

The overall use of diesel in Hong Kong, including industrial and logistic use, increased from 1,325.8 thousand kilolitres in 2011 to 1,440.0 thousand kilolitres in 2016, at a CAGR of 1.7%. This upward trend is expected to continue in the next few years, reaching 1,572.6 thousand kilolitres by the end of 2021. There are mainly two sales model in diesel market in Hong Kong: 1) direct sales model, oil producers distribute oil to end users who are normally large firms directly, 2) in-direct sales model, oil producers relied on wholesaling agent to serve the small and medium sized clients.

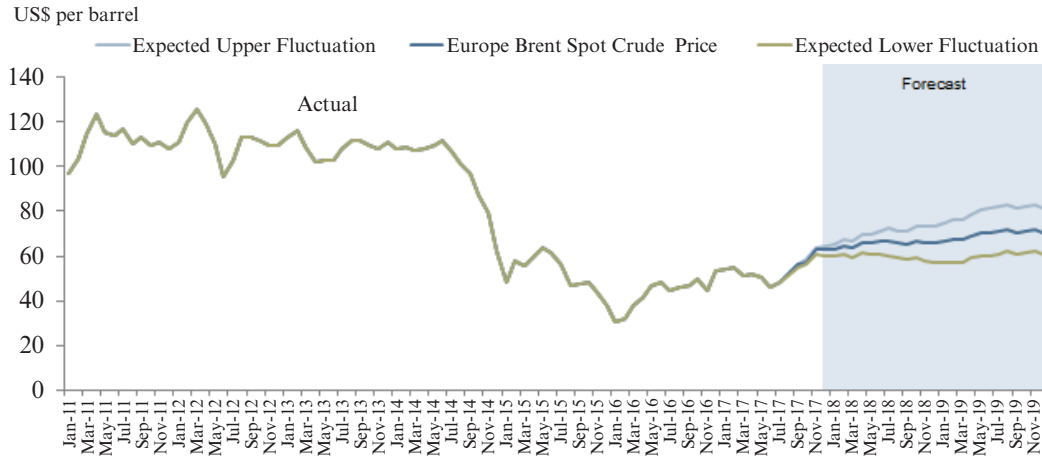
An ever large number of public infrastructure projects, housing initiatives, and new town developments will continue to drive the use of diesel amongst construction sites and heavy machineries. However, filibustering at the Public Works Sub-committee of the Finance Committee of the Legislative Council may hinder the progress of future projects led by the government.

INDUSTRY OVERVIEW

Historical Spot Crude Oil Price and Forecast on Crude Oil Price

The chart below sets forth the historical and forecast of Europe Brent spot crude price:

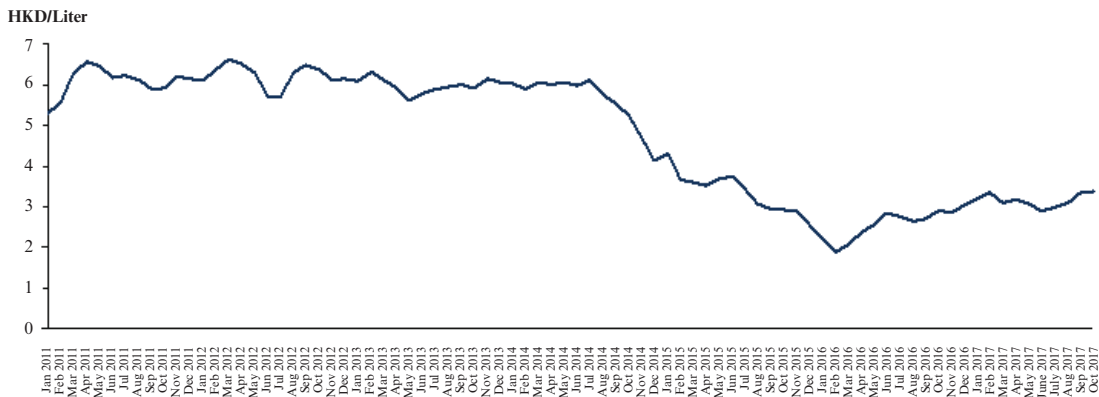
Historical and Forecast of Europe Brent Spot Crude Price



Source: U.S. government's Energy Information Administration

The historical spot crude price witnessed a sharply decline in recent years, dropping by 72.5% from US\$111.8 per barrel in June 2014 to US\$30.7 per barrel in January 2016. The fluctuation of oil price may be affected by the level of global oil supply relative to demand and also the market competition in the oil industry. The sharp fall of oil price in 2014 was associated with international political events such as turmoil in Iraq and Libya, relative weak global consumption etc.. Under the influence of the US shale gas revolution, the global oil supply is increasing year by year, and the United States has surpassed Saudi Arabia, becoming the world's largest liquid oil producing country. Diesel price in Hong Kong is closely related with international crude oil price, as the diesel fuel price is generally in line with the movement of international crude oil price.

The chart below sets forth the imported price of diesel in Hong Kong:



Source: HKSAR Census and Statistics Department; Frost & Sullivan

INDUSTRY OVERVIEW

Oil distribution are the downstream of oil production market, where the distributors purchase oil products from oil companies such as Oil Company X and Oil Company Y. When the global oil price drops, oil majors would import oil in an lower price and sold to oil distributors in a lower price, oil distributors then reduce their purchase cost in such cases.

Imported price for diesel in Hong Kong maintained above HK\$5 per litre since 2011 till late 2014. Turmoil in Middle-East has negatively impacted the international crude oil price, subsequently causing the imported price in Hong Kong to drop below HK\$5 per litre in Nov 2014, and reached its lowest level on Feb 2016. It has rebounded since then but the overall imported price for diesel price faced a downward trend in the past 5 years. With the increase output of shale gas, no significant rise is expected in the imported price for diesel in the long run. Diesel distributors in Hong Kong are expected to maintain their profit margin at relatively high level due to a relatively low price level of crude oil.

Market Drivers

Increasing Public Expenditure in Infrastructure

Public construction projects such as Kai Tak Development and North East New Territories New Development areas are some of the key infrastructure projects commenced in recent years. In the 2017 Hong Kong Policy Address, the government will construct the Central Kowloon Route that links Yau Ma Tei and Kowloon Bay and the Kai Tak Development Area. These construction projects will require heavy use of diesel powered equipment such as transport vehicles and tractors, and subsequently the use of diesel in Hong Kong.

Increased Development of Residential Projects

According to the 2017 Policy Address, the number of public housing units will reach 94,500 between 2017 and 2021. In addition, according to Transport and Housing Bureau, there will be 94,000 private units available in the next three to four years. The government is also considering multiple new town extensions, including Fanling North, Tung Chung, and Kwu Tung North, which is expected to provide approximately 200,000 housing units between 2023 and 2038. An increased number in construction projects will drive up the use of diesel powered equipment.

Reliance of Diesel among Industrial Vehicles and Equipment

Diesel remains the primary choice of fuel for a wide range of commercial vehicles such as tractors and buses. Many heavy industrial equipment and machineries in construction sites also rely on diesel to power their uses. Diesel is difficult to be replaced among machineries as it provides maximum torque and is very cost -efficient compared with other fuel oil.

Reducing Raw Materials Prices

Imported price for diesel in Hong Kong maintained above HK\$5 per litre since 2011 till late 2014. Turmoil in Middle-East has negatively impacted the international crude oil price, subsequently causing the imported price in Hong Kong to drop below HK\$5 per litre in Nov 2014, and reached its lowest level on Feb 2016. Moreover, the significant rise in shale oil supply from U.S. also put further pressure on the global oil price. As a result, oil suppliers and distributors could attract more consumers by providing cheaper products.

INDUSTRY OVERVIEW

Entry Barrier

Relationship with Oil Companies

Currently there are four dominant oil companies (including Oil Company Y and Oil Company X) operating within Hong Kong. The major oil companies usually have a requirement on the monthly distribution volume of certain million litres of their distributors which raised the barrier of entry to the new market entrants. Distributors will need to develop a close relationship and long-term partnership in order to become authorized distributors with these oil companies. It will be difficult for new entrants to penetrate this market as these partnerships have been established for decades.

Customer Relationship

Customers rely heavily on timely delivery of diesel to have a smooth operation and undisrupted schedule. The majority of customers in this industry are transportation companies and construction sites, which will be unable to perform their daily tasks should there be any delays in diesel delivery. New entrants to this market space will struggle to garner large market share due to lack of track record.

High Entry Capital

Not only is capital required to purchase diesel tank wagons and hire experienced drivers that handled dangerous goods, diesel distributors also have to pay oil suppliers shortly after they purchase thousands of litres of diesel. Sufficient cash flow is required before the customers could settle payment.

Competitive Landscape

Due to the nature of diesel products, it is a market practice that oil companies in Hong Kong only distribute their diesel products to a few general distributors, instead of carrying on the wholesale or retail with downstream small-scale distributors or end customers directly. As a result, the number of primary distributor of oil products authorized by oil companies is relatively small compared with the number of sub-distributors and the market of primary distributors is relatively concentrated with top five players taking a market share of 53.8%.

INDUSTRY OVERVIEW

The following table sets out the top five diesel distributors in Hong Kong in 2016:

Ranking of Key Diesel Distributors in 2016

Ranking	Company	Estimated Diesel Distribution Market in 2016 (Million HK\$)	Market Share
1	Company A	644.8	21.3%
2	The Group	598.3	19.8%
3	Company B	179.0	5.9%
4	Company C	109.7	3.6%
5	Company D	97.7	3.2%

**Notes:* All competitors above are primary distributors engaged in in-direct sales of diesel products.

The market size of diesel distribution is estimated by multiplying the averaging selling price with the total distributed volume of primary distributors.

Source: Frost & Sullivan

OVERVIEW OF LUBRICANT MARKET IN HONG KONG

Introduction of Lubricant Oil

Lubricant oil is generally composed of semi-finished lubricant oil and additives, which is wide used in the operation of mechanical engines and industrial equipment. Semi-finished lubricant oil is the major component of lubricant oil which determines the basic physical and chemical properties of the lubricant oil whereas additives is blended to improve the efficiency and enhance the performance of the semi-finished lubricant oil.

In the industrial application, lubricant oil acts as both lubricating and cooling agent by reducing the friction between the tools and the contact surface. Industrial applications of lubricant oil commonly demand its performance of chemical stability, thermal stability, friction reduction and load resistance.

Lubricant oil consists of a wide array of lubricant oil for various practical applications in construction, marine, manufacturing, automotive and other heavy machinery industries such as steam turbine oil, bearing oil, hydraulic oil, gear oil, machine lubricants, grease, metal processing fluid, textile lubricants, quenching oil, refrigeration oil, rust-proof oil, etc.

Automotive lubricants include hydraulic oils, gear and transmission oils and greases. Hydraulic lubricant oil is a lubricating medium transferring power through hydraulic systems which can also reduce wear, rust and correction in hydraulic equipment. It is mainly applicable in automotive industries and other industries require hydraulic machineries. Cylinder lubricant oil is mainly use in marine diesel engines for large cargo or container ships. Automotive lubricants market in Hong Kong is mainly driven by the growth of logistics and transportation industry and automotive aftermarket services industry. The automotive lubricants market has recorded an increase from HKD0.7 billion in 2011 to HKD1.0 billion in 2016 at a CAGR of 8.9% and it is expected to reach HKD1.5 billion in 2021, at a CAGR of 10.0% from 2016 to 2021.

INDUSTRY OVERVIEW

The demand for lubricant oil is driven by the strong consumption of automotive lubricant especially in the logistics services and transportation industry. The strategic location of Hong Kong positioning at the heart of Asia and immediately adjacent to the Pearl River Delta with the infrastructure projects and improvement projects such as Hong Kong-Zhuhai-Macao Bridge (HZMB) encourage the flow of trade by road and sea between Asian countries and Hong Kong which drives the logistics and transportation industry and thus provides a strong growth momentum to the automotive and cylinder oil lubricants market in Hong Kong.

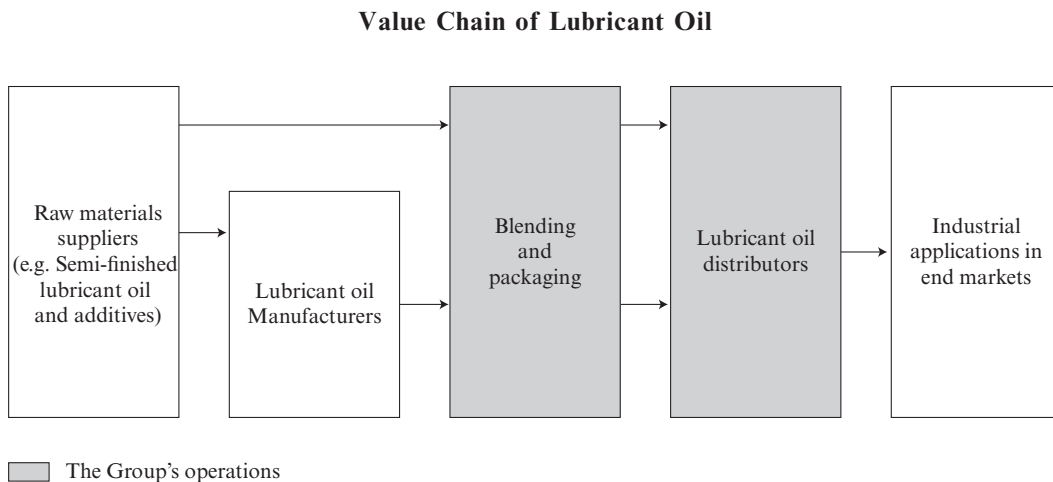
According to the statistics from Transport Department, the number of total registration of private cars increased from 454,697 in 2012 to 536,025 in 2016 demonstrating the growing number of vehicle fleets in Hong Kong. Also, with the improving information about automotive services through digital channels and rising awareness of vehicle safety, it is observed that there is an increase demand for the aftermarket services in particular maintenance and repair services. The increasing volume of vehicles in Hong Kong and the growing automotive aftermarket services market have provided a strong impetus to grow for automotive lubricating products.

As the future of automotive industry lies in reduction of vehicle emissions, low viscosity automotive lubricants is gaining popularity for the fuel economy improvement and CO₂ emission reduction. Consumers of automotive lubricants are therefore shifting towards more environmentally conscious. The automotive lubricant distributors which are able to adapt to the ever-changing market trend are more likely to succeed.

The major international oil companies have shown a strong presence in the automotive lubricant market in Hong Kong in the last decade. In recent years, the improved flow of information in the internet has allowed consumers to gain access to better market knowledge through various social media platforms. The consumers have thus been shifting from overpriced major brands lubricant products to better cost-performance products. Thus, it is expected that the products with good quality and lower price tag are likely to gain market shares in the local automotive lubricant market.

Value Chain of Lubricant Oil

The chart below illustrates the value chain for lubricant in Hong Kong:



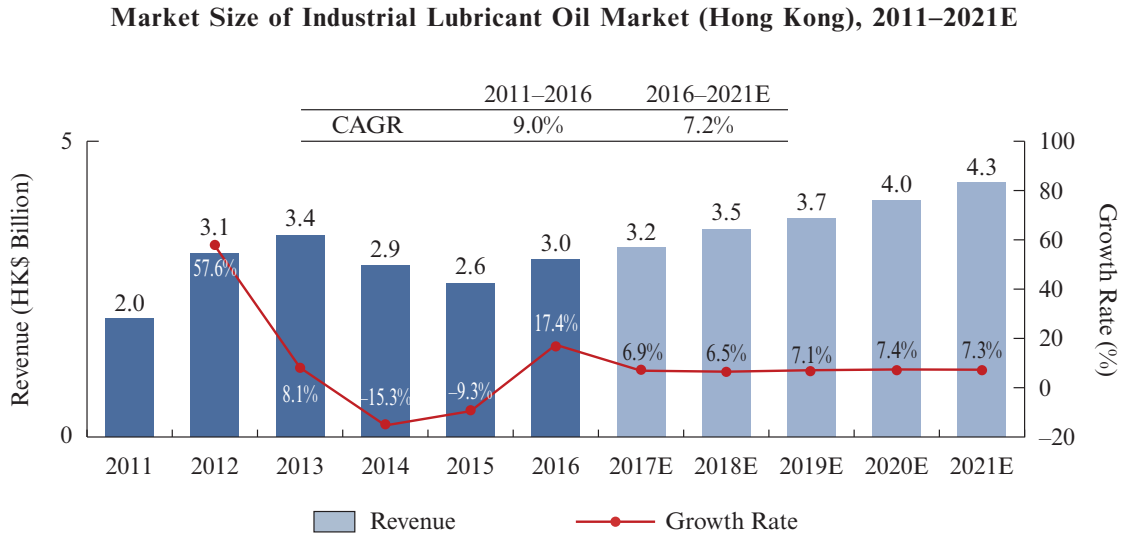
Source: Frost & Sullivan

INDUSTRY OVERVIEW

The semi-finished lubricant oil and additives suppliers and lubricant manufacturers are the upstream suppliers in the industry. The mid-stream suppliers are usually the lubricant oil wholesaler and distributors which sometimes involves blending and packaging activities. The downstream consumers are the industrial end-users.

Market Size Analysis

The chart below sets forth the Hong Kong industrial lubricant oil market size from 2011 to 2021:



Source: Frost & Sullivan

The market size of industrial lubricant oil represents the estimated sales revenue of industrial lubricant oil in Hong Kong from 2011 to 2020. The revenue of industrial lubricant oil market has increased from HK\$2.0 billion in 2011 to HK\$3.0 billion in 2016, at a CAGR of 9.0% driven by the growth of construction and robust sales of passenger vehicle in Hong Kong.

The revenue of industrial lubricant market is expected to reach HK\$4.0 billion in 2021 at a CAGR of 7.2% from 2016 to 2021 stimulated by the continuous growth in the Hong Kong construction market and the technology advancement in the lubricating industry.

Market Drivers

Growth of Construction

The gross value of construction work performed by main contractors has increased from HK\$128.5 billion in 2011 to HK\$236.5 billion in 2016, at CAGR of 13.0%. The increasing demand for infrastructure in Hong Kong, including the ongoing Ten Major Infrastructure Projects has been driving the usage of construction equipment and machinery which provides a huge growth momentum in the hydraulic oil, machine oil and other lubricating products consumption.

INDUSTRY OVERVIEW

Robust Passenger Vehicle Sales

The rising disposable income per capita in Hong Kong has provided a strong growth impetus to automotive sales. The application of automotive lubricant oil is able to enhance the mechanical stability and heat resisting performance. With increasing number of vehicles as reflected by the increasing number passenger vehicle license in Hong Kong from 454,697 in 2012 to 536,025 in 2016, as a CAGR 4.2%, the automotive lubricant oil market is therefore driven by the growth of automotive market.

Industrialisation in China

With the insurance of Made in China 2025 strategy under 13th Five-Year Plan by the Chinese government, it is set out to upgrade and digitize the industrial enterprises in mainland. The initiative also stresses ten high-tech industries including aviation and aerospace, maritime engineering, rail transportation etc. which requires heavy machineries. Thus, the rapid industrialisation under the encouragement by 13th Five-Year Plan has been a strong driver for the export of the high-quality industrial lubricant from Hong Kong.

Entry Barriers

Business Relationship

It is crucial for lubricant distributors to maintain a good relationship with construction contractors and upstream suppliers. Nonetheless, the new market entrants do not have business reputation and adequate industry experience, it is difficult to earn the trust from clients at the beginning and it will take plenty of time to establish a long-term and stable business relationship with clients.

Capital Investment

Capital is another important barrier for lubricant distributors to enter the market. Significant amount of investment is required to establish a strong presence and distribution channels in Hong Kong, especially with the high rental cost in Hong Kong. There are also costs from inventory, logistics and storage, and thus, a sufficient cash flow is particularly important to stay competitive in the lubricant business.

Technological Barrier

The new players in industrial lubricant industry are confronted with relatively high barriers owing to the technical knowhow to handle the processing of lubricant oil. The well established lubricant oil industry players in the market have gained years of industry know-how and market experience. Also, the ability to provide the most updated and accurate market knowledge is key in this industry. New entrants without such industry know-how and expertise might need a steep learning and experience curve to catch up with the larger players in the market.

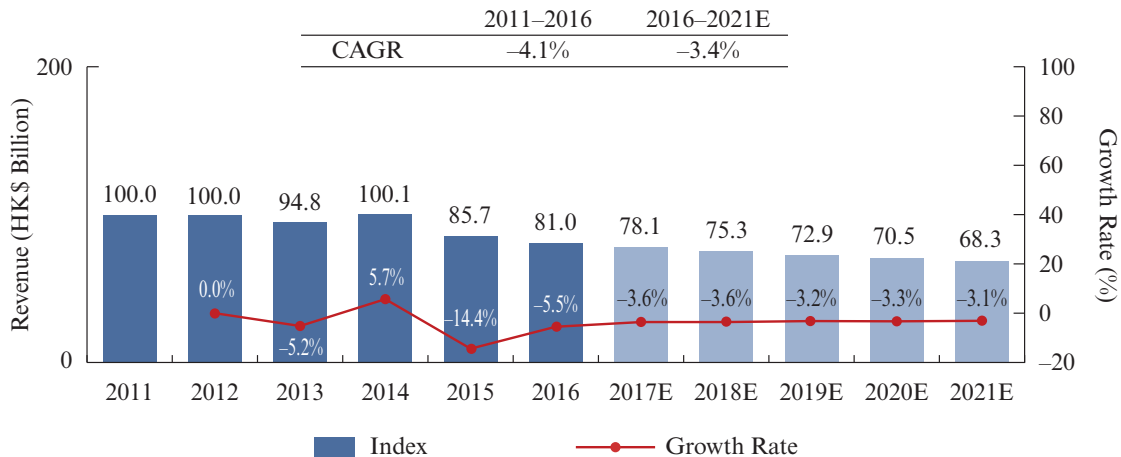
INDUSTRY OVERVIEW

Branding Royalty

With a large number of players in the lubricant market, distributors mainly rely on word of mouth to establish a reputation. Thus, it is difficult for new entrants to compete with companies that have established branding, which tends to have a loyal client base and a well-established supply chain. Brand awareness and successful track records are crucial to gain market shares. Thus, new entrants would face the challenge of customer acquisition before creating a good business reputation.

Cost Structure Analysis

The chart below sets forth the price index of imported lubricant in Hong Kong from 2011 to 2021:



Source: Frost & Sullivan

The price index of imported lubricant has recorded an overall decrease at a CAGR of -4.1% from 2011 to 2016, which is mainly propelled by falling oil prices as most of the lubricant oil is extracted from crude oil. The price index of lubricant is expected to continue to drop at a CAGR of -3.4% between 2016 and 2020, with the increasing mid-to-low end lubricating products imported from mainland China, Malaysia, and other countries.

Apart from the cost of imported lubricant, the cost from logistics, raw materials, storage facilities, rent of distribution outlets, and labour costs are also contributing to the incurring cost of the lubricant oil distribution business. The cost of lubricant oil sold plays an integral part of the pricing strategy of the products and thus has a significant influence on the selling price.

Competitive Landscape

The overall lubricant oil market in the Hong Kong market is fragmented as there are more than 100 market players, including major international brands, agencies of major brands, and local brands. The industrial and automotive lubricant can be segmented into three categories (i.e. high, mid, low-end) depending on the quality and price of the lubricant oil. High-end lubricant oil is usually sold as major international brands, whereas local brands are usually in the mid-low-end, which often has a better price-performance ratio. Generally, high-end products are usually in the price range above HK\$250/kg, while mid-end products are usually in the range between HK\$100/kg to HK\$250/kg, and low-end products refer to prices below HK\$100/kg.

INDUSTRY OVERVIEW

OVERVIEW OF HONG KONG FLEET CARD MARKET

Introduction of Fleet Card

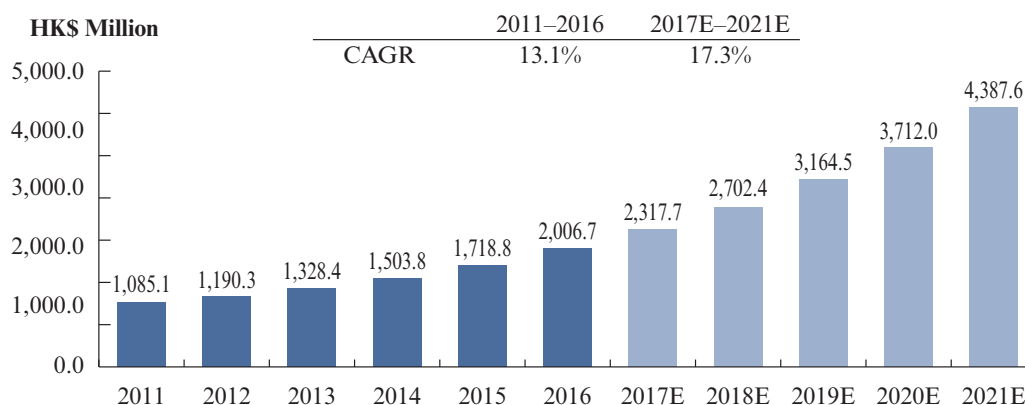
Fleet card can be used as a payment method upon purchase of gasoline at petrol station, and it also offers instant discount. It is most commonly used by transportation and logistics companies with fleet of vehicles such as coaches, minibus, and moving trucks. It enables the drivers to pay without cash, easing the transaction process. It also benefits the company from an administrative perspective as it is easier to manage one single account than processing multiple receipts from their drivers after they have fuel refill at petrol station.

All four dominant major oil companies operating in Hong Kong offer fleet card services to their customers. In most cases, the application of fleet card does not contain any administration cost such as annual fee and registration fee.

Market Size Analysis

The chart below sets forth the Hong Kong fleet card market size from 2011 to 2021:

Market Size of Fleet Card Market (Hong Kong), 2011–2021E



Source: Frost & Sullivan

The market size of fleet card market in Hong Kong represents a total value of HK\$2,006.7 million in 2016. The use of fleet card is becoming popular in Hong Kong among drivers especially full-time drivers due to bargained price compared with cash payment. The fleet card market in Hong Kong grew at a CAGR of 13.1% between 2011 and 2016.

According to Consumer Council, fleet card in Hong Kong tends to offer price discount in the range of 7% to 8% (around HK\$1.2 per litre) compared with cash price at pump. Profit for oil companies depend significantly on the price differentials between import price and price at pump. Hence the plummet of international crude oil price since 2014 created a favourable business environment for the oil industry.

INDUSTRY OVERVIEW

Market Drivers

Significant Savings

As noted, fleet card is normally used by enterprise or business with fleet vehicles. Not only does fleet card provide discounted fuel compared with retail price, it also considerably reduces administrative costs. Company now only has to handle weekly or monthly debit, as opposed to handling hundreds of paper receipts. Some oil companies also offer reward programmes for their fleet card customers, allowing exchange for gifts or other car services once they accumulate enough bonus points.

Simplified Transaction

With a fleet card, drivers can now undergo cashless transactions at petrol station. It is beneficial to both customers and oil companies as it reduces time at the pump. Fleet card can also be linked to an online account for easier management of transaction history and cost control. It can also reduce the number of potential unusual transactions as the use of fleet card can be limited to certain license plates and particular types of fuel (e.g. diesel).

Better Management on Vehicle

The fleet card enable users to enjoy real-time information at their fingertips of up-to-date summaries of vehicle expenses statistics, check diesel consumption levels and purchasing patterns. For corporate users, fleet cards can help monitor and control the fuel consumption of its fleet by providing a monthly detail of each transaction for every fleet card. Moreover, some fleet cards also enable the user to decide the type of fuel and the limit of purchase amount on every fleet card to prevent fraud and abuse, which provide corporate users an easy and effective way to manage and monitor their fleet.

Entry Barrier

Business Relationship

Being selected as an agency for fleet card application, to a certain degree, represents a solid relationship with the oil supplier. As oil supplier will not outsource such services to small scale companies without a track record. Such relationship can only be built over long-term business partnership.

Customer Relationship

Agency must first develop relationship with a large group of downstream customers in order to advertise and eventually have them signed up as fleet card members. Car owners and end customers will consider the reputation of the agency before the purchase fleet card from them due to various concerns such as data privacy and credit assessment. New entrants will struggle to obtain sizable market share as they do not have reputation to attract enterprises.

INDUSTRY OVERVIEW

Competitive Landscape

All fleet card operators are authorized by oil companies and there are not many participants in the market. The market is relatively concentrated with top five players taking a total market share of 48.6%. The following table sets out the top five fleet card operators in Hong Kong in 2016:

Ranking of Key Fleet Card Operators in 2016

Ranking	Company	Estimated Revenue on Gross Basis in Fleet Card Market 2016	
		(Million HK\$)	Market Share
1	Company A	337.1	16.8%
2	The Group	199.1	9.9%
3	Company B	163.9	8.2%
4	Company C	144.5	7.2%
5	Company D	129.6	6.5%

Source: Frost & Sullivan

LAWS AND REGULATIONS

Set out below is a summary of the major applicable laws and regulations relevant to our businesses and operations.

LAWS AND REGULATIONS IN RELATION TO ENVIRONMENTAL PROTECTION

Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong) (“WPCO”)

The WPCO provides the main statutory framework for the declaration of water control zones to cover the whole of Hong Kong and the establishment of water quality objectives. The objectives describe the water quality that should be achieved and maintained in order to promote the conservation and best use of the waters of Hong Kong in the public interest.

Within each water control zone, all discharges or deposits are controlled by a licensing system. The Director of Environmental Protection is the authority responsible for licensing and controlling these discharges.

Any person who, unless being licensed under the WPCO, discharges any waste or pollution matter into the waters of Hong Kong in a water control zone or discharges any matter, other than domestic sewage and unpolluted water into a communal sewer or communal drain in a water control zone commits an offence and is liable to imprisonment for 6 months and (a) for a first offence, to a fine of HK\$200,000; (b) for a second or subsequent offence, a fine of HK\$400,000 and in addition, if the offence is a continuing offence, to a fine of HK\$10,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

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

The Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation came into effect on 1 June 2015 to introduce regulatory control on the emissions of non-road mobile machinery (the “NRMMs”), including non-road vehicles and regulated machines such as crawler cranes, excavators and air compressors.

Unless exempted, NRMMs which are regulated under this provision are required to comply with the emission standards prescribed under this regulation. From 1 September 2015, all regulated machines sold or leased for use in Hong Kong must be approved or exempted with a proper label in a prescribed format issued by the Environmental Protection Department pursuant to section 4 of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation. Starting from 1 December 2015, only approved or exempted NRMMs with a proper label are allowed to be used in specified activities and locations. However, existing NRMMs which are already in Hong Kong on or before 30 November 2015 will be exempted from complying with the emission requirements pursuant to section 11 of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation. A period of six months (from 1 June 2015 to 30 November 2015, both dates inclusive) is allowed for existing NRMMs to apply for exemption.

Any person who sells or leases a regulated machine for use in Hong Kong, or uses a regulated machine in specified activities or locations without (i) exemption or the Environmental Protection Department’s approval is liable to a fine of up to HK\$200,000 and imprisonment for up to six months; and (ii) a proper label is liable to a fine of up to HK\$50,000 and imprisonment for up to three months.

LAWS AND REGULATIONS

LAWS AND REGULATIONS IN RELATION TO LABOUR, HEALTH AND SAFE PRODUCTION

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

The Occupational Safety and Health Ordinance provides for the safety and health protection to employees in workplaces, both industrial and non-industrial.

Employers must as far as reasonably practicable ensure the safety and health of all of the employees in their workplaces by:

- (a) providing and maintaining plant and work systems that are safe and without risks to health;
- (b) making arrangement for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;
- (c) providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- (d) providing and maintaining safe access to and egress from the workplaces; and
- (e) providing and maintaining a working environment that is safe and without risks to health.

Failure to comply with the above provisions constitutes an offence and the employer is liable on conviction to a fine of HK\$200,000. An employer who fails to do so intentionally, knowingly or recklessly commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment of up to 6 months.

The Commissioner for Labour may also issue improvement notices against non-compliance of this Ordinance or the Factories and Industrial Undertakings Ordinance (Chapter 59 of the laws of Hong Kong), or suspension notices against activity of workplace which may create imminent hazard to the employees. Failure to comply with such notices constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000 respectively and imprisonment of up to one year.

Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong)

The Occupiers Liability Ordinance regulates the obligations of a person occupying or having control of premises on injury resulting to persons or damage caused to goods or other property lawfully on the land.

The Occupiers Liability Ordinance imposes a common duty of care on an occupier of premises to take reasonable care of the premises in all circumstances so as to ensure that his visitor will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

LAWS AND REGULATIONS

LAWS AND REGULATIONS IN RELATION TO ROAD TRAFFIC

Road Traffic Ordinance (Chapter 374 of the Laws of Hong Kong) (“RTO”)

The Road Traffic Ordinance and its subsidiary legislations provide the regulation of road traffic and the use of vehicles and roads. Every vehicle, including medium goods vehicle and heavy goods vehicle, has to comply with the specifications and regulations set out in the RTO before it can be registered and granted a licence for using on the road. Schedule 1 of the RTO specifies 15 types of vehicles that should be registered under the RTO. The licence of a vehicle may be cancelled or refused to be granted if no valid insurance in respect of third party risks as required by the Motor Vehicles Insurance (Third Party Risks) Ordinance (Chapter 272 of the Laws of Hong Kong) is in force in respect of the vehicle.

Motor Vehicles Insurance (Third Party Risks) Ordinance (Chapter 272 of the Laws of Hong Kong) (“MVI(T)O”)

Section 4(1) of the MVI(T)O provides that it shall not be lawful for any person to use, or to cause or permit any other person to use, a motor vehicle on a road unless there is in force in relation to the user of the vehicle by that person or that other person, as the case may be, such a policy of insurance or such a security in respect of third party risks as complies with the requirements of the MVI(T)O.

Section 4(2) provides that if a person acts in contravention of section 4, he shall be liable to a fine of HK\$10,000 and to imprisonment for 12 months, and a person convicted of an offence under section 4 shall (unless the court for special reasons thinks fit to order otherwise) be disqualified from holding or obtaining a licence to drive a motor vehicle for such period as the court may determine being not less than 12 months nor more than three years from the date of conviction.

As our Group maintains its own vehicle fleet, compliance with the MVI(T)O is required.

RELEVANT LEGISLATION ON TUNNELS

According to the website information of the Transport Department of the Hong Kong Government, there were 16 major road tunnels in Hong Kong in May 2016, three of which immersed tube tunnels crossing the harbour, twelve of which were road tunnels. Of the 15 major road tunnels, the Hong Kong Government owns 12 road tunnels, namely the Cross-Harbour Tunnel, Eastern Harbour Crossing, Lion Rock Tunnel, Aberdeen Tunnel, Kai Tak Tunnel, Shing Mun Tunnels, Tseung Kwan O Tunnel, Cheung Tsing Tunnel, Tai Wai Tunnel, Sha Tin Heights Tunnel, Eagle’s Nest Tunnel and Nam Wan Tunnel. The remaining four tunnels, i.e. Discovery Bay Tunnel, Tai Lam Tunnel, Tate’s Cairn Tunnel and Western Harbour Crossing, are operated by private companies under “Build, Operate and Transfer” arrangements.

The Road Tunnels (Government) Regulations (Chapter 368A of the Laws of Hong Kong) (as amended by the Eastern Harbour Crossing Legislation (Amendment) Ordinance 2016 (“RT(G)R”)) stipulates the operation and restriction on the use of Cross-Harbour Tunnel, Eastern Harbour Crossing, Aberdeen Tunnel, Kai Tak Tunnel, Lion Rock Tunnel, Shing Mun Tunnels and Tseung Kwan O Tunnel, Airport Tunnel and Scenic Hill Tunnel. Regulation 11 of the RT(G)R provides that no person shall drive or cause or permit to be driver in or cause to remain in any tunnel of a vehicle which is constructed or adapted for the conveyance, or a vehicle carrying a container used or to be used for the storage of Category 5 dangerous goods, whether or not such vehicle or container

LAWS AND REGULATIONS

contains any quantity of such goods. Any person who contravenes any provisions of regulation 11 of the RT(G)R commits an offence and is liable to a fine of HK\$5,000 and to imprisonment for 6 months.

There are other bylaws/regulations containing similar restrictions for other Government owned tunnels, for instance the Tsing Ma Control Area (General) Regulation (Chapter 498B of the Laws of Hong Kong) (in respect of Cheung Tsing Tunnel), and the Tsing Sha Control Area (General) Regulation (Chapter 594A of the Laws of Hong Kong) (in respect of Tai Wai Tunnel, Sha Tin Heights Tunnel, Eagle's Nest Tunnel and Nam Wan Tunnel). Any person who contravenes the above bylaws/regulations commits an offence and is liable to a fine of HK\$5,000 and is subject to imprisonment for 6 months.

The Western Harbour Crossing Bylaw (Chapter 436D of the Laws of Hong Kong) (“WHCB”) stipulates the operation and restriction on the use of Western Harbour Crossing. Section 20 of the WHCB restricts the driver or owner of a vehicle which is constructed or adapted for the conveyance, or a vehicle carrying a container used or to be used for the storage of Category 5 dangerous goods, whether or not such vehicle or container contains any quantity of such goods to cause or permit the vehicle to enter or remain in the tunnel area. Any person who contravenes section 20 of the WHCB commits an offence and is liable on conviction to a fine of HK\$5,000.

Similar restrictions are set out in the by-laws/regulations governing the operation and use of other tunnels which are operated by private companies under “Build, Operate and Transfer” arrangements, for instance, the Tai Lam Tunnel and Yuen Long Approach Road Bylaw (Chapter 474C of the Laws of Hong Kong) (in respect of Tai Lam Tunnel), and the Tate's Cairn Tunnel By-laws (Chapter 393B of the Laws of Hong Kong) (in respect of Tate's Cairn Tunnel). Any person who contravenes the above bylaws/regulations commits an offence and is liable to a fine of HK\$2,000 to HK\$5,000 and is subject to imprisonment for 6 months.

LAWS AND REGULATIONS IN RELATION TO IMPORT AND SALE OF GOODS

Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong) (“IAEO”)

The IAEO and its sub-legislation, provide for the regulation and the control of, among other things, the import and export of articles into or out of Hong Kong.

Under regulations 4 and 5 of the Import and Export (Registration) Regulation (Chapter 60E) (the “**IAE Registration Regulations**”), an importer of articles (other than exempted articles) shall lodge with the Hong Kong Customs and Excise Department (“**C&E Commissioner**”) an accurate and complete import or export declaration within 14 days after the date of import or export. A declaration charge (which amounts to HK\$0.20 if the (aggregate) value of the articles does not exceed HK\$46,000; and HK\$0.20 cents for the first HK\$46,000 dollars' value and HK12.5 cents for each additional HK\$1,000 dollars' value (or part thereof) if the (aggregate) value exceeds HK\$46,000) is payable for such import or export. In such connection, our Group is obliged to lodge import declarations under the IAE Registration Regulations and pay the relevant declaration charges in connection with the import of lubricant oil.

Failure to lodge such declaration within the prescribed 14-day period will result in the imposition of an administrative penalty (which ranges from HK\$20 to HK\$200 per incident depending on the time of lodging the declaration and the total value of the articles specified in the declaration) under regulation 7 of the IAE Registration Regulations. In addition, failure or neglect to lodge declaration beyond the prescribed 14-day period without reasonable excuse is an offence

LAWS AND REGULATIONS

and is liable on summary conviction to a fine of HK\$1,000 (plus daily fines of HK\$100 commencing on the day following the date of conviction) under regulations 4 or 5 of the IAE Registration Regulations.

Where the C&E Commissioner has reason to believe that the (aggregate) value of any articles has been understated in the declaration such that the amount of the declaration charge had been underpaid, he shall assess and demand for payment of the extra charge which would have been payable had the (aggregate) value not been understated, together with penalty (which shall not be more than 20 times of such extra charge and be subject to a maximum penalty amount of HK\$10,000) (Regulation 10 of the IAE Registration Regulations).

Under regulations 4 or 5 of the IAE Registration Regulations, a person who knowingly or recklessly lodges any declaration that is inaccurate in any material particular commits an offence and is liable on summary conviction to a fine of HK\$10,000. Further, in the event a person is prosecuted and convicted under section 36 of the IAE Ordinance for making or furnishing statement or information which is false or misleading in a material particular, he shall be liable to a fine of HK\$500,000 and to imprisonment for 2 years.

Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong)

The Trade Descriptions Ordinance prohibits vendors from providing false trade descriptions, false, misleading or incomplete information and false marks and misstatements in respect of goods provided in the course of trade. It is an offence to apply a false trade description to any goods, or supply any goods which a false trade description is applied, or possess for sale, trade or manufacture any goods which a false trade description is applied. False and misleading trade descriptions of products in advertisements are also prohibited. Any person who fails to comply with any of the provisions commits an offence and is liable on conviction on indictment, to a fine of HK\$500,000 and to imprisonment for 5 years; and on summary conviction, to a fine of HK\$100,000 and to imprisonment for 2 years.

Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong)

The Sale of Goods Ordinance provides, *inter alia*, that where a seller sells goods in the course of a business, there is an implied condition that (i) where the goods are purchased by description, the goods shall correspond with the description; (ii) the goods supplied are of merchantable quality; and (iii) the goods shall be reasonably fit for the purpose for which they are purchased. Otherwise, a buyer has the right to reject the defective goods unless he or she has a reasonable opportunity to examine the goods. A breach of the implied term may give rise to a civil action for breach of contract by the customers.

Tortious Duty under Common Law

Apart from contractual liability, under common law, distributors and retailers of products may also owe a duty of care to buyers and may be liable for damage resulting from defects in goods caused by their negligent acts or for any fraudulent misrepresentation made in the distributing and selling of goods. Where a distributor and retailer knows or reasonably believes that the products may be defective, he may have to cease to supply such goods and to give warning and instructions to persons to whom the products are supplied. Any person who undertakes to design, import or supply a product, and who negligently performs his work and causes damage to another person or property, will also attract civil liability.

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LAWS AND REGULATIONS IN RELATION TO CHEMICAL SUBSTANCE

Dangerous Goods Ordinance (Chapter 295 of the Laws of Hong Kong) (“DGO”)

The DGO controls the usage, storage, manufacturing and conveyance of the dangerous goods under the ordinance and sets out the relevant licensing requirements in relation to these activities. Section 3 of the DGO gives a broad meaning of dangerous goods, which include all explosives, compressed gases, petroleum and other substances giving off inflammable vapours, substances giving off poisonous gas or vapour, corrosive substances, substances which become dangerous by interaction with water or air, substances liable to spontaneous combustion or of a readily combustible nature, and there are over thousands of substances and chemicals which are classified as dangerous goods. These dangerous goods are grouped into categories and classes in accordance with their potential hazardous nature. As at the Latest Practicable Date, there were 11 categories of dangerous goods according to the subordinate legislations of the DGO (namely Categories 1 to 9, 9A and 10). Diesel oil is categorised as one of the dangerous goods in Category 5, Class 3 thereunder and kerosene is categorised as one of the dangerous goods in Category 5, Class 2 thereunder. As such, our Group’s transportation of diesel oil is regarded as conveyance of dangerous goods under the DGO and our Group’s storage of products containing kerosene in our Sham Shui Po Outlet is regarded as storage of dangerous goods under the DGO. As such, our business is regulated by the DGO.

The Fire Services Department is the licensing authority for Categories 2 to 10 dangerous goods (excluding liquefied petroleum gas (“LPG”)) on land. Pursuant to section 6 of the DGO, no person shall store, convey or use any dangerous goods in excess of exempted quantity in any premises or places without a licence issued by the director of the Fire Services Department. Any person who contravenes section 6 of the DGO shall be guilty of an offence and is liable to a fine of HK\$25,000 and to imprisonment for 6 months.

Pursuant to section 9B of the DGO, a breach of any term or condition endorsed upon any licence issued pursuant to section 9 of the DGO shall constitute an offence which shall be punishable on summary conviction by a fine not exceeding \$10,000 and imprisonment not exceeding 1 month.

Under section 10 of the DGO, no person shall deliver to any warehouse owner or carrier from any part of Hong Kong by land or water unless the (a) true name or description of such goods is distinctly written, printed or marked in English and Chinese on the outside of the case or other package containing such goods; (b) the prescribed label, if any, is attached to the outside of the case or other package containing such goods; and (c) in the case of delivery, notice in writing has been given to any warehouse owner or carrier of the true name or description of such goods and the dangerous nature thereof. Any person who contravenes Section 10 commits an offence and is liable on summary conviction to a fine of HK\$25,000 and to imprisonment for 6 months.

Pursuant to section 15 of the DGO, any employee or agent of any person holding a licence issued under the DGO who commits an offence under this ordinance is liable for such offence and to the penalty provided therefor, unless he proves that the offence was committed without his knowledge or consent and that he had exercised all due diligence to prevent the commission of the offence. And pursuant to section 16 of the DGO, where an offence under the DGO is committed by a company, every director and every officer concerned in the management of the company shall be guilty of the like offence unless he proves that the act constituting the offence took place without his knowledge or consent.

LAWS AND REGULATIONS

Dangerous Goods (Application and Exemption) Regulations (Chapter 295A of the Laws of Hong Kong) (“DG (AE) R”)

Diesel oils (distillates and/or light residuals), furnace oils and other fuel oils having a flash point of or over 66°C, are categorised as dangerous goods in Category 5, Class 3. Kerosene (aviation turbine fuel, paraffin) and any other substance being immiscible with water and having a flash point of or exceeding 23°C but not exceeding 60°C and not involved in any other category are categorised as dangerous goods in Category 5, Class 2.

Dangerous Goods (General) Regulations (Chapter 295B of the Laws of Hong Kong) (“DG (G) R”)

DG (G) R sets out certain restrictions and requirements in relation to various categories of dangerous goods. It also provides the exempted categories and quantity of the dangerous goods for which a licence is not required for the conveyance, storage and usage of the dangerous goods. According to Regulation 99 of the DG (G) R, dangerous goods in Category 5, Class 3, have to be stored or conveyed in any appropriate main or inner packing. The maximum quantity for which no licence is required for storage is 2,500 litres. Further, according to Regulation 99A of the DG (G) R, no person shall store in bulk in liquid form any dangerous goods in Category 5, Class 3, except in a tank which has been approved in writing by the Director of Fire Services Department subject to the compliance of conditions set out in the DG (G) R. Meanwhile, pursuant to regulation 95 of the DG (G) R, nothing in part IV of the DG (G) R shall apply to any fuel conveyed in the fuel tank of any mechanically propelled vehicle.

Regulation 101 of the DG (G) R provides that unless a licence approved by the director of Fire Services Department is obtained for the use of such vehicle, no person shall use, or cause or permit to be used, any mechanically propelled vehicle for the conveyance by road of any Category 5 dangerous goods in containers. There are mainly three (3) types of dangerous goods licences issued by the Fire Services Department, namely (i) licence for the storage of dangerous goods (Categories 2 to 10 (excluding LPG)), (ii) licence for the manufacture of dangerous goods (Categories 2 to 10 (excluding LPG)), and (iii) licence (“**DGV Licence**”) for any mechanically propelled vehicle (“**DGV**”) for the conveyance by road of any dangerous goods (Category 2 (other than LPG) and/or Category 5). According to the DGO, “conveyance” includes the situation when dangerous goods are loaded in a vehicle irrespective of whether the vehicle is moving or being parked stationary until the dangerous goods are unloaded from the vehicle. Our Group is required to obtain the DGV Licence for our daily operation. Our diesel tank wagons have to meet the requirements as set out in the DG (G) R, which includes (but not limited to) the engine design, and notice in English and Chinese conspicuously displayed at the front and rear of the vehicle declaring the presence of inflammable goods.

According to Regulation 99 of the DG(G)R, dangerous goods in Category 5, Class 2, have to be stored in hermetically sealed glass, earthenware or plastic containers of suitable make, tins or tubes of suitable make, and suitable metal containers, and the maximum quantity for which no licence is required (save for polishes) for storage is 20 liters of any substance and not more than 40 liters in aggregate. Regulation 106 of the DG (G) R provides that no person shall store, or cause or permit to be stored, any container containing dangerous goods in any store nearer than 600 mm from any wall or the ceiling of the store, and, if stored in stacks, unless a free air space of not less than 600 mm is left between each stack. Regulation 113 of the DG (G) R provides that no person, except with

LAWS AND REGULATIONS

the permission of the licensee of the store, shall enter or remain in any store. Regulation 114 of the DG (G) R provides that all means of access to any store shall be kept securely locked except while access thereto is required for the purpose of inspection, maintenance or the handling of dangerous goods.

Part VI of the DG (G) R also stipulates other operations and maintenance of tank wagon and the storage of dangerous goods in Category 5 including but not limited to the following:

- No person shall deposit, or cause or permit to be deposited, any dangerous goods in Category 5 in any place, other than a store, for any purpose or for any length of time except such as is reasonably necessary in the course of handling such goods in transit.
- No person shall cause or permit any dangerous goods to enter any sewer or drain or, in the case of any substance immiscible with water, the waters of Hong Kong.
- No person shall convey or cause or permit to be conveyed, by road any dangerous goods in liquid form in bulk except in a tank wagon of a size, type and construction approved, either generally or in any particular case, by the Fire Services Authority and equipped for the carriage, loading and discharge of such liquid to the satisfaction of the Fire Services Authority.
- No person shall fuel any vehicle directly from any tank wagon.
- Except in the case of a tank wagon equipped with a radio communication system to the satisfaction of the Fire Services Authority, no person shall convey, or cause or permit to be conveyed, on any tank wagon any dangerous goods in Category 5 in liquid form unless the wagon is attended by at least one person, in addition to the driver, having reasonable experience in the carriage of such liquids in bulk.

Contravention to the above commits an offence and the maximum penalty could range from a fine of HK\$5,000 to HK\$25,000 and imprisonment from 1 month to 3 months.

DANGEROUS GOODS (APPLICATION AND EXEMPTION) REGULATION 2012 (“DG(A&E)R 2012”)

The DO(A&E)R 2012 was published in the Gazette on 27 April 2012 but it has not come into operation until it is appointed by the Secretary for Security by notice in the Gazette. The regulation is aimed to amend the existing DGO and its subsidiary regulations for the control of dangerous goods on land and at sea as the existing DGO was enacted in 1956 and some of the provisions are no longer in line with international practice. The dangerous goods under control on land will expand from about 1,100 to about 2,300 types and largely adopt the classification system of the International Maritime Dangerous Goods Code. Under the DG(A&E)R 2012, diesel fuel will be classified under class 3A and kerosene will be classified under class 3.

As at the Latest Practicable Date, there was no indication on when the DG(A&E)R 2012 will come into effect. Moreover, according to the publication by the HKSAR Government on 25 April 2012, the HKSAR Government intends to introduce two new regulations to replace the existing Dangerous Goods (General) Regulations and Dangerous Goods (Packing, Marking and Labelling) Regulation to provide for the detailed control requirements for the manufacture, storage,

LAWS AND REGULATIONS

conveyance and use of dangerous goods on land, and the packing, marking and labelling requirements for dangerous goods. As the two new regulations are still under review, it could not be determined how and when these three new regulations will impact the Company.

Pesticides Ordinance (Chapter 133 of the Laws of the Hong Kong)

The Pesticides Ordinance divides pesticides into two categories, registered and unregistered. It provides for the licensing requirements for, *inter alia*, importing, manufacturing, selling, offering or exposing for sale or supplying for offering to supply pesticides of both registered and unregistered pesticides. With respect to the usage of registered pesticides, no licence is required so long as the user is not engaged in the trade or business, whether for wholesale, retail or otherwise, of selling, offering or exposing for sale, supplying or offering to supply registered pesticides and sells, offers or exposes for sale, supplies or offers to supply any registered pesticides which he acquired for his own use.

LAWS AND REGULATIONS IN RELATION TO DUTIABLE GOODS

Dutiable Commodities Ordinance (Chapter 109 of the Laws of Hong Kong)

The Dutiable Commodities Ordinance and its subsidiary legislations provide the taxation and control of liquors, tobacco, hydrocarbon oil, methyl alcohol and other substances. The duty payable on ultra low sulphur diesel and Euro V diesel shall be at HK\$2.89 per litre from 1 January 2009 onwards and HK\$0 per litre from 14 July 2008 onwards. Any persons who import, export, manufacture or store any dutiable commodities (including hydrocarbon oil) are required to have relevant licences issued by the Customs and Excise Department.

Dutiable Commodities (Marking And Colouring Of Hydrocarbon Oil) Regulations (Chapter 109C of the Laws of Hong Kong) (“DC(MCHO)R”)

The Dutiable Commodities (Marking And Colouring Of Hydrocarbon Oil) Regulations stipulate the specification and proportion of marking and colouring substance. No person shall alter the marking and colouring substance as specified in the DC(MCHO)R except with the permission of the commissioner of Customs and Excise and any deputy or assistant commissioner of Customs and Excise. Regulation 12 of the DC(MCHO)R further stipulates that no person shall deliver marked oil to any other person without also delivering a note bearing the statement “MARKED OIL IS NOT TO BE USED FOR THE PROPULSION OF MOTOR VEHICLES OR PLEASURE VESSELS” and “有標記油類不得用作推動汽車或遊樂船隻的燃料”. Any person who contravenes Regulation 12 commits an offence and is liable to a maximum fine of HK\$50,000 and to imprisonment for 6 months.

LAWS AND REGULATIONS IN RELATION TO CONSUMER PROTECTION

Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (“PDPO”)

In the course of our business, our Group has accumulated customers’ personal data by virtue of our fleet card business. As such, our Group is regulated by the PDPO. The PDPO aims to protect the privacy of individuals in relation to personal data which covers any data relating directly or indirectly to a living individual (data subject), from which it is practicable to ascertain the identity of the individual and which are in a form in which access to or processing of the data is practicable. It applies to a data user, i.e. any person who, either alone or jointly or in common with other persons, controls the collection, holding, processing or use of personal data.

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During the course of our business, we collect the personal data of our clients for the purpose of operating our fleet card business. As such, we must comply with the Data Protection Principles of the PDPO, which are:

Principle 1 — Purpose and manner of collection. This provides for the lawful and fair collection of personal data and sets out the information a data user must give to a data subject when collecting personal data from that subject.

Principle 2 — Accuracy and duration of retention. This provides that personal data should be accurate, up-to-date and kept no longer than necessary.

Principle 3 — Use of personal data. This provides that unless the data subject gives consent otherwise personal data should be used for the purposes for which they were collected or a directly related purpose.

Principle 4 — Security of personal data. This requires appropriate security measures to be applied to personal data (including data in a form in which access to or processing of the data is not practicable).

Principle 5 — Information to be generally available. This provides for openness by data users about the kinds of personal data they hold and the main purposes for which personal data are used.

Principle 6 — Access to personal data. This provides for data subjects to have rights of access to and correction of their personal data.

LAWS AND REGULATIONS IN RELATION TO COMPETITION

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

The Competition Ordinance, entered into force on 14 December 2015, (i) prohibits conduct that prevents, restricts or distorts competition in Hong Kong, (ii) prohibits mergers that substantially lessen competition in Hong Kong; and (iii) provides for incidental and connected matters. The Competition Ordinance provides for the establishment of the Competition Commission with investigation powers and the Competition Tribunal with adjudicative powers. The Competition Ordinance includes, among other provisions, the First Conduct Rule, which prohibits anti-competitive conduct involving more than one party; and the Second Conduct Rule, which prohibits anti-competitive conduct by a party with substantial market power.

The First Conduct Rule

The First Conduct Rule provides that an undertaking must not (a) make or give effect to an agreement; (b) engage in a concerted practice; or (c) as a member of an association of undertakings, make or give effect to a decision of the association, if the object or effect of the agreement, concerted practice or decision is to prevent, restrict or distort competition in Hong Kong. Examples of serious anti-competitive conduct includes (i) fixing, maintaining, increasing, or controlling the price for the supply of goods or services; (ii) allocating sales, territories, customers or markets for the production or supply of goods or services; (iii) fixing, maintaining, controlling, preventing, limiting or eliminating the production or supply of goods or services; and (iv) bid-rigging practices.

The Second Conduct Rule

The Second Conduct Rule provides that an undertaking that has a substantial degree of market power in a market must not abuse that power by engaging in conduct that has as its object or effect the prevention, restriction or distortion of competition in Hong Kong. Factors which may be taken into account when determining whether an undertaking has such power includes the market share of the undertaking, the undertaking's power to make pricing and other decisions; and any barriers to entry to competitors into the relevant market.

The Competition Ordinance prohibits the abuse of a substantial degree of market power and provides two examples of abusive conduct. An undertaking with a substantial degree of market power may commit an abuse by engaging in 'predatory behaviour towards competitors' or by 'limiting production, markets or technical development to the prejudice of consumers'.

Consequences of non-compliance with the Competition Ordinance

Penalties that the Competition Tribunal may impose for contraventions of a competition rule include pecuniary penalties, awards of damages, and interim injunctions during investigations or proceedings. The maximum penalty in relation to a 'single contravention' can be up to 10% of the annual turnover obtained by the undertaking concerned in Hong Kong for each year the infringement lasted, with a maximum of three years. The Competition Tribunal may also order the disqualification of responsible directors for up to five years, award injunctions, declare agreements to be void, award damages, confiscate illegal profits, and order the payment of costs of the Competition Commission's investigation.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OUR HISTORY

Our Company was incorporated under the laws of the Cayman Islands as an exempted company on 24 March 2017. Pursuant to the Reorganisation as more particularly described in the paragraphs headed “Reorganisation” in this section, our Company became the holding company of our Group for the purpose of Listing.

OUR BUSINESS MILESTONES

The following table sets out some major milestones and achievements in the development of our business:

Year	Event
1977	Mr. Hui started the petrochemical distribution business in Sham Shui Po Outlet under the trading name of “Yee Sing Hong”.
2002	Incorporation of Yee Sing Hong, the first member of the Group, which succeeded and took over the business relationships with suppliers and customers accumulated by Mr. Hui since 1977.
2003	Yee Sing Hong obtained a pesticides licence for the import and supply of pesticides and commenced sales of pesticides.
2006	Grand Wealthy commenced selling fleet card products of Oil Company Y.
2008	Yee Sing Hong was accredited ISO 9001:2008.
2009	Yee Sing Hong commenced sales of Americo lubricant oil and our self-owned brand of lubricant oil.
2011	Yee Sing Hong entered into the first term contract for sourcing diesel from Oil Company X.
2013	Tien Fung Hong commenced the resale of fleet cards under term contracts with Oil Company Y.
2017	Tien Fung Hong was authorised by Oil Company Y to resell its fleet cards, pursuant to which we were authorised to use its branding in our fleet card promotion activities.

OUR CORPORATE DEVELOPMENT

Our Group was founded by Mr. Hui. Prior to the incorporation of Yee Sing Hong in 2002, Mr. Hui commenced carrying out the business of the sale of hydrocarbon oils in 1977 trading under the name of “Yee Sing Hong”, and the business of the sale and distribution of hydrocarbon oils of Yee Sing Hong, then since November 1992 through Yee Sing Hong Petroleum Products Company Limited (a company which was then owned by Mr. Hui and Ms. Tong) up to 2002 when the first member of our Group, namely Yee Sing Hong, was incorporated. Although the first subsidiary of our Group, Yee Sing Hong, was only incorporated in 2002, it had succeeded and continued the relationships with business counterparts such as Oil Company X started and maintained by Mr. Hui since the 1970s.

We set out below the corporate history and shareholding changes of significant subsidiaries of our Group.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

(a) Yee Sing Hong

Yee Sing Hong was incorporated in Hong Kong on 1 February 2002 and is principally engaged in distributing third-party branded diesel, lubricant oil and other products and processing and distributing self-branded lubricant oil and other petrochemical products. Yee Sing Hong accounted for 99.2%, 97.9% and 97.0% of the Group's revenue for the three years ended 31 March 2017.

Its initial authorised share capital was HK\$10,000 divided into 100 shares of HK\$100.00 each and one subscriber share was issued and allotted at par to each of Pacific Group and Ms. Tong on the date of its incorporation. Such share was held by Ms. Tong on trust for Pacific Group.

On 14 May 2002, Pacific Group transferred one share in Yee Sing Hong to Mr. Hui for a consideration of HK\$1.00. The nominal consideration was the result of arms' length negotiations at the time and reflected the par value of the share at the time. Such share was held by Mr. Hui on trust for Pacific Group. Upon completion of the above transfer and up to the period immediately preceding the Reorganisation, Yee Sing Hong was wholly and beneficially owned by Pacific Group.

(b) Tien Fung Hong

Tien Fung Hong was incorporated in Hong Kong on 4 February 2004 and is principally engaged in the operation of the fleet cards business in Hong Kong. Tien Fung Hong accounted for 0.7%, 2.0% and 3.0% of the Group's revenue for the three years ended 31 March 2017.

Its authorised share capital was HK\$10,000 divided into 10,000 shares of HK\$1.00 each and 9,999 shares and one share were allotted and issued at par to Pacific Group and Mr. Hui, respectively.

On 26 May 2008, Pacific Group transferred 4,999 shares and 5,000 shares in Tien Fung Hong to Mr. Hui and Ms. Tong for a consideration of HK\$4,999.00 and HK\$5,000.00, respectively. The consideration for the aforesaid transfers was the result of arms' length negotiations at the time and reflected the par value of those shares at the time. As a result, Tien Fung Hong came to be held as to 50% and 50% by Mr. Hui and his spouse, Ms. Tong, respectively.

On 25 March 2014, 3,000 shares 5,000 shares and 2,000 shares were allotted and issued to Mr. Hui, Ms. Tong and Mr. Eric Hui, respectively. As a result of such allotment, Tien Fung Hong came to be held as to 40%, 50% and 10% by Mr. Hui, his spouse, Ms. Tong and Mr. Eric Hui, the son of Mr. Hui and Ms. Tong, respectively.

On 18 May 2015, 13,000 shares and 17,000 shares were allotted and issued to Mr. Eric Hui and Ms. Tong, respectively. On the same day, Mr. Hui transferred 8,000 shares in Tien Fung Hong to his spouse, Ms. Tong for a consideration of HK\$8,000.00. The consideration was the result of arms' length negotiations at the time and reflected the par value of those shares at the time. Upon completion of the aforesaid allotment and transfer, Tien Fung Hong came to be held as to 70% and 30% by Ms. Tong and her son, Mr. Eric Hui, respectively.

There are four other operating subsidiaries in the Group (namely, Billion Faith, Carmen Logistics, Grand Wealthy and Yee Sing Logistics). As the revenue and profits of these four subsidiaries did not contribute materially to results of the Group during the Track Record Period, the details in respect of the incorporation and commencement of business of each of these four subsidiaries are not included in this prospectus.

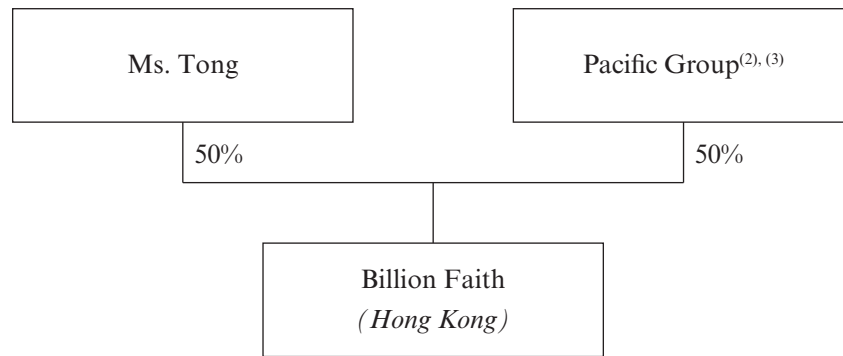
HISTORY, REORGANISATION AND CORPORATE STRUCTURE

REORGANISATION

Corporate structure of our Group

The following diagrams set out the corporate structure of our Group immediately before implementation of the Reorganisation:

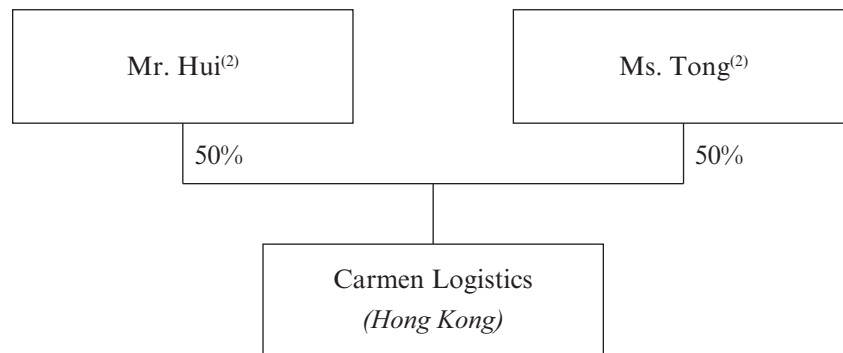
Billion Faith



Notes:

1. All ownership percentages in the above chart refer to beneficial ownership.
2. Pacific Group is wholly owned by Mr. Hui, who is the spouse of Ms. Tong and the father of Mr. Eric Hui.
3. The shares beneficially owned by Pacific Group were held by Ms. Tong as nominee on trust for Pacific Group.

Carmen Logistics

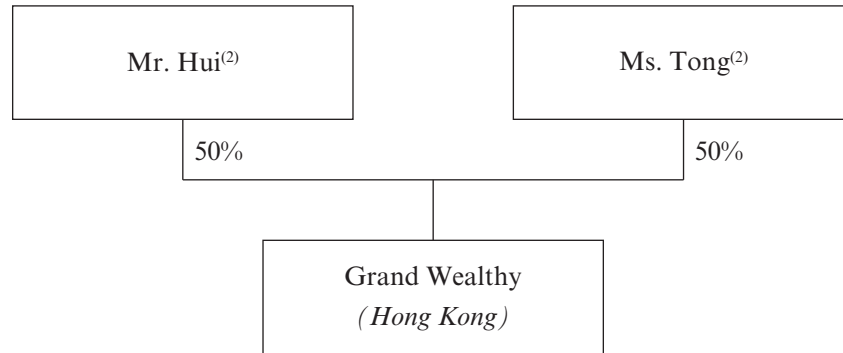


Notes:

1. All ownership percentages in the above chart refer to beneficial ownership.
2. Ms. Tong is the spouse of Mr. Hui and the mother of Mr. Eric Hui.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

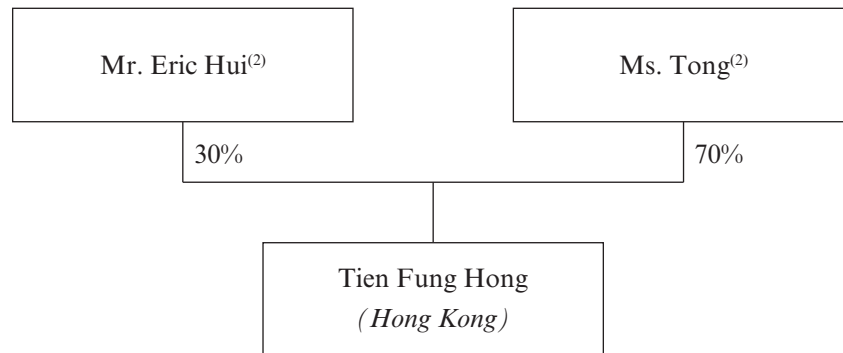
Grand Wealthy



Notes:

1. All ownership percentages in the above chart refer to beneficial ownership.
2. Ms. Tong is the spouse of Mr. Hui and the mother of Mr. Eric Hui.

Tien Fung Hong

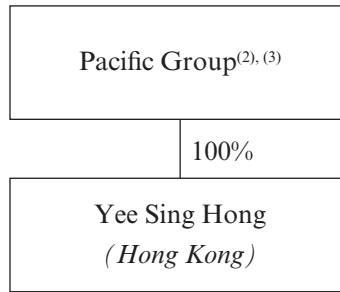


Notes:

1. All ownership percentages in the above chart refer to beneficial ownership.
2. Mr. Eric Hui is the son of Ms. Tong and Mr. Hui.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

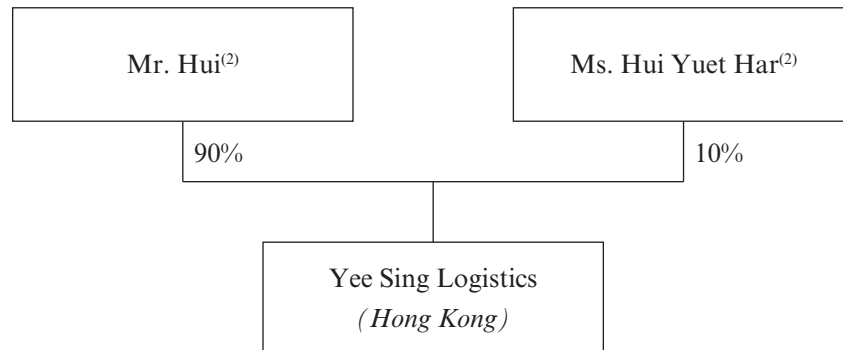
Yee Sing Hong



Notes:

1. All ownership percentages in the above chart refer to beneficial ownership.
2. Pacific Group is wholly owned by Mr. Hui, who is the spouse of Ms. Tong and the father of Mr. Eric Hui.
3. The shares beneficially owned by Pacific Group were held by Mr. Hui and Ms. Tong as nominees on trust for Pacific Group.

Yee Sing Logistics



Notes:

1. All ownership percentages in the above chart refer to beneficial ownership.
2. Mr. Hui is the brother of Ms. Hui Yuet Har.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

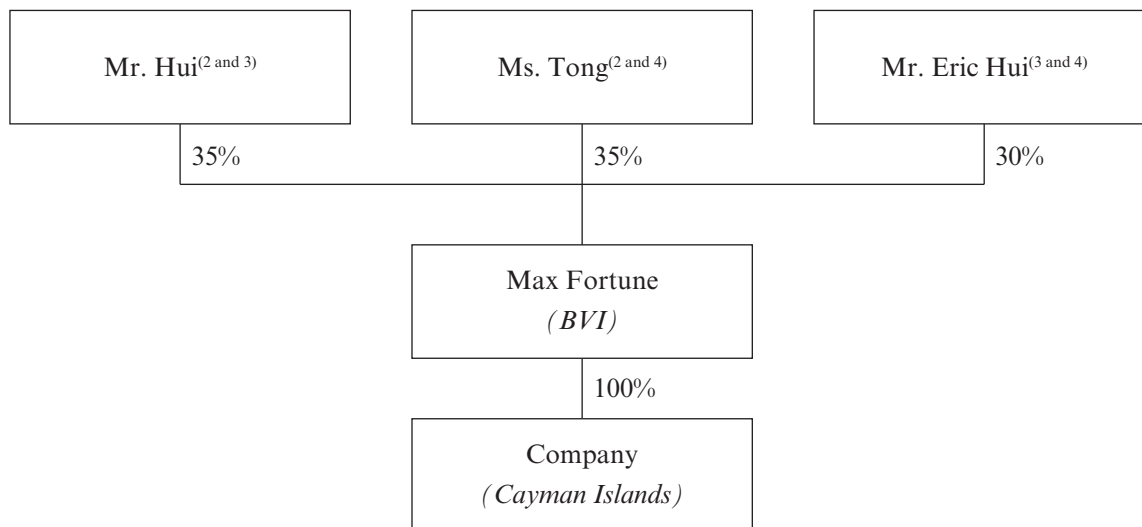
Reorganisation

Our Group underwent the Reorganisation in preparation for the Listing. The Reorganisation principally involved the following steps:

(a) The incorporation of our Company

Our Company was incorporated in the Cayman Islands as an exempted company on 24 March 2017. As at the date of incorporation, the authorised share capital of our Company was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each, among which one Share was allotted and issued to an Independent Third Party at par value and transferred to Max Fortune on the same day at par value. After the Reorganisation, our Company became the holding company of our Group with its business being conducted through our operating subsidiaries in Hong Kong. The principal business of our Company is investment holding.

The chart below illustrates the shareholding structure of our Company outlined above:



Notes:

1. All ownership percentages in the above chart refer to beneficial ownership.
2. Mr. Hui is the spouse of Ms. Tong.
3. Mr. Hui is the father of Mr. Eric Hui.
4. Ms. Tong is the mother of Mr. Eric Hui.

(b) The incorporation of BVI intermediate holding companies

Billion Harvest is a company incorporated in the BVI with limited liability on 5 January 2017 and its authorised shares as at the date of incorporation was US\$50,000 divided into 50,000 shares of US\$1.00 each. On 28 March 2017, 1,000 shares of Billion Harvest were allotted and issued, credited as fully paid, at par value to Max Fortune at a consideration of US\$1,000.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

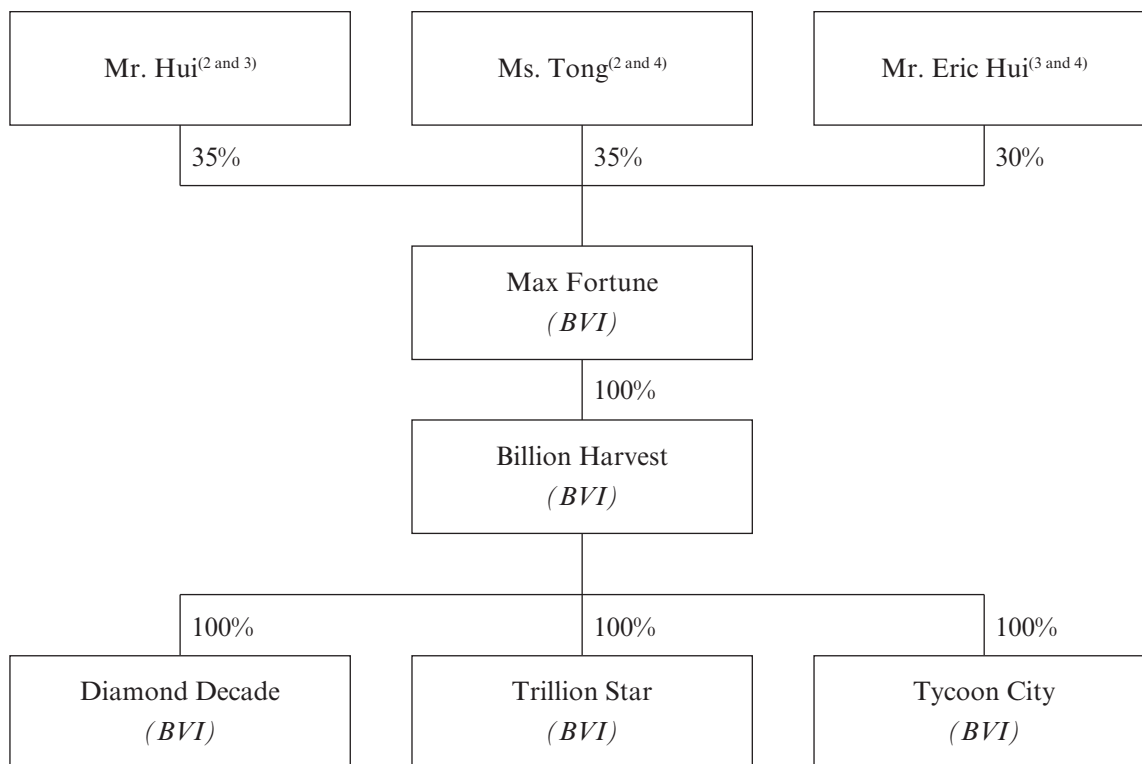
Diamond Decade was incorporated in the BVI with limited liability on 23 January 2017 and its authorised shares as at the date of incorporation was US\$50,000 divided into 50,000 shares of US\$1.00 each. On 28 March 2017, 1,000 shares of Diamond Decade were allotted and issued, credited as fully paid, at par value to Billion Harvest at a consideration of US\$1,000.

Trillion Star was incorporated in the BVI with limited liability on 1 December 2016 and its authorised shares as at the date of incorporation was US\$50,000 divided into 50,000 shares of US\$1.00 each. On 28 March 2017, 1,000 shares of Trillion Star were allotted and issued, credited as fully paid, at par value to Billion Harvest at a consideration of US\$1,000.

Tycoon City was incorporated in the BVI with limited liability on 28 November 2016 and its authorised shares as at the date of incorporation was US\$50,000 divided into 50,000 shares of US\$1.00 each. On 28 March 2017, 1,000 shares of Tycoon City were allotted and issued, credited as fully paid, at par value to Billion Harvest at a consideration of US\$1,000.

The principal business of each of Billion Harvest, Diamond Decade, Trillion Star and Tycoon City is investment holding.

The chart below illustrates the shareholding structure of our intermediate BVI holding companies outlined above:



Notes:

1. All ownership percentages in the above chart refer to beneficial ownership.
2. Mr. Hui is the spouse of Ms. Tong.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

3. Mr. Hui is the father of Mr. Eric Hui.
4. Ms. Tong is the mother of Mr. Eric Hui.

(c) Acquisition of our operating subsidiaries

On 29 March 2017 and as part of the Reorganisation:

- (a) Mr. Hui acquired 10% of the issued share capital of Yee Sing Logistics from Ms. Hui Yuet Har for a cash consideration of HK\$554,171.50. The consideration was determined having regard to the net asset value of Yee Sing Logistics as at 31 December 2016; and
- (b) Billion Harvest (through its designated nominees, namely Diamond Decade, Trillion Star and Tycoon City) acquired the entire issued share capital of Yee Sing Logistics, Carmen Logistics, Yee Sing Hong, Grand Wealthy, Tien Fung Hong and Billion Faith in consideration for the allotment and issue of an aggregate of 10,000 shares in Billion Harvest to the vendors of such shares (or such party as it directed). Such vendors directed that such consideration shares be allotted and issued to Max Fortune, a company in which the vendors are also shareholders.

On 12 April 2017, the Company purchased all of the issued shares of Billion Harvest from Max Fortune in consideration for the allotment and issue of 749 Shares, credited as fully paid, to Max Fortune. Immediately after the aforesaid transfer, Billion Harvest became wholly owned by the Company and the Company became the holding company of the Group. Immediately after such Reorganisation, the Company was wholly-owned by Max Fortune.

Pre-IPO Investments

(a) Pre-IPO Sale and Purchase Agreement

On 12 April 2017, Mr. Hui, Max Fortune and the Pre-IPO Investor entered into the Pre-IPO Sale and Purchase Agreement, pursuant to which Max Fortune agreed to sell and the Pre-IPO Investor agreed to purchase 30 Shares, representing 4% of our Company's issued share capital before completion of the Share Offer and Capitalisation Issue, for an aggregate consideration of HK\$4,000,000. The key terms and particulars of the Pre-IPO Sale and Purchase Agreement are set out below:

Name of the Pre-IPO Investor	:	Allied Diamond Limited
Date of Pre-IPO Sale and Purchase Agreement	:	12 April 2017
Amount of consideration paid	:	HK\$4,000,000
Settlement date of the consideration	:	HK\$2,000,000 on 13 April 2017 and HK\$2,000,000 on 26 April 2017
Cost per Share paid by the Pre-IPO Investor ⁽¹⁾	:	Approximately HK\$0.13

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- Discount to Offer Price⁽²⁾ : A discount of approximately 67.50% to the mid-point of the indicative Offer Price range of HK\$0.30 to HK\$0.50, on the basis of our enlarged share capital immediately upon completion of the Capitalisation Issue and the Share Offer
- Use of proceeds from the Pre-IPO Investments : Not applicable. The investment by the Pre-IPO Investor was by way of purchasing the Shares from Max Fortune, the Controlling Shareholder of our Company
- Special rights : The Pre-IPO Investor is entitled to the following special right:
- Right to appoint Director. Max Fortune and Mr. Hui undertake to procure the appointment of a person as may be nominated by the Pre-IPO Investor to the Board. Each of Max Fortune and Mr. Hui's obligation as set out in the foregoing sentence ceases to have effect immediately prior to completion of the Listing. To the extent the Director nominated by the Pre-IPO Investor continues to be a Director after completion of the Listing, such Director's appointment will be subject to the retirement and re-appointment requirements under the Articles of Association. Mr. Ong Chor Wei, being the Director nominated by the Pre-IPO Investor, was appointed as a non-executive Director on 23 June 2017
- Shareholding in our Company held by the Pre-IPO Investor upon Listing⁽³⁾ : 30,000,000 Shares, representing 3% of the entire issued Shares of our Company
- Strategic benefit of the Pre-IPO Investment to our Company : Our Directors are of the view that the Company can benefit from the Pre-IPO Investor's commitment to the Company as its investment demonstrates its confidence in the operations of the Group and serves as an endorsement of the Company's performance, strength and prospects
- Basis of consideration : Arm's length negotiations between Max Fortune and the Pre-IPO Investor based on the agreed market valuation of HK\$100,000,000 based on a five times multiple of the audited profits after tax of the Group for the year ended 31 March 2016 (i.e. approximately HK\$22 million) and the estimated financial performance of the Company for the year ended 31 March 2017
- Lock-up restrictions : The Shares held by the Pre-IPO Investor are not subject to any lock-up after Listing, except that the Pre-IPO Investor has voluntarily undertaken to the Joint Bookrunners, the Joint Lead Managers and the Company that it will not, in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares or securities directly or indirectly beneficially owned by it.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Notes:

1. For illustration purposes only, calculated based on the total consideration paid by the Pre-IPO Investor for the acquisition of the Shares, divided by the number of Shares expected to be held by such Pre-IPO Investor, immediately upon completion of the Capitalisation Issue and the Share Offer (without taking into account the Shares to be issued upon the exercise of the Offer Size Adjustment Option and options to be granted under the Share Option Scheme).
2. For illustration purposes only, assuming the mid-point of the indicative Offer Price range of HK\$0.30 and HK\$0.50, on the basis of our enlarged issued share capital immediately upon completion of the Capitalisation Issue and the Share Offer (without taking into account the Shares to be issued upon the exercise of the Offer Size Adjustment Option and options to be granted under the Share Option Scheme).
3. For illustration purposes only, on the basis of our enlarged issued share capital immediately upon completion of the Capitalisation Issue and the Share Offer (without taking into account the Shares to be issued upon the exercise of the Offer Size Adjustment Option and options to be granted under the Share Option Scheme).

Background of the Pre-IPO Investor

The Pre-IPO Investor is an investment holding company incorporated in the BVI on 11 January 2017 and is beneficially owned as to 100% by Mr. Chuang Fu-Yuan, an Independent Third Party. The Pre-IPO Investor has been partly financed by a subsidiary of Joyas International Holdings Limited, a company listed in Singapore, whose principal business activities include design, manufacture and sale of metal gift products and jewellery products, nickel distribution, trading business and financing business. As at the Latest Practicable Date, Joyas International Holdings Limited did not have any beneficial interest in the Pre-IPO Investments and Mr. Ong Chor Wei, our non-executive Director, is a substantial shareholder and director. Fine Time Concept Limited (a company incorporated in the BVI and an Independent Third Party, “**Fine Time**”) was an investor of Prosperous Printing Company Limited, a company listed on the Stock Exchange (stock code: 8385) (“**Prosperous Printing**”) prior to its initial public offering in 2017, and Mr. Ong Chor Wei (our non-executive Director) is also its non-executive director. As disclosed in the prospectus of Prosperous Printing dated 29 November 2017, Mr. Chuang Fu-Yuan and Mr. Ong Chor Wei are co-investors in Fine Time. Mr. Ong Chor Wei has confirmed to our Company that he and Mr. Chuang Fu-Yuan are co-investors and sometimes co-invest in companies (whether listed or unlisted, in Hong Kong or elsewhere). In the last three years prior to the Latest Practicable Date, Mr. Ong Chor Wei and Mr. Chuang Fu-Yuan had, directly or indirectly, co-invested in Prosperous Printing and Hong Wei (Asia) Holdings Company Limited, a company listed on the Stock Exchange (stock code: 8191) (“**Hong Wei**”). Hong Wei listed in 2014, Mr. Ong Chor Wei and Mr. Chuang Fu-Yuan had disposed of their shares in that company. As at the Latest Practicable Date and based on public information, the controlling shareholder of Hong Wei did, following its listing in January 2014, sell some of its shares in April 2015 and suffered a dilution to its shareholding following a placement in that same year but remains as controlling shareholder with more than 50% of its issued share capital as at 31 December 2017. Save for the investment in our Group and Mr. Ong Chor Wei’s position in the financier to the Pre-IPO Investor, the Pre-IPO Investor and its ultimate beneficial owner are Independent Third Parties and have no past or present relationships with our Group, our Shareholders, our Directors, our senior management personnel, or any of their respective associates and any connected persons of our Company.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The Pre-IPO Investor will hold 3% of the enlarged issued share capital of our Company after completion of the Share Offer and Capitalisation Issue (but not taking into account any Shares which may be issued upon exercise of the Offer Size Adjustment Option and options that may be granted under the Share Option Scheme). As the Pre-IPO Investor is not a substantial shareholder or core connected person of our Company under the Listing Rules, the Shares held by Pre-IPO Investor will be considered as part of the public float for the purposes of Rule 8.08 of the Listing Rules.

Background of commercial negotiation between Pre-IPO Investor and Controlling Shareholder

During the negotiation on the Pre-IPO Sale and Purchase Agreement and after market research and due diligence exercise, the Pre-IPO Investor was optimistic about the business growth potential and listing prospects of the Company, and offered the following Pre-IPO Investments terms:

- (1) valuation of the Company shall be based on the audited profits after tax of the Group for the year ended 31 March 2016 (“**Reference Earnings**”, i.e. approximately HK\$22 million) and the estimated financial performance of the Company for the year ended 31 March 2017 given that the results for year ended 31 March 2017 were not yet available by the time the agreement was entered into in April 2017 with the Pre-IPO Investor,
- (2) the price-earnings ratio (“**Pre-IPO PE Ratio**”) shall be 5 times multiple of the Reference Earnings which is relatively lower than the market comparables on the Stock Exchange in the range of between 7 and 23 times, which relatively lower Pre-IPO PE Ratio is justified by (i) the risks borne by the Pre-IPO Investor who agrees that the Controlling Shareholders are entitled to an option (“**Call Option**”) to buy back the Shares owned by the Pre-IPO Investor at a nominal consideration of HK\$1 if the Listing does not materialize on or before 12 April 2019 (“**Long Stop Date**”); (ii) the more conservative market valuation also reflected parties’ expectations that the Listing would more realistically take place in 2018 and the price per Share took into account such relatively longer holding period; and (iii) in addition, the Pre-IPO Investor will share its experience and knowledge with the Company with respect to, among others, gathering market research information for listing and choosing and negotiating engagement terms with the listing professional parties (such as legal advisor and accountants), and
- (3) accordingly the expected market capitalisation (“**Pre-IPO Expected Market Capitalisation**”) of the Company is agreed to be calculated by Reference Earnings multiplied by Pre-IPO PE Ratio in the amount of HK\$100 million. As such, the acquisition price of 4% shares before Listing dilution (“**Pre-IPO Investment Shares**”) is agreed at HK\$4 million.

Benefits of Pre-IPO Investments

The Controlling Shareholders of the Company agreed to the investment proposal as set out above, after considering the overall benefits of the said Pre-IPO Investments such as:

- (1) strategically, the Company was previously wholly owned by members of the Hui Family who mainly only have business experience and knowledge within the petrochemicals industry, and introduction of experienced investors such as the Pre-IPO Investor will diversify the Company’s shareholder base and enhance the corporate governance of the Company whose governance and financial performance will be monitored by the experienced investor such as the Pre-IPO Investor. In addition, the management of the Company could discuss the strategic development plans and financing options with the

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Pre-IPO Investor who has agreed to share its experience and knowledge within the financial industry. The Pre-IPO Investor is an investment holding company incorporated in the BVI on 11 January 2017 and is beneficially owned as to 100% by Mr. Chuang Fu-Yuan, an Independent Third Party. The Pre-IPO Investor was also a pre-IPO investor in Prosperous Printing and Hong Wei. Mr. Chuang Fu-Yuan also holds investment in other companies (whether listed or unlisted, in Hong Kong or elsewhere). For further details on the background of the Pre-IPO Investor, please refer to the section headed “Background of the Pre-IPO Investor” in this section;

- (2) the Pre-IPO Investor is willing to bear the risk of the Listing not materializing on or before the Long Stop Date, whereby the Controlling Shareholders are entitled to exercise the Call Option to buy back all the Pre-IPO Investment Shares from the Pre-IPO Investor at a nominal consideration of HK\$1, which effectively means the Pre-IPO Investor will lose all of his investment if Listing does not materialize on or before the Long Stop Date;
- (3) if the Listing does not materialize, the professional party fees and expenses will be less burdensome since the Controlling Shareholders can exercise the Call Option at a nominal consideration of HK\$1 to buy back all the Pre-IPO Investment Shares from the Pre-IPO Investor which initially cost HK\$4 million; and
- (4) the management of the Company do not possess any previous listing experience, the sharing of experience and knowledge within the financial industry from the Pre-IPO Investor will be beneficial to the Company in light of the Pre-IPO Investor’s previous investment experience.

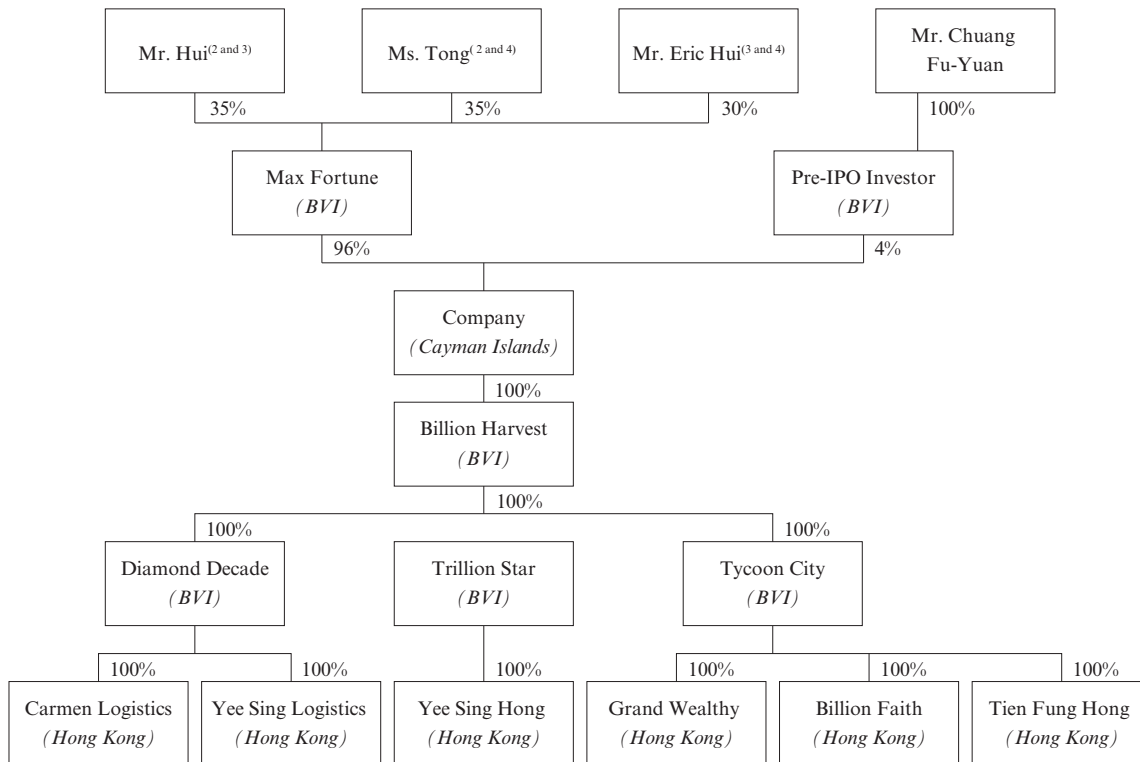
Pre-IPO Expected Market Capitalisation represents discount as compared to the expected market capitalization upon Listing

The Pre-IPO Expected Market Capitalisation (i.e. HK\$100 million) now represents approximately 67.50% discount to the expected market valuation for the Listing by reference to mid-point of the indicative Offer Price range of HK\$0.4, which is mainly due to: (1) the Pre-IPO PE Ratio is comparatively lower for the reasons and background of the commercial negotiation between the Pre-IPO Investor and the Controlling Shareholders as set out above; and (2) the financial performance of the Company has recorded growth after the Pre-IPO Expected Market Capitalisation is calculated by reference to the financial performance of the Company during the year ended 31 March 2016. The Company achieved profit after tax in the amount of HK\$21 million for the year ended 31 March 2017 (after deducting listing expenses of HK\$2.4 million) while the profit before tax for the year ended 31 March 2016 was HK\$22 million (without recording any listing expense items). Having reviewed the terms of the Pre-IPO Investments and that all consideration had been settled in full on 26 April 2017, the Sole Sponsor is of the view that the Pre-IPO Investments are in compliance with the Interim Guidance on Pre-IPO Investments issued on 16 January 2012 and the Guidance Letter issued on Pre-IPO Investments issued on 25 October 2012 and updated in July 2013 by the Stock Exchange.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Corporate structure immediately after the Reorganisation and the Pre-IPO Investments but before the completion of the Capitalisation Issue and the Share Offer

The following chart shows the shareholding and corporate structure of our Group immediately after completion of the Reorganisation and the Pre-IPO Investments but before completion of the Capitalisation Issue and the Share Offer:



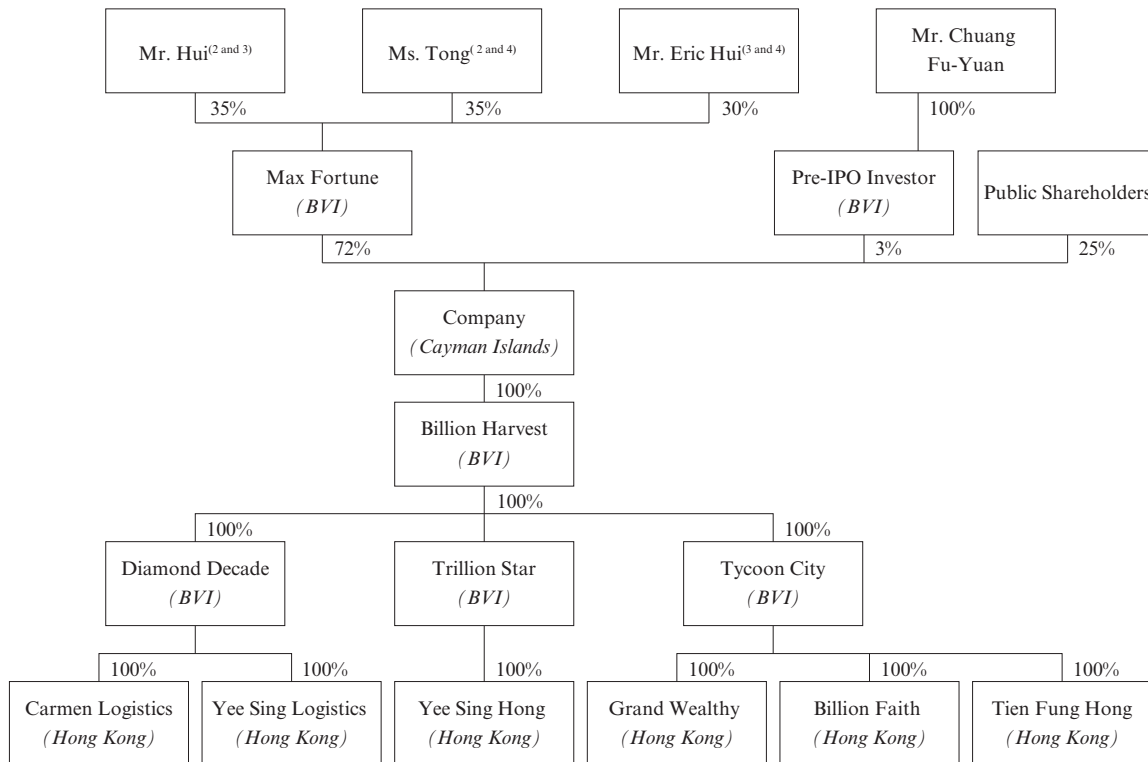
Notes:

1. All ownership percentages in the above chart refer to beneficial ownership.
2. Mr. Hui is the spouse of Ms. Tong.
3. Mr. Hui is the father of Mr. Eric Hui.
4. Ms. Tong is the mother of Mr. Eric Hui.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Corporate structure immediately after the Reorganisation, the Pre-IPO Investments, the Capitalisation Issue and the Share Offer

The shareholding structure of our Group immediately after the Reorganisation, the Pre-IPO Investments, the Capitalisation Issue and the Share Offer (assuming no Shares may be issued pursuant to the Offer Size Adjustment Option and the Share Option Scheme) is set out as follows:



Notes:

1. All ownership percentages in the above chart refer to beneficial ownership.
2. Mr. Hui is the spouse of Ms. Tong.
3. Mr. Hui is the father of Mr. Eric Hui.
4. Ms. Tong is the mother of Mr. Eric Hui.

BUSINESS

OVERVIEW

We are principally engaged in the distribution of third-party branded petrochemicals and the sales of our self-branded lubricant oil mainly in Hong Kong. We mainly carry out the business of (a) distributing a wide spectrum of petrochemicals in Hong Kong which mainly include diesel, self-branded and third-party branded lubricant oil, as well as other products; and (b) reselling fleet cards issued by Oil Company Y in Hong Kong. According to the Frost & Sullivan Report, we were ranked as the second largest diesel distributor in Hong Kong, with a market share of approximately 19.8% in terms of the estimated distribution value of diesel in Hong Kong in the year ended 31 March 2017. As at 31 March 2017, we operated a total number of 28,921 fleet card accounts, with which we were ranked as the second largest fleet card reseller in terms of the total estimated revenue (on gross basis) in the Hong Kong fleet card market in the year ended 31 March 2017, according to the Frost & Sullivan Report.

The history of our Group can be traced back to 1970s when Mr. Hui, our executive Director and chairman of the Board, commenced the distribution of petrochemical products at the Sham Shui Po Outlet. Over the years, we have become an established distributor in Hong Kong with a diverse portfolio of petrochemicals serving industrial, commercial and individual customers. The table below sets forth our revenue by business segments for the periods indicated:

	For the year ended 31 March						For the four months ended 31 July			
	2015		2016		2017		2016		2017	
	HK\$'000	% of total revenue	HK\$'000	% of total revenue	HK\$'000	% of total revenue	HK\$'000	% of total revenue	HK\$'000	% of total revenue
Sales of diesel	814,889	91.1%	652,752	89.4%	598,279	89.1%	183,555	87.6%	194,064	88.2%
Sales of lubricant oil	64,270	7.2%	57,019	7.8%	49,109	7.3%	18,018	8.6%	16,220	7.4%
Provision of fleet cards service ⁽¹⁾	6,727	0.8%	15,064	2.1%	20,350	3.0%	6,711	3.2%	8,400	3.8%
Sales of others ⁽²⁾	8,839	0.9%	5,636	0.7%	4,067	0.6%	1,363	0.6%	1,270	0.6%
Total	894,725	100.0%	730,471	100.0%	671,805	100.0%	209,647	100%	219,954	100.0%

Notes:

- (1) Our revenue derived from the provision of fleet cards service is recognised based on the difference between gross proceeds received and receivables from fleet card holders and gross amounts paid and payable to Oil Company Y. Please refer to the sub-section headed “Financial Information — Description of selected items for the consolidated statements of profit or loss — Revenue — Provision of fleet cards services” in this prospectus for details.
- (2) “Others” mainly include bitumen and kerosene. We have ceased sale of kerosene as at 31 December 2017 which contributed only approximately HK\$0.29 million, HK\$0.44 million and HK\$0.15 million to our gross profit for the three years ended 31 March 2017, respectively.

BUSINESS

Our business is built on a customer-oriented culture and focused on providing quality petrochemicals at competitive prices. Over the years, with the support of our experienced management team, we have become an established distributor of petrochemicals in Hong Kong. Our competitive advantages lie in the breadth of our product portfolio, our in-depth understanding of customers' demand and requirements, our expertise in handling a broad range of petrochemicals, and our capability in fulfilling our customers' needs through the delivery of our quality products and after-sales services. Hence, despite the decrease in our revenue during the Track Record Period which was mainly due to the volatile crude oil price on the international market, we delivered continuous growth in terms of profitability. Our gross profit was approximately HK\$25.5 million, HK\$41.9 million, HK\$41.4 million and HK\$16.4 million for the year ended 31 March 2015 and 2016, 2017 and the four months ended 31 July 2017, respectively, and our gross profit margin was approximately 2.8%, 5.7%, 6.2% and 7.5%, respectively, representing a growth trend during the Track Record Period.

We also commenced the sales of our self-branded lubricant oil in Hong Kong since 2009. During the Track Record Period, we sourced semi-finished lubricant oil in bulk volume and/or finished lubricant oil from overseas suppliers for our in-house blending and/or repackaging into wholesale and retail packs for sales in Hong Kong. As at the Latest Practicable Date, our self-branded lubricant oil was marketed under three trademarks in Hong Kong, being "AMERICO", "Dr. Lubricant" and "U-LUBRICANT".

Our diesel, lubricant oil and other products are mainly sold to Hong Kong-based downstream distributors, commercial end users mainly in the construction, civil engineering and transportation sectors, as well as individual customers. We have cultivated stable business relationship with our major customers, and we have developed business relationship with our five largest customers (in terms of revenue) during the Track Record Period for a period up to 14 years.

In addition to the distribution of petrochemicals and the sales of our self-branded lubricant oil, we also expanded our business to reselling fleet cards and commenced the resale of fleet cards in Hong Kong under term contracts with Oil Company Y in September 2013. Our sales of fleet cards mainly target small-to-medium commercial fleets in the construction and logistics sectors, as well as individual car owners in Hong Kong. Being an authorised fleet card reseller of Oil Company Y in Hong Kong, we have achieved significant growth in our fleet card business segment in terms of total number of accounts operated by us, which grew from approximately 8,104 as at 31 March 2015 to approximately 31,410 as at 31 July 2017. We leveraged on our self-developed "TFH" app to offer value-added services to our fleet card customers which has differentiated us from other fleet card resellers in Hong Kong and will contribute to unleashing the growth potential of our fleet card business.

Our suppliers include international oil companies, as well as manufacturers and distributors of petrochemical products who are mainly located in Hong Kong, Singapore, Malaysia, Thailand and Korea. We pride ourselves on our long-standing and stable relationship with our major suppliers. During the Track Record Period and as at the Latest Practicable Date, we have been sourcing diesel for our onward distribution under fuel supply agreements with Oil Company X for around six years; we are an authorised reseller of fleet cards issued by Oil Company Y in Hong Kong, and have also been sourcing bitumen products from Oil Company Y for around four years. For the salient terms of our term contracts with major suppliers of diesel and fleet cards, please refer to the sub-sections headed "— Our purchase and suppliers — Our relationship with Oil Company X" and "— Our products and services — Fleet cards" in this section.

COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and differentiate us from our competitors:

We have proven track record in achieving growth in profitability

We have a proven track record of achieving growth in our profitability. Despite the decrease in our revenue during the Track Record Period which was mainly due to the volatile crude oil price on the international market, our gross profit margin demonstrated stable growth in the Track Record Period, being approximately 2.8%, 5.7%, 6.2% and 7.5% for the year ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, respectively.

We believe that our stable growth in our profitability during the Track Record Period was primarily attributable to our competitive advantages in terms of the breadth of our product mix, long-term track record in offering a stable supply of quality petrochemical products, as well as diligence in maintaining cooperative relationships with our customers. In addition, benefiting from our long-standing relationships with our key suppliers, we are able to monitor the pricing trends of supplies on the market and to negotiate for favourable terms in procurement. Our Sham Shui Po Outlet also enables us to showcase our product portfolio and facilitate face-to-face communications with customers since 1970s, which could distinguish us from our competitors who do not have such long-term premise for sales and distribution. On this basis, we have been improving our operational efficiency and achieved stable growth in gross profit margin during the Track Record Period.

We offer quality petrochemicals with a diverse portfolio of products

We strongly believe that product quality is critical to our business success. We are committed to providing quality products that satisfy our customers' needs. It is our policy to source raw materials and finished products from our approved suppliers only. The third-party branded petrochemicals distributed by us which mainly include diesel, lubricant oil and other products, are all sourced from reputable suppliers including international energy companies and manufacturers of petrochemical products; and our in-house blended lubricant oil is processed using quality semi-finished lubricant oil and additives. We have instituted quality control procedures at various stages of our operation to ensure that our self-branded lubricant oil meets stringent requirements and desired specifications, such as standards set by the API and the European Automobile Manufacturers' Association. We have been certified by Hong Kong Quality Assurance Agency as in compliance with the ISO 9001:2008 standards since 2007 in respect of our quality management system for the local sales, sourcing, warehousing and distribution of petrochemicals, and have maintained such certification to date. Please refer to the sub-section headed "— Licences, permits and certifications" in this section for details.

Moreover, we aim to offer a "one-stop-shop" experience to our customers with our diverse portfolio of petrochemicals and the related products:

- our diesel products include (a) automotive diesel for vehicle engines; and (b) industrial diesel powering machinery and generators;
- our portfolio of lubricant oil covers a wide range of lubricating oils, greases and specialty fluids for the application on automotive engines and industrial machinery;

BUSINESS

- in addition to diesel and lubricant oil, we also distribute other products such as kerosene and bitumen; and
- we promote fleet cards issued by Oil Company Y in Hong Kong which enable cardholders' purchase of diesel, petrol, lubricant oil and greases at Network Gas Stations.

Our diverse product mix not only enables us to accommodate demands from our customers across different industries and business scale, but also confers us greater flexibility in achieving business growth and maintaining profitability in different market conditions and business seasons.

We have well-established business relationships with our customers and suppliers

Our business growth is largely built upon the strong relationships that we have developed with our customers and suppliers. We have developed long-standing relationships with many of our customers and suppliers since the incorporation of Yee Sing Hong, the first member company of our Group, in 2002. The history of our Group can be traced back to 1970s when Mr. Hui, our executive Director and chairman of the Board, commenced the distribution of petrochemical products at the Sham Shui Po Outlet, and we therefore also benefited from Mr. Hui's extensive industry experience and long-standing relationships with our customers and suppliers.

We believe that it is vital for us to continuously expand our customer base and, at the same time, maintain stable business relationship with our existing customers by understanding their changing needs and delivering high quality products consistently. Our execution team maintains constant communication with our customers in our supply of petrochemicals, and our customer service team regularly collects feedbacks and responds to query from our fleet card customers. We maintain stable business relationship with most of our customers. As at the Latest Practicable Date, we have developed business relationship with our five largest customers (in terms of revenue) during the Track Record Period since incorporation of our first Group company in 2002.

Besides, we have established long-standing and stable business relationship with our major suppliers. For example, We received the "35 Years of Long Service Award" from Oil Company X for the long-term distribution of its own branded lubricant oil; and we have also been reselling fleet cards under term contracts with Oil Company Y for around four years. The aforesaid award was granted to our Group by Oil Company X in recognition of its decades-long business relationships not only with the first member company of our Group, being Yee Sing Hong which was incorporated in 2002, but also with other corporate entities owned by Mr. Hui before the incorporation of Yee Sing Hong. Our long-standing relationship with our major suppliers enables us to negotiate for more competitive prices in sourcing petrochemicals and the related products. During the Track Record Period and as at the Latest Practicable Date, we have entered into term contracts up to four years with our major suppliers of diesel as well as fleet cards. Our Directors believe that entering into term contracts with our major suppliers ensures reliability and certainty in our sourcing of petrochemicals and related products. A summary of the salient terms of such term contracts are set forth in the sub-sections headed "— Our purchase and suppliers — Our relationship with Oil Company X" and "— Our products and services — Fleet cards" in this section.

Our Directors consider that our stable business cooperation with our major customers highlights their recognition of the quality of our products and services, and our long-standing relationship with our major suppliers strengthens our competitiveness in terms of operational efficiency. We consider such recognition, goodwill and advantages as key factors leading to our business success.

We are an authorised fleet card reseller of Oil Company Y in Hong Kong

We have been reselling fleet cards under term contracts with Oil Company Y since 2013, and we are an authorised reseller in Hong Kong reselling fleet cards issued by Oil Company Y. In February 2017, we successfully renewed our fleet card contracts with Oil Company Y for a term of four years and two months starting from 1 March 2017. For details, please refer to the sub-section headed “— Our products and services — Fleet cards” in this section. Our Directors consider that such a long-term agreement not only indicates our stable business relationship with Oil Company Y, but also strengthens certainty in formulating strategies for the development of our fleet card business.

According to the Frost & Sullivan Report, the branding of Oil Company Y has been associated with high quality petrochemicals and energy products and has been recognised in Hong Kong and worldwide. Our Directors believe that being an authorised fleet card reseller of Oil Company Y is benefited to our corporate image because we are able to leverage on the goodwill and recognised corporate image of Oil Company Y in promoting our fleet card service. Moreover, to the best knowledge of our Directors, customers are more willing to sign up for fleet cards with us and have more confidence in our service when we are considered as a business partner of Oil Company Y in Hong Kong. Our Directors also believe that being an authorised fleet card reseller of Oil Company Y in Hong Kong signifies the recognition from Oil Company Y of our capability in providing excellent customer services to fleet card holders, as well as its confidence in our potential to promote and expand the market share of its fleet cards in Hong Kong.

Early mover in offering value-added services to fleet card users via mobile app

Our self-developed “TFH” app was launched in March 2016. According to the Frost & Sullivan Report, we are amongst the earliest fleet card resellers in Hong Kong providing value-added services to fleet card users via mobile apps. We believe our self-developed “TFH” app distinguishes us from other fleet card resellers in the market as it not only enables our customers to locate Network Gas Stations nearby, manage their fleet card accounts instantly, and track their fuelling bills conveniently, but also establishes a unique communication channel between our customers and us, with which we are able to efficiently reach our customers and promote our new products and services, as well as to obtain customers’ feedback and comments. For details about features of our self-developed “TFH” app, please refer to the sub-section headed “— Our products and services — Fleet cards — Our self-developed “TFH” app” in this section.

Our Directors consider that our mobile app will continue to strengthen our capability in serving customers as we improve the user experience of our app. Leveraging on the large user base and interactive features of our self-developed “TFH” app, we have teamed up with third-party providers who offer vehicle-related services such as car repair, maintenance and car beauty on cross-marketing activities. For details, please refer to the sub-section headed “— Our products and services — Fleet cards — Our self-developed ‘TFH’ app” in this section. Going forward, we plan to improve the in-app promotion and sale of our self-branded automotive lubricant oil, and to introduce more car-related service providers on such an interactive platform. For details, please refer to the sub-section headed “— Business strategies — Broaden the offering of value-added services on our self-developed “TFH” app to provide ‘one-stop-shop’ experience” in this section. We believe such an approach will drive a sustainable sales growth of our self-branded lubricant oil, and will further tighten our connection with customers through the offering of quality products and services, thereby strengthening our market position and delivering “one-stop-shop” experience to our customers.

Possession of our own fleet of wagons

We possess our own fleet of wagons to support our delivery of diesel, lubricant oil and other products. As at the Latest Practicable Date, our fleet comprised 15 wagons in total, including eight diesel tank wagons with bulk tank capacity ranging from 6,700 litres to 20,000 litres, as well as seven light and medium goods trucks with permitted gross weight ranging from approximately 3.2 tonnes to 9.0 tonnes. Each of our eight diesel tank wagons carries licence for the delivery of Category 5 dangerous goods and supports our bulk delivery of diesel, and four of our trucks also carry the same type of licence so as to fulfil our customers' impromptu orders for diesel in small volume. Our light and medium goods trucks with various loading capacity also facilitates our flexible delivery of lubricant oil and other products.

We believe our own fleet of diesel tank wagons and trucks strengthens our competitive advantages by enhancing the marketability of our products and eliminating any reliance on third-party transportation providers for delivery of products to our customers. We also maintain flexibility in our logistic management so as to optimise the efficiency of our diesel tank wagons and trucks and adapt to changes in customers' demand, market conditions and trends. We believe that our investment in diesel tank wagons and trucks places us in a better position to provide customers with flexible, reliable and timely delivery of petrochemicals.

Experienced and dedicated management team

Our management team has extensive industry knowledge in the petrochemicals market in Hong Kong. Mr. Hui, our executive Director and chairman of the Board, has over 40 years of experience in the distribution of petrochemicals in Hong Kong. His experience and extensive knowledge about the petrochemicals market in Hong Kong enable our Group to better understand the market dynamics and industry trends. Mr. Hui has established close relationships with our customers and suppliers which enhance our market profile and strengthen our ability in developing new customers.

In April 2014, Mr. Eric Hui, the executive Director and chief executive officer, was appointed as the general manager of the Group, at which position he successfully expanded the Group's fleet card business. Under Mr. Eric Hui's leadership, the Group commenced the resale of fleet cards under term contract with Oil Company Y, and succeeded in renewing the fleet card agreement with Oil Company Y for a term of four years and two months starting from 1 March 2017. Our Directors consider our entry into such a long term fleet card agreement with Oil Company Y a remarkable business milestone given that our prior fleet card agreements generally had a term of one year only. Mr. Eric Hui also led the development and successful launch of our self-developed "TFH" app in March 2016 which has differentiated us from other fleet card resellers in the market. Our Directors believe that Mr. Eric Hui's innovative business ideas and marketing strategies will continue to drive our business towards a "one-stop-shop" provider of petrochemicals and related services in Hong Kong.

Mr. Hui and Mr. Eric Hui are supported by a competent and dedicated management and execution team which possesses technical expertise, in-depth knowledge and understanding of their respective fields of responsibility. For details of the qualification and experience of our Directors and senior management, please refer to the section headed "Directors, Senior Management and Employees" in this prospectus. Our Directors believe that the combination of our management team's expertise and industry knowledge have been and will continue to be our Group's valuable assets, leading our Group towards greater success.

BUSINESS STRATEGIES

We intend to further strengthen and grow our existing market position, expand our capacity in the in-house blending and repackaging of lubricant oil, and broaden the offering of value-added services on our self-developed “TFH” app. We intend to implement the following strategies to achieve these goals.

Expand our in-house blending and repackaging capacity to capitalize on the growing demand for lubricant oil in Hong Kong

In light of the following growth opportunities in the lubricant oil market in Hong Kong, we intend to maximize our long-term profitability by (i) setting up a new blending site with storage facility; and (ii) expanding our in-house blending and repackaging capacity:

- According to the Frost & Sullivan Report, the size of lubricant oil market in Hong Kong grew at a CAGR of approximately 9.0% from 2010 to 2016. It is expected that such a market will grow at a CAGR of approximately 7.2% from 2017 to 2021, as stimulated by various favourable factors such as the continuous growth in the Hong Kong construction market and the technology advancement in the lubricating industry.
- According to the Frost & Sullivan Report, the gross value of construction work performed by main contractors has witnessed a strong growth from approximately HK\$128.5 billion in 2011 to approximately HK\$236.5 billion in 2016, representing a CAGR of approximately 13.0%. It is estimated that consumption of industrial lubricant oil, such as hydraulic oil and machine oil, will be on a growth trend as driven by the expected high utilisation of construction equipment and machinery to support the increasing demand for infrastructure in Hong Kong.
- It is also expected that increase in automotive sales in Hong Kong will drive the demand for automotive lubricant oil, given that automotive lubricant oil is designed to enhance the mechanical stability and heat resisting performance. According to the Frost & Sullivan Report, the number of passenger vehicles in Hong Kong grew from approximately 454,697 in 2012 to approximately 536,025 in 2016, representing a CAGR of approximately 4.2%.

We have been promoting our self-branded lubricant oil in Hong Kong since 2009, and our finished products are either from our in-house blending operation or sourced from overseas suppliers. During the Track Record Period, the sales of our self-branded lubricant oil delivered higher gross profit margin as compared to the sales of third-party branded lubricant oil. In the year ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, the gross profit margin of our self-branded lubricant oil was approximately 27.9%, 41.9%, 49.9% and 44.7%, respectively; and the gross profit margin of our third-party branded lubricant oil was approximately 7.5%, 16.8%, 15.5% and 27.1%, respectively, for the same periods.

BUSINESS

Constrained by our indoor space, our existing in-house blending operation is restricted to the blending and repackaging of industrial lubricant oil in a limited number of specifications, such as hydraulic oil and cylinder oil. For other industrial lubricant oil as well as automotive lubricant oil, we have been importing finished products from suppliers located in Singapore and Malaysia. Based on experience gained from our in-housing blending operation, our Directors consider that, if we expand our blending site with storage facility and acquire additional machinery, we shall be able to increase our capacity in the blending of lubricant oil both in a larger volume and with a greater variety of specifications.

In addition, our Directors believe that larger scale of in-house blending of finished products could yield higher profit margin because of our stronger bargain power in the bulk purchase of semi-finished lubricant oil and additives as our in-house blending capacity expands.

As such, we plan to expand our in-house blending operation to cover automotive and industrial lubricant oil in more specifications, so as to capture opportunities in the anticipated growing market demand for our in-house blended lubricant oil as well as to further improve profitability in our sales of lubricant oil. Along with the expansion of our in-house blending operation, we also plan to strengthen our capability in the testing of finished lubricant oil, so as to maintain stringent control over the quality of our products and automate the workflow of our in-house blending operation.

To achieve these objectives, we intend to acquire or construct a new blending site with storage facility with a GFA of approximately 15,000–25,000 sq.ft. in Hong Kong. As at the Latest Practicable Date, we have been in contact with third party agents to identify suitable options, but have not entered into any legally-binding agreement with any potential seller in this connection. We also plan to acquire a number of machinery, which mainly include machines for the blending and repackaging of lubricant oil, as well as automated houillon viscometers for the quality testing of finished products. The table below sets forth details of our proposed acquisition or construction of the new blending site with storage facility:

Details of setting up the new blending site	Products and estimated annual production capacity	Expected time frame for the setup	Expected commencement date of operation	Estimated investment (HK\$ in million)	Source of funds
The acquisition/ construction and renovation of the new facility	—	The first quarter of financial year 2018 to the first quarter of financial year 2019	Within 12 months after acquiring the new facility	50.7	Net proceeds from the Share Offer
The purchase and installation of new machinery for the blending, repackaging and testing of lubricant oil at the new blending site	automotive and industrial lubricant oil in approximately 1.7 million litres	The third quarter of financial year 2018 and the first quarter of financial year 2019	Within 12 months after acquiring the new facility	1.3	Net proceeds from the Share Offer

Please also refer to the sub-section headed “Financial Information — Capital expenditures” in this prospectus for further details about our estimated capital expenditure in connection with our expansion plan.

BUSINESS

We expect that our new blending site with storage facility will have an estimated annual production capacity of approximately 1.7 million litres of lubricant oil. We expect to complete the necessary renovation and the installation of machinery within 12 months after acquiring the new blending site, so that we could commence the blending operation at the new facility. We estimate the total investment for establishing such a new production plant (including investments for the acquisition/construction and renovation of new blending site with storage facility as well as the purchase of machinery) to be approximately HK\$52.0 million which will be funded by our net proceeds from the Share Offer.

Our Directors estimate that the breakeven time of our new blending site with storage facility (i.e. being the period of time required for our new facility to generate revenue equal to its operating cost for the first time, assuming gross profit margins would be similar to our existing blending operation) is approximately 3.5 months; and the payback period (i.e. being the period of time required to recover the initial setup costs, assuming the revenue will increase in line with the overall business growth and there will be no material impact on the business and operating result of the new blending site with storage facility due to fluctuation in market demand, inflations, increase in raw material costs and labour expenses throughout the operation period) of our initial setup costs is expected to be approximately seven years.

Our Directors believe that the proposed expansion of our in-house blending operation will enable us to capture the expected growth in the demand for high quality and price-competitive lubricant oil for industrial and vehicle use in Hong Kong. Our Directors do not foresee any negative impact on our Group's current business model and product portfolio as a result of the establishment of such a new blending site with storage facility.

Enhance the overall brand awareness of our self-owned brands and trade names

We believe that a successful brand image is key to our business development. During the Track Record Period, we carried out the business of distributing petrochemicals in Hong Kong under our "Yee Sing Hong (義盛行)" trade name, and we operated our fleet card business in Hong Kong under our "Tien Fung Hong (佃豐行)" trade name. We also distribute a number of petrochemicals, such as lubricant oil and bitumen, under our self-owned brands. Our Directors consider that the wide recognition and popularity of our "AMERICO", "Dr. Lubricant" and "U-LUBRICANT" brand names will be essential for our Group to grow as a leading supplier of quality lubricant oil in Hong Kong, and that customers' awareness of our "Yee Sing Hong (義盛行)" and "Tien Fung Hong (佃豐行)" trade names is crucial to maintaining our established position in our diesel distribution and fleet card businesses.

To further enhance the overall awareness our brands and trade names, we will continue to implement strict supervision on the quality of our products and services, so as to maintain our goodwill and brand image. At the same time, we will continue the implementation of a series of marketing initiatives, including advertisements at various channels, marketing campaigns via online social networks, as well as participation of industry and consumer exhibitions.

Broaden the offering of value-added services on our self-developed “TFH” app to provide “one-stop-shop” experience

According to the Frost & Sullivan Report, we are amongst the earliest fleet card resellers in Hong Kong providing value-added services to fleet card users via mobile app. We have been providing value-added services to our fleet card holders through our self-developed “TFH” app, such as the instant checking of recent purchase records, reviewing previous bill statements, as well as locating Network Gas Stations nearby. We have also teamed up with third-party providers of vehicle-related services such as car repair, maintenance and car beauty on cross-marketing activities. For details, please refer to the sub-section headed “— Our products and services — Fleet cards — Our self-developed ‘TFH’ app” in this section.

Going forward, we plan to improve the in-app promotion and sale of our self-branded automotive lubricant oil where we could (a) offer advice on the selection and use of lubricant oil based on the cardholder’s vehicle model and fuel consumption record; (b) enable cardholders to purchase lubricant oil in our self-developed “TFH” app; and (c) assist cardholders on the regular maintenance relating to lubricant oil such as the change of engine oil and filter. We also plan to leverage on the interactive features of our self-developed “TFH” app to promote more value-added services to our cardholders. For example, we plan to customise the in-app display of advertisements based on the consumption pattern of different cardholders. We may also formulate joint marketing campaigns with providers of car-related services and offer discount to our loyal fleet card holders in their purchase of products or services at our business partners.

We believe that such an approach not only provides a “one-stop-shop” experience to our customers who are able to select and locate a variety of card-related products and services within our centralised platform, but also enables us to better understand cardholders’ consumption pattern and preference, on which basis we could continually improve and tailor our offering of car-related products and services, thereby further strengthen our customers’ loyalty to our products and services.

As at the Latest Practicable Date, we have been in cooperation with several providers of car-related products and services in Hong Kong for the cross-promotion via our self-developed “TFH” app. We expect to roll out other new features along with the regular update of our app from time to time.

Continue to increase our market share in the diesel sales market in Hong Kong and expand our fleet of wagons

Leveraging on our proven track record and good reputation, we plan to strengthen our position as an established diesel distributor serving the construction, civil engineering and transportation sectors, and increase our market share in the diesel sales market in Hong Kong by expanding our customer base in these sectors. In anticipation of the continuous increase in construction activities in Hong Kong, our Directors expect the demand for diesel, one of the key materials powering the machinery used in construction projects, will continue to grow. According to the Frost & Sullivan Report, the Hong Kong Government has committed to stimulating economic growth and driving local construction activities by increasing its investment in infrastructure projects in the past few years. Some of the major infrastructure projects, such as the Hong Kong-Zhuhai-Macau Bridge project, the Tseung Kwan O — Lam Tin Tunnel, and the Hong Kong International Airport’s third runway project, will continue to drive up local construction and transportation activities and hence the demand for diesel. For details on the market drivers relating to the sales of diesel in Hong Kong market, please refer to the sub-section headed “Industry overview — Overview of diesel market in

BUSINESS

Hong Kong — Market drivers” in this prospectus. We expect that our wholesale quantity of diesel will increase with reference to the estimated quantity of diesel required for construction projects of our customers.

To cope with our business development plan of expanding our customer base within the construction, civil engineering and transportation sectors and further enhance our delivery capacity in meeting our customers’ orders, we plan to purchase nine new vehicles in total, of which three are expected to be diesel tank wagons with a designed capacity of 15,000 litres each, three are expected to be wagons with a designed capacity of nine tonnes each and installed with a fuel tank, and three are expected to be trucks with a designed capacity of nine tonnes each without fuel tank. The expected total capital expenditure for the purchase of these nine vehicles is approximately HK\$6.8 million which will be financed by the proceeds from the Share Offer. Our Directors believe that the expansion of our fleet of wagons will (i) enhance our flexibility in making delivery of petrochemicals to customers; and (ii) create more business opportunities along the expansion of our sales and delivery network. Our Group will also continue to evaluate the operating condition, effectiveness and efficiency of our diesel tank wagons and assess our need for additional diesel tank wagons in accordance with our business development.

Continue to recruit, foster and retain talents

Recruiting, fostering and retaining talented employees, including management, sales and marketing, and technical support personnel, is critical to our business growth and success. We intend to continue to recruit employees from a wide range of platforms and sources, and provide our employees with tailored training programmes. In addition, we seek to retain our talented employees by aligning their compensation with their performance and by providing them with a clear career path with opportunities for additional responsibilities and promotions. We will continue to strengthen our employees’ owner mentality and long-term commitments through our strong corporate culture, and will also give them training to maximise their potential.

BUSINESS MODEL

During the Track Record Period, we generated revenue from (a) the distribution of a wide spectrum of petrochemicals in Hong Kong which mainly include diesel, self-branded and third-party branded lubricant oil, as well as other products; and (b) the provision of service for fleet cards issued by Oil Company Y in Hong Kong. The following table sets forth details of our revenue and gross profit derived from each business segment in the Track Record Period.

	For the year ended 31 March				For the four months ended 31 July															
	2016		2017		2016		2017													
	Revenue	Gross profit	Revenue	Gross profit	Revenue	Gross profit	Revenue	Gross profit												
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000													
% of total revenue	% of total revenue	% of total revenue	% of total revenue	% of total revenue	% of total revenue	% of total revenue	% of total revenue													
Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin													
Sales of diesel	814,889	91.1%	9,516	1.2%	652,752	89.4%	14,743	2.3%	598,279	89.1%	11,483	1.9%	183,555	87.6%	3,810	2.1%	194,064	88.2%	3,847	2.0%
Sales of lubricant oil	64,270	7.2%	10,970	17.1%	57,019	7.8%	16,365	28.7%	49,109	7.3%	15,669	31.9%	18,018	8.6%	6,050	33.6%	16,220	7.4%	5,890	36.3%
Provision of fleet cards service ⁽¹⁾	6,727	0.8%	3,912	58.2%	15,064	2.1%	9,304	61.8%	20,350	3.0%	12,972	63.7%	6,711	3.2%	4,458	66.4%	8,400	3.8%	6,410	76.3%
Sales of others ⁽²⁾	8,839	0.9%	1,067	12.1%	5,636	0.7%	1,468	26.0%	4,067	0.6%	1,227	30.2%	1,363	0.6%	383	28.1%	1,270	0.6%	273	21.5%
Total	894,725	100.0%	25,465	2.8%	730,471	100.0%	41,880	5.7%	671,805	100.0%	41,351	6.2%	209,647	100.0%	14,701	7.0%	219,954	100.0%	16,420	7.5%

(unaudited)

Notes:

- Income from provision of fleet cards service is recognised based on the difference between gross proceeds received and receivables from fleet card holders and gross amounts paid and payable to Oil Company Y. Please also refer to the sub-section headed “Business — Sales and marketing — Pricing policy — Pricing policy for fleet card products” and Note 4 to the Accountants’ Report in Appendix I to this prospectus for further details.
- “Others” mainly include bitumen and kerosene. We have ceased sale of kerosene as at 31 December 2017 which contributed only approximately HK\$0.29 million, HK\$0.44 million and HK\$0.15 million to our gross profit for the three years ended 31 March 2017, respectively.

BUSINESS

Our diesel, lubricant oil and other products are mainly sold to downstream distributors of petrochemicals, commercial end customers mainly in the construction, civil engineering and transportation sectors, as well as individual customers in Hong Kong. Our fleet card business segment mainly targets small-to-medium commercial fleets in the construction and transportation sectors, as well as individual car owners.

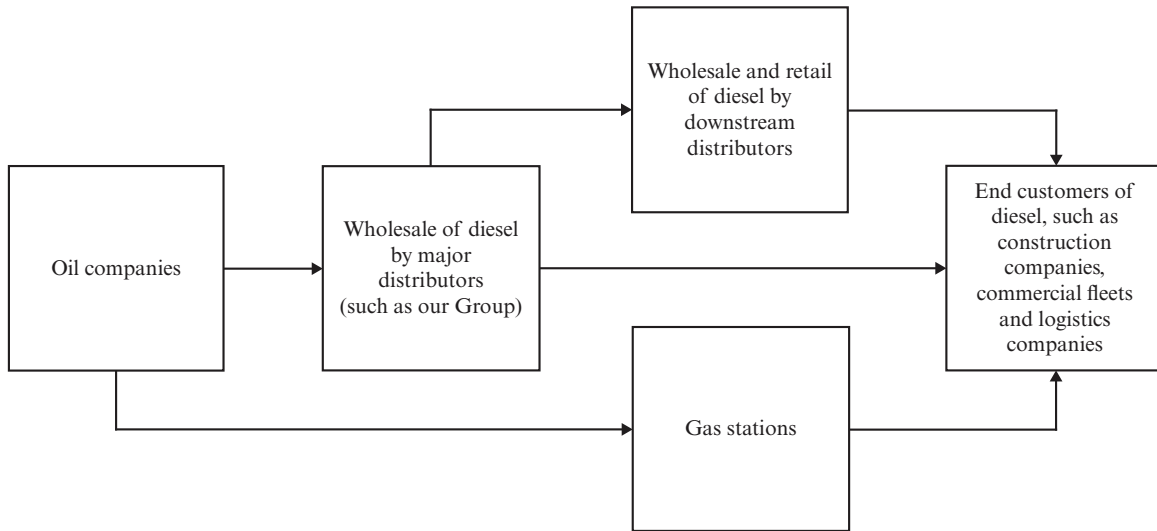
We distribute our products and promote our business through our established sales network which include the Sham Shui Po Outlet, our fleet of wagons, as well as third-party sales agents. Please refer to the sub-section headed “— Sales and marketing — Sales channels” in this section for further details.

We have a fleet of wagons for delivery of petrochemicals to customers. As at the Latest Practicable Date, our fleet comprised 15 vehicles in total, including eight diesel tank wagons with bulk tank capacity ranging from 6,700 litres to 20,000 litres, as well as seven light and medium goods trucks with permitted gross weight ranging from approximately 3.2 tonnes to 9.0 tonnes. Each of our eight diesel tank wagons carries licence for the delivery of Category 5 dangerous goods and supports our bulk delivery of diesel, and four of our trucks are also duly licensed to fulfil our customers’ orders for diesel in small volume. Our light and medium goods trucks with various loading capacity also facilitates our flexible delivery of lubricant oil and other products. For details, please refer to the sub-section headed “— Transportation of petrochemicals and our fleet of wagons — Our fleet of diesel tank wagons and trucks” in this section.

Distribution of diesel

In this segment, we supply diesel mainly to downstream distributors whose end customers are generally in the construction, civil engineering and transportation sectors. We also directly supply diesel to end customers in the abovementioned sectors.

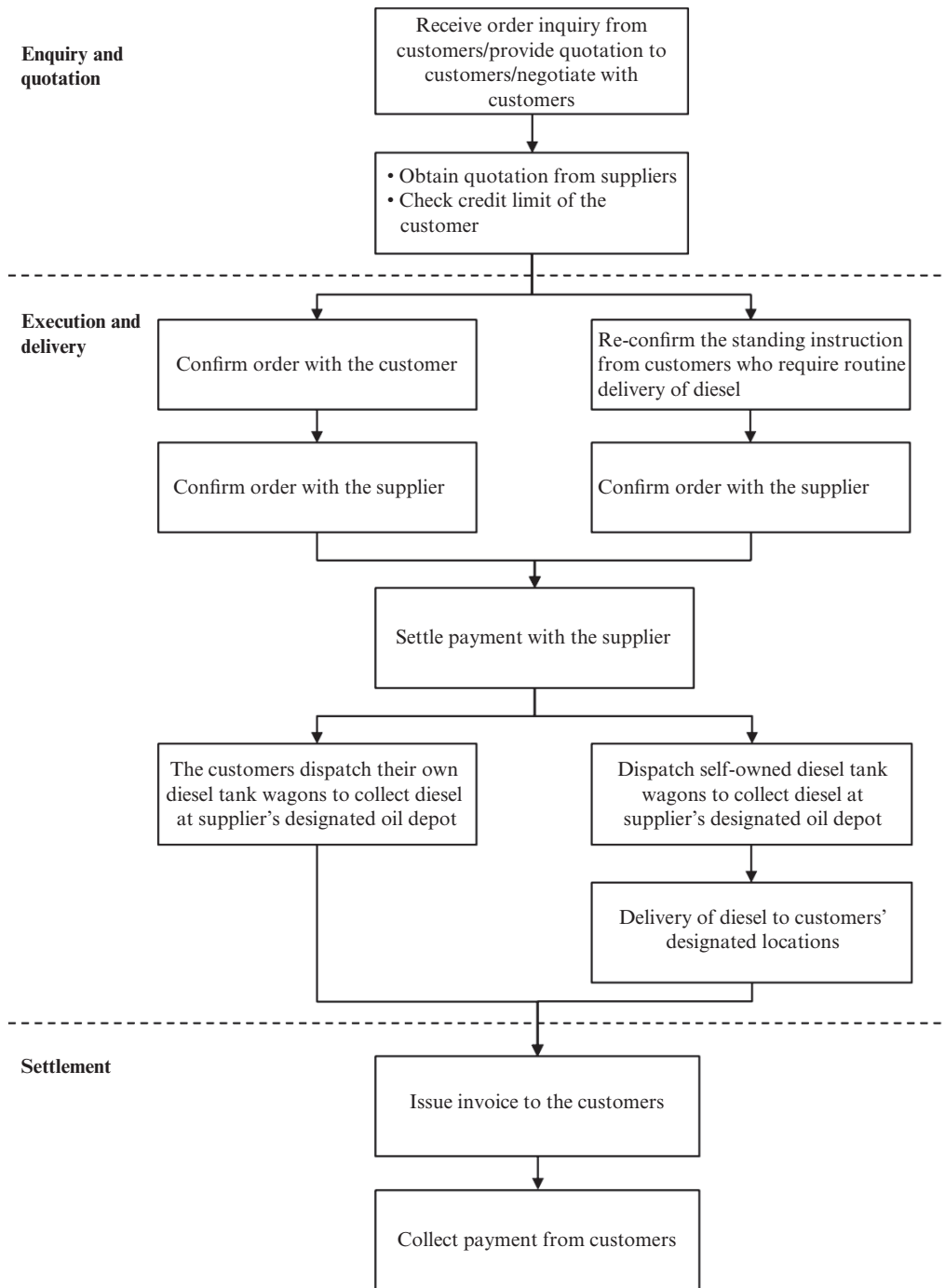
The diagram below illustrates a typical supply chain in the Hong Kong diesel sales market:



Our Directors consider that our customers purchase diesel from us instead of sourcing directly from oil companies or other distributors mainly because: (i) it is a market practice that oil companies in Hong Kong limit their direct sales of diesel to their key account corporate customers such as large construction groups and transportation companies, as well as to individual customers via gas stations; (ii) due to concerns over cost efficiency and credit risk management, such oil companies prefer appointing a limited number of major distributors (including us) to serve downstream customers such as sub-distributors as well as small and medium-sized commercial end users; (iii) we have our own fleet of diesel tank wagons in different capacities to satisfy our customers' delivery requirement and schedule, thereby providing customers with reliable and timely supplies while it is generally not economically viable for our customers to maintain their own fleet of wagons if they do not have sufficient sale of diesel consumption volume; and (iv) we have developed stable relationship with our customers such as construction companies and downstream distributors who require large volume of diesel as well as timely delivery while they have not been able to establish direct purchase channel with oil companies, given that such oil companies typically do not offer direct sales to them.

BUSINESS

The following diagram illustrates the typical major steps of our business operation in the supply and delivery of diesel:



- We keep daily contact with diesel suppliers (including Oil Company X) to obtain quotations. Once we receive quotations from our suppliers, we will consider if the purchase price offered to us is acceptable. We may negotiate with our suppliers for a more favourable price with reference to our purchase volume and prevailing price indices such as the Europe Brent spot crude price.

BUSINESS

- Our operation department maintains regular contact with our customers (which include downstream distributors and commercial end users) so as to: (a) understand their procurement plan; and (b) monitor the overall demand for diesel on the market. We also keep ourselves abreast of the prevailing market trends. At times, we also respond to our customers' immediate or unplanned purchase orders and accommodate their unscheduled delivery request subject to our capacity.
- We generally negotiate with our customers on major terms of the sales orders such as selling price, quantity of diesel needed and delivery arrangement on an order-by-order basis. For details of our pricing policy, please refer to the sub-section headed “— Sales and marketing — Pricing policy” in this section.
- Once we reach a consensus with customers on selling price and volume, we will also confirm other major terms such as delivery time and location(s) as well as payment arrangement. Given that a number of our customers also require our routine delivery of diesel to their designated locations, we will re-confirm the standing instructions from such customers before submitting our order to diesel suppliers.
- In line with industry norm, we are typically required to settle payment with suppliers before collecting diesel from the supplier's depot.
- Customers who have their own diesel tank wagons will collect diesel directly at supplier's designated oil depot with purchase confirmation from us. For customers who require our delivery service, we will, usually by the next day when the customer's order is confirmed, arrange sufficient number of diesel tank wagons to collect diesel from the supplier's designated oil depot and make delivery to our customers. Such customers will sign the delivery note to confirm receipt of our products.
- We generally issue sales invoices to our customers at the time of delivery which mainly set out the delivery date, product description, purchase quantity, purchase price per litre and total sales price. In general, our customers are required to settle our bill on demand and within three to five days following our delivery of diesel.

During the Track Record Period, we sourced diesel mainly from Oil Company X, one of the four dominant oil companies in Hong Kong. In the event that the terms of specific purchase orders could not be mutually agreed between Oil Company X and us, we may also source diesel from other diesel distributors in Hong Kong. For details about our relationship with Oil Company X, please refer to the sub-section headed “— Our purchase and suppliers — Our relationship with Oil Company X” in this prospectus.

Distribution of lubricant oil

In this segment, we carry out the wholesale and retail of lubricant oil with diversified specifications for industrial or automotive uses. For the year ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, approximately 59.8%, 61.3%, 61.9% and 65.0%, respectively, of the lubricant oil we sold (in terms of sales volume) was our self-branded lubricant oil. We also source third-party branded lubricant oil from oil companies, lubricant oil manufacturers as well as distributors of petrochemical products for onward wholesale and retail.

Sales of self-branded lubricant oil

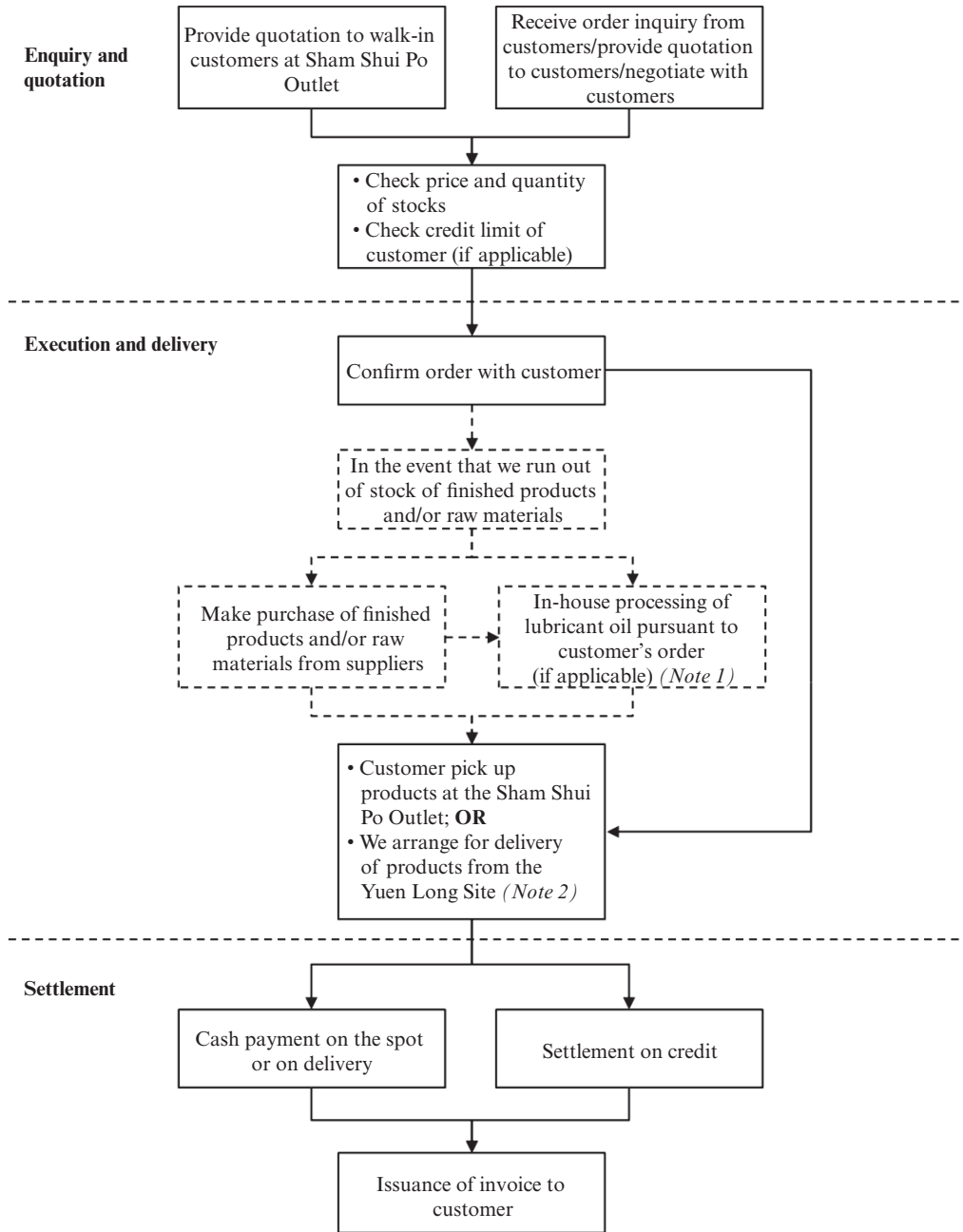
We commenced the sales of our self-branded lubricant oil in Hong Kong since 2009. During the Track Record Period, we sourced semi-finished lubricant oil in bulk volume and/or finished lubricant oil from overseas suppliers for our in-house blending and/or repackaging into wholesale and retail packs for sales in Hong Kong.

We store the bulk volume of base lubricant oil and finished lubricant oil in the Yuen Long Site, and carry out the in-house blending of lubricant oil at the Sham Shui Po Outlet which, with a size of approximately 2,108.4 sq.ft. only, mainly involves relatively limited activities of the blending of semi-finished lubricant oil and additives as well as the packaging of finished products which are mainly for walk-in customers. A vast majority of our self-branded lubricant oil is blended at the Yuen Long Site through offloading the specific amount of selected lubricant oil from the shipment container into the storage container. Our in-house blending does not involve complicated production procedures, where we select raw materials and determine the formula as well as blending procedure with reference to guidelines provided by manufacturers of semi-finished lubricant oil and additives. During the Track Record Period, we mainly carried out the in-housing blending of hydraulic oil and cylinder oil. We also repackage finished lubricant oil sourced from our suppliers in bulk packing to wholesale and retail packages in our self-owned brands. Please refer to the sub-section headed “— In-house blending and repackaging operation” in this section for details.

The finished lubricant oil from our in-house blending are mainly sold to our wholesale and retail customers under our self-owned brands, namely “AMERICO”, “Dr. Lubricant” and “U-LUBRICANT”. We also source finished lubricant oil from suppliers located in Singapore and Malaysia, and market such lubricant oil under our self-owned brands in Hong Kong. For the year ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, the sales of our self-branded lubricant oil accounted for approximately 46.9%, 47.4%, 47.7% and 52.3%, respectively, of our revenue from the sales of lubricant oil in the respective year; and the sales volume of our self-branded lubricant oil accounted for approximately 59.8%, 61.3%, 61.9% and 65.0%, respectively, of our total sales volume of lubricant oil during the same periods.

BUSINESS

The following diagram illustrates the typical major steps of our business operation in the wholesale and retail of our self-branded lubricant oil:



BUSINESS

Note 1: A vast majority of our self-branded lubricant oil is blended on the Yuen Long Site through offloading the specific amount of selected lubricant oil from shipment container into the storage container. Only limited amount of self-branded lubricant oil is produced through our blending activities at the Sham Shui Po Outlet when customers request for demonstration or testing, or when customers request for limited amounts of lubricant oil of particular specification which are not available at the Yuen Long Site.

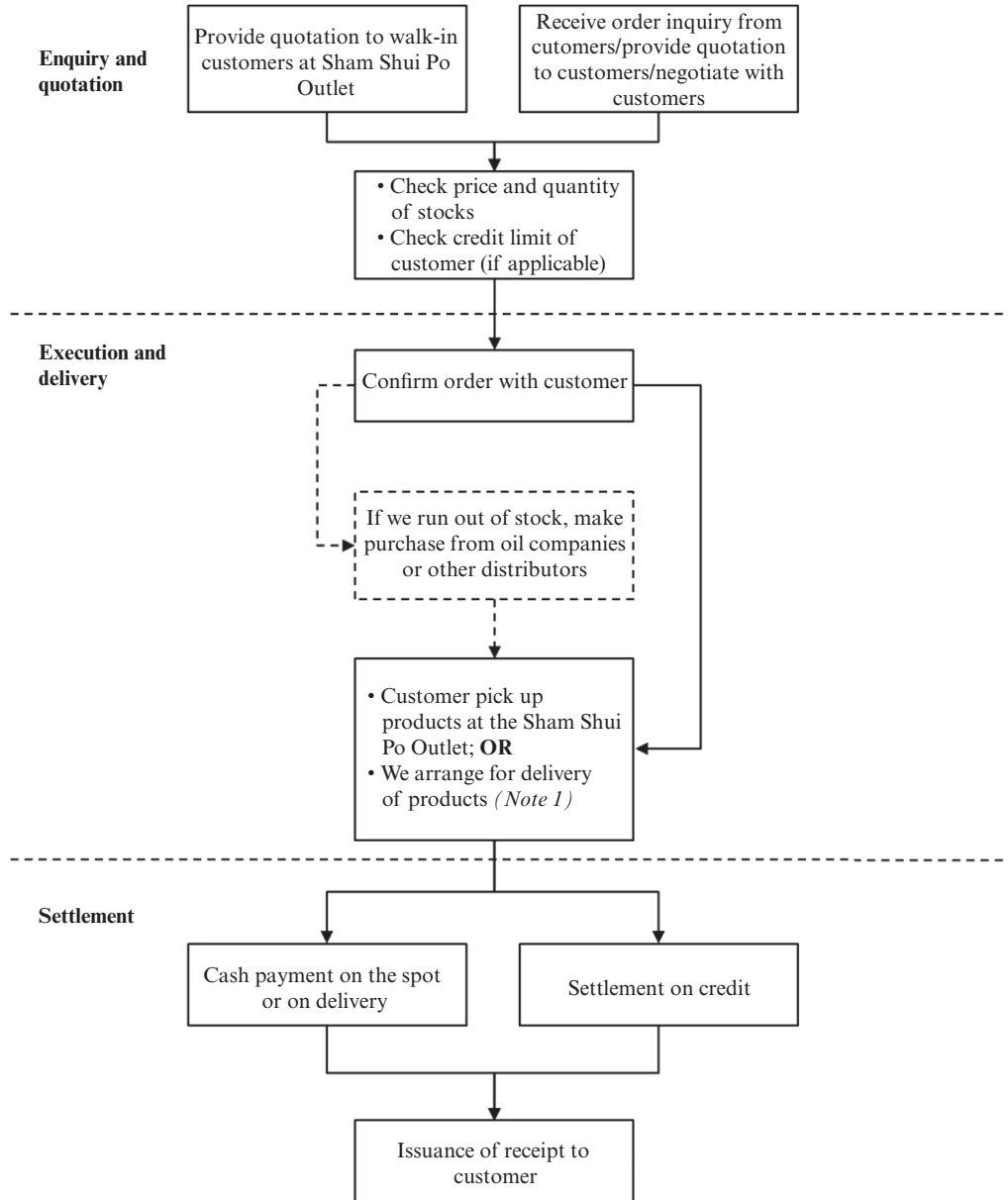
Note 2: The delivery is mainly through our fleet of trucks transporting from the Yuen Long Site to the customer's designated spot as the Sham Shui Po Outlet only stores a limited amount of stocks for walk-in customers who typically demand for a limited amount of petrochemicals.

For details about our in-house blending and repackaging of lubricant oil, please refer to the sub-section headed “— In-house blending and repackaging operation” in this section.

BUSINESS

Distribution of third-party branded lubricant oil

The following diagram illustrates the typical major steps of our business operation in our wholesale and retail of third-party branded lubricant oil:



Note 1: The delivery is mainly through our fleet of trucks transporting from the Yuen Long Site to the customer's designated spot as the Sham Shui Po Outlet only stores a limited amount of stocks for walk-in customers who typically demand for a limited amount of petrochemicals.

BUSINESS

- Our operation department regularly monitors our inventory level to ensure that we maintain a healthy level of stock at both the Sham Shui Po Outlet for walk-in customers whose orders are typically in a relatively small volume, and the Yuen Long Site which mainly serves bulk orders. Please refer to the sub-section headed “— Inventory management” in this section for details.
- We have our own fleet of trucks with permitted gross weight ranging from approximately 3.2 tonnes to 9.0 tonnes for the delivery of lubricant oil and other products. As long as our stock could meet the customer’s demand, we generally arrange for the delivery of lubricant oil and other products to the customer’s designated location in Hong Kong by the next day after confirmation of order.
- For customers who settle on credit, we generally offer a credit term of 15 to 30 days following our issuance of monthly invoice.

Distribution of other products

In addition to diesel and lubricant oil, we also distribute other products in Hong Kong which mainly include bitumen, diesel exhaust fluid, larvicidal oil and kerosene. Such products are either third-party branded products sourced from manufacturers or upstream distributors mainly based in Hong Kong and the Netherlands, or finished products from suppliers located in Singapore and Malaysia which are marketed under our self-owned “AMERICO” brand in Hong Kong. Major steps involved in our distribution of other products are similar to those as illustrated in the sub-section headed “— Business model — Distribution of third-party branded lubricant oil” in this section.

Provision of fleet cards service

We promote fleet cards issued by Oil Company Y in Hong Kong with which cardholders could purchase diesel or petrol (as applicable) as well as the branded lubricant oil and greases supplied by Oil Company Y at Network Gas Stations. In this segment we derive and recognise revenue, on a net basis, based on the difference between (a) gross proceeds received and receivables from fleet card holders; and (b) gross amounts paid and payable to Oil Company Y. The gross proceeds received and receivables from fleet card holders present the Pump Price less the Fleet Card Discount offered by our Group to fleet card holders. The gross amounts paid and payable to Oil Company Y represent the Pump Price less the Oil Company Discount and volume rebate offered by Oil Company Y to our Group.

Business model

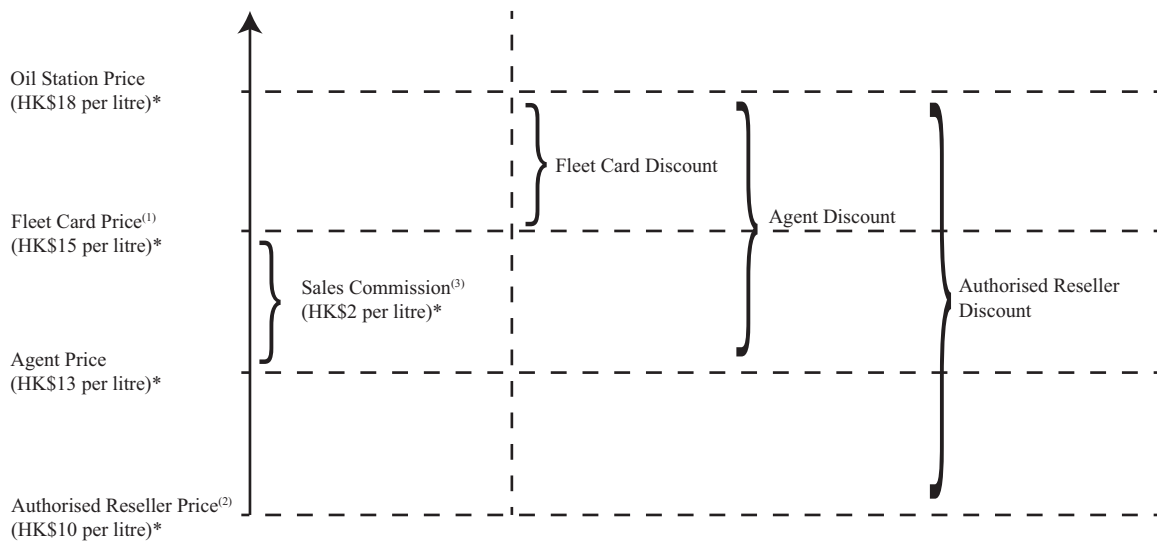
During the Track Record Period and as at the Latest Practicable Date, we were an authorised fleet card reseller of Oil Company Y (which is ranked as one of the four dominant oil companies in Hong Kong according to the Frost & Sullivan Report). We deployed our in-house sales team and engaged third party sales agent to attract fleet card customers, and we are contractually required to fully settle the monthly invoice issued by Oil Company Y for all fleet card accounts operated by us, regardless of whether we eventually receive full payment from our fleet card customers. In return, Oil Company Y offered better pricing term (“**Authorised Reseller Price**”) to us which is generally not available to fleet card end users. The main incentive for customers using our fleet card is that the fuel price paid with fleet card (“**Fleet Card Price**”) is relatively lower than the retail price (“**Oil Station Price**”) as applicable at the Network Gas Station.

BUSINESS

According to the Frost & Sullivan Report, (a) all of the oil companies in Hong Kong choose to cooperate with selected authorised fleet card resellers to promote their fleet cards; (b) oil companies generally prefer cooperating with selected authorised fleet card resellers and offering to such resellers more favourable pricing (which is generally not available to fleet card end users) mainly because when compared with end users, such resellers have the strengths in scale of business, aspiration for expanding customer base as well as marketing efficiency; and (c) the main benefit for oil companies to cooperate with selected authorised fleet card resellers is to acquire and retain more market shares with better cost efficiency, and avoid maintaining a large team of in-house administrative and marketing personnel.

Revenue model

During the Track Record Period and as at the Latest Practicable Date, we promoted fleet card products through our in-house marketing team as well as third-party sales agents. Our revenue (on net basis) arises from (1) customers procured by our in-house marketing team; and (2) customers procured by third-party sales agents. In addition, we are also entitled to cash rebate (“**Volume Rebate**”) from Oil Company Y if certain sales volume targets are met. We only pay commission (“**Sales Commission**”) to third-party sales agents based on the fuel purchases by our fleet card customers who were procured by such third-party sales agents. Our fleet card revenue model and the steps involved in calculating the Sales Commission could be illustrated by the following simplified chart:



* All prices are for illustrative purpose only.

Notes:

- (1) It represents the gross proceeds receivable from our fleet card customers.
- (2) It represents the gross amounts payable to Oil Company Y.
- (3) It represents our cost of sales in deriving revenue from customers procured by third-party sales agents.

BUSINESS

Our revenue (on net basis) arising from customers procured by in-house marketing team

Pursuant to our fleet card agreements with Oil Company Y, we are entitled to fuel price discount from Oil Company Y (“**Authorized Reseller Discount**”) as compared to the retail fuel price applicable at a Network Gas Station (“**Oil Station Price**”). For customers procured by in-house marketing team, we may offer such customers a specified fleet card discount (“**Fleet Card Discount**”) as compared to the Oil Station Price.

For illustrative purpose only, assuming the Authorized Reseller Discount is HK\$8 below the Oil Station Price per litre while the Fleet Card Discount is HK\$3 below Oil Station Price per litre, our Company attains revenue of HK\$5 per litre from customers procured by our in-house sales team.

Our revenue (on net basis) arising from customers procured by third-party sales agents

Pursuant to our sales agency agreements with third-party sales agents, we offer such third-party sales agents a specified discount (“**Agent Discount**”) as compared to the Oil Station Price. When the Agent Discount is agreed between the third-party sales agents and us, the third-party sales agents have the discretion to offer prospective customers a specified Fleet Card Discount, which must also comply with our sales policy and is subject to our final approval.

For illustrative purpose only, assuming the Authorized Reseller Discount is HK\$8 below the Oil Station Price per litre while the Fleet Card Discount is HK\$3 below Oil Station Price per litre, our Company attains revenue of HK\$5 per litre from customer procured by third party sales agents.

All the customers settle the fleet card bill directly with us. For customers procured by the third party sales agents, the Sales Commission payable by us to third-party sales agents represents the difference of Agent Discount minus the Fleet Card Discount. For illustrative purpose only, assuming the Agent Discount is HK\$5 below Oil Station Price per litre while the Fleet Card Discount is HK\$3 below Oil Station Price per litre, we should pay Sales Commission at HK\$2 per litre to the third-party sales agents.

Volume Rebate

We are also entitled to the Volume Rebate from Oil Company Y if certain sales volume targets are met, while we do not offer any volume rebate to either our fleet card customers or third-party sales agents during the Track Record Period.

BUSINESS

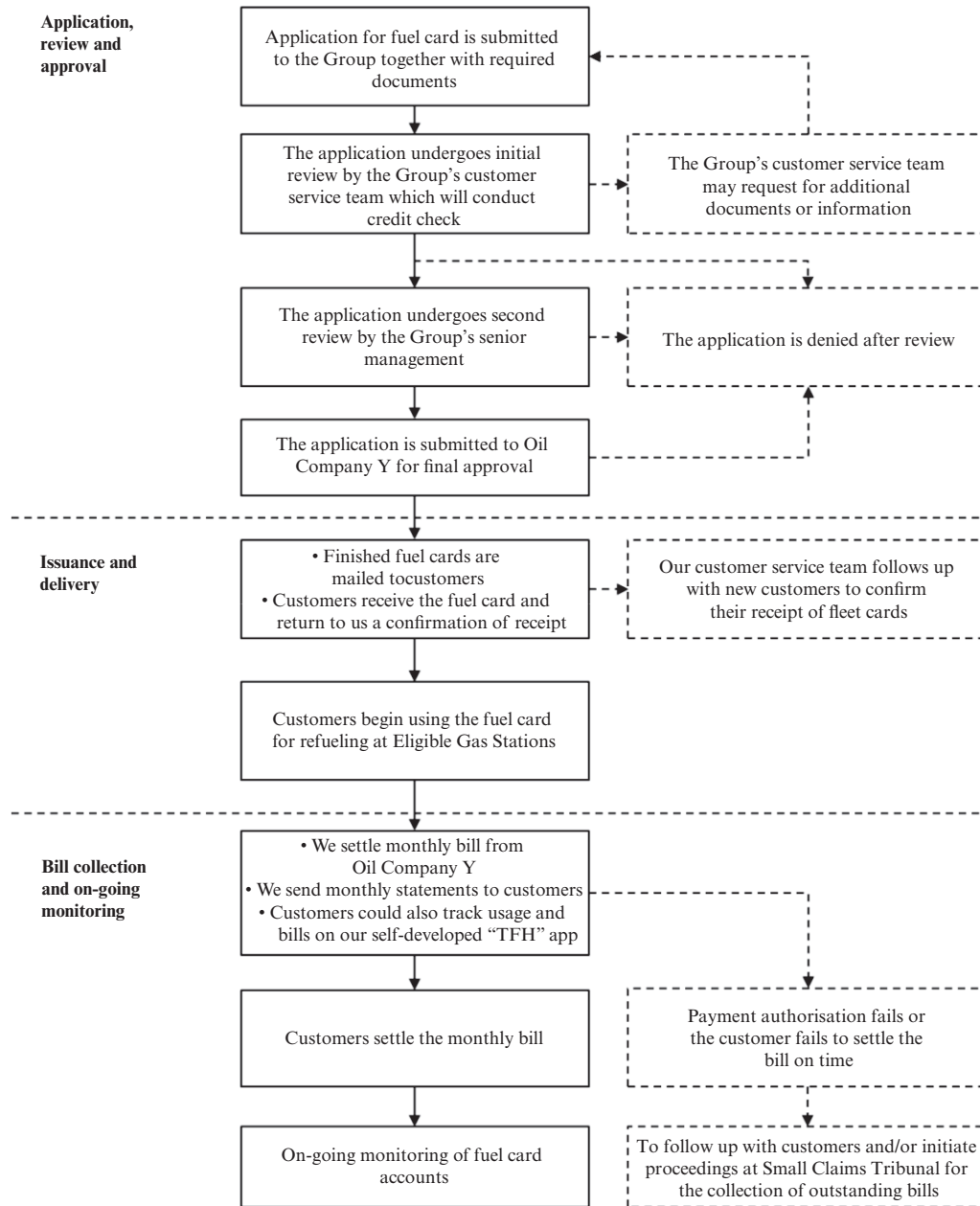
Views of our Hong Kong Legal Advisers on whether fleet card business is a lending business

On the basis that our business is the promotion and the reselling of the fleet cards and the object of which is to obtain profits by reselling the fleet cards to customers and taking into account of the fact that no interest was charged against the fleet card holders during the Track Record Period, our Hong Kong Legal Advisers are of the view that our fleet card reselling business is not a lending business, therefore we are not required to obtain money lender's licence under the Money Lenders Ordinance (Cap. 163 of the Laws of Hong Kong).

Being an authorised fleet card reseller of Oil Company Y in Hong Kong, the Group have been reselling fleet cards under term agreements with Oil Company Y since September 2013. In February 2017, the Group successfully renewed the fleet card agreement with Oil Company Y for a term of four years and two months starting from 1 March 2017, and we have also been authorised to use the branding of Oil Company Y in our fleet card promotion activities. Please refer to the sub-section headed “— Our products and services — Fleet cards” in this section for the salient terms of our agreement with Oil Company Y.

BUSINESS

The following diagram illustrates the typical major steps of our fleet card business operation:



Application, review and approval

In submitting applications to us, applicants for fleet cards are generally required to provide basic background information, contact information as well as the registration record of vehicle(s). Commercial customers shall also provide their business registration records. Since we will collect and have access to private or sensitive information and records from our potential or existing customers, we have implemented internal policies and systems to keep confidential all such information and record we receive, process, store and transmit during the operation of our fleet card business. For details, please refer to the sub-section headed “— Our products and services — Fleet cards — Customer information security” in this section.

BUSINESS

We generally follow the procedures set forth below in processing application for fleet cards:

- (a) *Initial review of basic customer information for the fleet card application* — Our customer service team performs initial review of documentation submitted by applicants. Such documentation generally includes application form, vehicle registration document(s), HKID, business registration certificate (if applicable), address proof and direct debit authorization form.
- (b) *Procedures of credit approval* — Our customer service team and operation manager implement various methods to screen fleet card applicants, and evaluates their ability-to-repay based on each applicant's credit history. In this process our operation manager mainly focuses on checking details of the applicant's vehicle, such as class, model and place of origin. With such information we can estimate the value and monthly fuel consumption of the vehicle. For commercial applicants, we also review their business history and line of business. Additional background search on commercial applicants may also be conducted to verify such applicants' credit history and business registration records. We may request for additional information from applicants as needed. Our operation manager will then propose a credit limit (which is a cap of fuel credit applicable to a fleet card generally in the range of HK\$1,500 to HK\$4,000 per transaction and HK\$10,000 to HK\$40,000 monthly) based on above reviews and the estimated consumption usage and repayment ability of each applicant. At conclusion of the credit approval procedure, our administration manager will conduct consistency check of the whole application package and the proposed credit limit.
- (c) *Review and approval by senior management* — After the initial reviews by our customer service team, operation manager and administration manager, each application will then be passed to our senior management for internal approval. An application may be rejected after our senior management's review if the discount offered to any applicant by our third party sales agent is not in line with our pricing policy, or if our senior management has concern over the application's credit history or repayment ability.
- (d) *Final approval by Oil Company Y* — After our internal review and approval, all fleet card applications will be submitted to Oil Company Y for final approval. Oil Company Y may decline applicants holding fleet cards issued by Oil Company Y but operated by other fleet card resellers in Hong Kong.

We generally grant a monthly spending limit of HK\$10,000 to new cardholders, and may offer a greater spending limit up to HK\$40,000 per month subject to our case-by-case review of the cardholder's fuel consumption demand and credit history. We do not require any deposit, collateral or guarantee from most of our fleet card users, except that we would demand guarantee from the proprietor or shareholder(s) of selected commercial fleet. All of our fleet card customers are required to set up and authorise the direct debit payment arrangement, so that their monthly fleet card bills will be settled through the automatic payment from their authorised bank accounts. For further details of our credit management of fleet cards, please refer to the sub-section headed “— Credit policy — Fleet cards credit management and control measures” in this section.

Issuance and delivery

If an application is approved, the applicant's information will be further processed by Oil Company Y for account creation, as followed by the printing of physical fleet cards. All printed fleet cards issued to our applicants are delivered to us, and we will forward such printed fleet cards together with the request for a confirmation of receipt to the respective applicants by mail. Our customer service team follows up with new customers to confirm their receipt of fleet cards. The fleet card could only be used by a cardholder for fuelling his/her vehicle registered with the fleet card which mitigates the risk of unauthorised or fraudulent use.

At the time of application, applicants are provided with our general terms and conditions governing their use of fleet cards. Such terms and conditions are deemed accepted by the cardholders when they commence using the fleet cards.

Bill collection and ongoing monitoring

The fleet card is activated when a new cardholder commence the first purchase of fuel at any Network Gas Station. Subject to terms and conditions of the fleet cards, cardholders are generally eligible for a discount off the posted retail fuel price in their purchase of diesel or petrol (as applicable), which discount is a fixed amount per litre of diesel or petrol as agreed by the applicant and us at the time of fleet card application. We bill our customers on a monthly basis after we receive from Oil Company Y a schedule with detail invoice data of our fleet card holders. Generally our bills are settled by our customers' pre-authorised direct debit arrangement, and our customer service team will contact the customer if we encounter difficulties in collecting payment through such arrangement. If we still fail to reach the customer after such contact, we will follow our standard collection procedure and commence a series of actions such as initiating proceedings at Small Claims Tribunal before recognising any outstanding amount as bad debt on our accounts. For details, please refer to the sub-section headed "— Credit policy — Fleet cards credit management and control measures" in this section. As a part of our account management practice, we also monitor the activities and performance of our fleet card accounts on an ongoing basis, and may contact our customers for feedbacks or adjust the spending limit granted to the customer based on our analysis of the account activities.

OUR PRODUCTS AND SERVICES**Diesel**

Diesel is combustible liquid used as fuel for vehicle diesel engines found in most trucks, buses, boats and farm vehicles. It also powers diesel engine generators to supply electricity, or engines installed on various machinery used by construction sectors. Diesel is generally obtained from fractions of crude oil that are less volatile than the fractions used in petrol, and is ignited not by a spark, as in petrol engines, but by compression of heat air and then injection of fuel.

We supply diesel with substantially lower sulphur (i.e. the diesel at Euro V Standard). Sulphur, a non-metallic element, is widely found in nature. As it occurs naturally in crude oil, sulphur is found in products made from crude oil, such as diesel. Emissions of oxides of sulphur originated from sulphur impurities in the fuel. The amount of pollutants released is in proportion to the amount of fuel burnt and the percentage of sulphur contained in fuel. The sulphur content of diesel was a major factor to cause air pollution and engine damage in the past.

BUSINESS

Diesel with substantially lower sulphur content has various advantages on environmental protection and operation of machinery engines, as it:

- reduces emissions of exhaust particulate;
- reduces noise and visible black smoke;
- reduces emissions of exhaust odorous and the polluting sulphur oxides;
- decreases corrosion in pistons and/or cylinder liner wear; and
- potentially extends lubricant oil life and reduces engine maintenance costs.

We supply diesel mainly to downstream distributors whose end customers are generally in the construction, civil engineering and transportation sectors. We also directly supply diesel to end customers in the abovementioned sectors. Our diesel products include: (a) automotive diesel for vehicle diesel engines; and (b) industrial diesel powering machinery and generators. According to the Frost & Sullivan Report, we were ranked as the second largest diesel distributor in Hong Kong with a market share of approximately 19.8% in terms of the estimated distribution value of diesel in Hong Kong in the year ended 31 March 2017.

BUSINESS

We source diesel mainly from Oil Company X, one of the four dominant oil companies supplying petrochemical products in the Hong Kong market. As at the Latest Practicable Date, we have been sourcing diesel for our distribution business under commercial fuel supply agreements with Oil Company X for approximately six years. In the event that the terms of specific purchase orders could not be mutually agreed between Oil Company X and us, we may also source diesel from other diesel distributors in Hong Kong.

We normally place back-to-back order for diesel to our suppliers when receiving orders from our customers, and we also source diesel based on our daily sales forecast to accommodate our customers' routine purchases or impromptu orders. To enhance the marketability of our products and enhance our sales, we establish our own fleet of diesel tank wagons for delivery of diesel to such destinations as designated by our customers. As at the Latest Practicable Date, we possessed eight diesel tank wagons with capacities ranging from 6,700 litres to 20,000 litres to facilitate our flexible delivery of diesel in bulk to our customers.

Our product portfolio principally includes: (a) automotive diesel for vehicle engines; and (b) industrial diesel powering machinery and generators.

Automotive diesel

We distribute automotive diesel which powers vehicle diesel engines. The table below sets out the general specifications of the automotive diesel offered for sale by us during the Track Record Period:

Density at 15°C <i>(kg/m³)</i>	Flash point PMCC <i>(°C)</i>	Viscosity at 40°C <i>(mm²)</i>	Sulphur <i>(ppm)</i>
820–845	66	2.0–4.5	10 (max value)

For the three years ended 31 March 2017 and the four months ended 31 July 2017, our revenue attributable to the sale of automotive diesel amounted to approximately HK\$724.9 million, HK\$602.9 million, HK\$554.1 million and HK\$184.6 million, respectively, representing approximately 89.0%, 92.4%, 92.6% and 95.1% of our total revenue from the sales of diesel for the same period.

BUSINESS

Industrial diesel

We also distribute industrial diesel, which has the same general specifications as automotive diesel but principally powers machinery with diesel engines commonly used by construction contractors and civil engineering operators.

For the three years ended 31 March 2017 and the four months ended 31 July 2017, our revenue attributable to the sale of industrial diesel amounted to approximately HK\$89.9 million, HK\$49.8 million, HK\$44.2 million and HK\$9.5 million, respectively, representing approximately 11.0%, 7.6%, 7.4% and 4.9% of our total revenue from the sales of diesel for the same period.

Fluctuation of sales quantity of diesel

During the Track Record Period, our sales quantity of diesel was approximately 151.4 million litres, 190.5 million litres, 186.3 million litres, 61.1 million litres and 59.2 million litres for the year ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2016 and 2017, respectively. The significant increase in sales quantity from approximately 151.4 million litres for the year ended 31 March 2015 to approximately 190.5 million litres for the year ended 31 March 2016 was primarily due to the sharp decrease of average selling price of diesel from approximately HK\$5.4 per litre to approximately HK\$3.4 per litre during the corresponding periods, and lower price generally stimulates more consumption.

While the average selling price of diesel slightly decreased from approximately HK\$3.4 per litre for the year ended 31 March 2016 to approximately HK\$3.2 per litre for the year ended 31 March 2017, the sales quantity also slightly decreased from approximately 190.5 million litres for the year ended 31 March 2016 to 186.3 million litres for the year ended 31 March 2017. Our Directors consider that the sales quantity not recording increase despite the decrease of the average selling price is due to the following reasons: (a) the decrease of average selling price from approximately HK\$3.4 per litre for the year ended 31 March 2016 to approximately HK\$3.2 per litre during the year ended 31 March 2017 is of moderate nature, which is unlike the sharp decrease from approximately HK\$5.4 during the year ended 31 March 2015 as compared to approximately HK\$3.4 during the corresponding period in 2016 and that significant decrease in price was likely to lead to significant increase in consumption; and (b) to the best knowledge of our Directors, during the year ended 31 March 2016, a relatively greater portion of our customers' engagement was attributable to the public and public-related projects which rely on the timely funding approval by the committees of the Legislative Council of Hong Kong. Lawmakers' filibustering attributable has led to delays in the passing of public works funding proposals by the committees of the Legislative Council of Hong Kong in recent years, which adversely affected our sales volume of diesel.

The decrease in sale quantity from approximately 61.1 million litres for the four months ended 31 July 2016 to approximately 59.2 million litres for the four months ended 31 July 2017 was mainly attributable to the decrease in demand for diesel from customers in the construction industry as a result of (a) more public holidays in the four months ended 31 July 2017 (being eight days) as compared to the same period in 2016 (being five days); and (b) more instances of unfavorable weather conditions in the four-month period in 2017 as compared to that in 2016, both of which affected the progress of construction and civil engineering projects.

BUSINESS

Lubricant oil

Lubricant is a substance introduced to reduce friction between surfaces in mutual contact, which ultimately reduces the heat generated when the surfaces move. The lubricant oil we supplied mainly includes lubricating oils and fluids for the use in industrial and automotive sectors. Lubricating oils and fluids are a necessity for operations of machinery, and their main functions are:

- to reduce friction between moving parts and prevent machine breakdown;
- to remove heat from moving parts thereby cooling the parts;
- to clean and to prevent formation of sludge and sediment on surfaces of moving parts; and
- to prevent rust and corrosion.

In addition, fluids are also able to act as a medium for hydraulic power transmission.

The lubricant oil we offer to our customers mainly includes (a) our self-branded lubricant oil which was either our in-house blended products or finished products sourced manufacturers located in Singapore and Malaysia; and (b) external sourced third-party branded products. The table below sets forth a full range of lubricant oil we offer to customers during the Track Record Period:

Category	Generic names of products		
Automotive lubricant oil	<ul style="list-style-type: none">● Petrol engine oil● Diesel engine oil	<ul style="list-style-type: none">● Gear oil● Brake fluid	<ul style="list-style-type: none">● ATFs
Industrial lubricant oil	<ul style="list-style-type: none">● Turbine oil● Compressor oil● Refrigeration oil● Vacuum pump oil● Heat transfer oil	<ul style="list-style-type: none">● Gear oil● Rock drill oil● Textile oil● Slideway oil	<ul style="list-style-type: none">● Transformer oil● Soluble cutting oil● Neat cutting oil● Rust prevention oil
Specialty fluids	<ul style="list-style-type: none">● Hydraulic oil	<ul style="list-style-type: none">● Coolant	<ul style="list-style-type: none">● Greases

We sell almost all of our in-house blended lubricant oil under our three self-owned brands, namely “AMERICO”, “Dr. Lubricant” and “LUBRICANT”, and the remainder in a negligible amount is sold to customers for their onward sales in their brand names. The table below sets forth a breakdown of our revenue from the wholesale and retail sales of lubricant oil by our self-branded products and third-party branded products:

	Year ended 31 March				Four months ended 31 July									
	2015		2016		2016		2017							
	Sales amount	Average selling price	Sales amount	Average selling price	Sales amount	Average selling price	Sales amount	Average selling price						
HKS'000	HK\$/ Litre'000	HKS'000	Litre HK\$/ Litre'000	HKS'000	Litre HK\$/ Litre'000	HKS'000	Litre HK\$/ Litre'000	HKS'/ Litre						
	% of segments revenue	% of segments revenue	% of segments revenue	% of segments revenue	% of segments revenue	% of segments revenue	% of segments revenue	% of segments revenue						
Self-branded lubricant oil ⁽¹⁾	30,119	46.9%	27,001	13.4	23,415	13.5	8,404	46.6%	621	13.5	8,483	52.3%	603	14.1
Third-party branded lubricant oil ⁽²⁾	34,151	53.1%	30,018	23.0	25,694	23.6	9,614	53.4%	392	24.1	7,737	47.7%	325	23.8
Total	64,270	100.0%	57,019	17.5	49,109	17.3	18,018	100.0%	1,013	17.6	16,220	100.0%	928	17.5

(unaudited)

Notes:

1. The average selling price of self-branded lubricant oil for the Track Record Period is for illustrative purpose. It is calculated based on the total revenue from self-branded lubricant oil divided by the total sales quantity.
2. The average selling price of third-party branded lubricant oil for the Track Record Period is for illustrative purpose. It is calculated based on the total revenue from third-party branded lubricant oil divided by the total sales quantity.

BUSINESS

Our self-branded lubricant oil

We commenced the sales of our self-branded lubricant oil in 2009 when our Directors considered that sales of our self-branded products could yield higher profit margin as compared to the distribution of third party branded lubricant oil. Our Directors also believe that our product mix could be enhanced, because the third-party branded lubricant oil mainly targets high-end market at relatively high price, and our self-branded lubricant oil mainly targets medium and low-end market at relatively competitive price. For the three years ended 31 March 2017 and the four months ended 31 July 2017, our revenue derived from the sales of our self-branded lubricant oil amounted to approximately HK\$30.1 million, HK\$27.0 million, HK\$23.4 million and HK\$8.5 million, respectively, representing approximately 46.9%, 47.4%, 47.7% and 52.3%, respectively, of our revenue derived from the distribution of lubricant oil, and approximately 3.4%, 3.7%, 3.5% and 3.9%, respectively, of our total revenue for the same period. During the Track Record Period, the gross profit margin of our self-branded lubricant oil was approximately 27.9%, 41.9%, 49.9% and 44.7%, respectively; and the gross profit margin of our third-party branded lubricant oil was approximately 7.5%, 16.8%, 15.5% and 27.1%, respectively, for the same periods.

Our self-branded lubricant oil is either from our in-house blending operation, or imported from suppliers located in Singapore and Malaysia. Our self-branded lubricant oil is made from quality semi-finished lubricant oil and additives so as to achieve the desired specifications.

Our in-house blended lubricant oil is mainly marketed under our three self-owned brands, namely “AMERICO”, “Dr. Lubricant” and “U-LUBRICANT”, and a small portion of our products is sold to customers for their onward sales in their brand names. The table below sets forth the respective product categories and targeting markets of each our self-owned brands:

Brand name	Principal categories of lubricant oil	Targeting market
AMERICO	Automotive, industrial, specialty fluids	Medium-end market ^(Notes)
Dr. Lubricant	Automotive, industrial, specialty fluids	Low-end market ^(Notes)
U-LUBRICANT	Automotive, industrial, specialty fluids	Low-end market ^(Notes)

Notes: According to Frost & Sullivan, the lubricant oil products can be segmented into three categories depending on the quality and sales price, targeting high-end, medium-end and low-end markets. For our brand targeting the “medium-end market”, we offer a wide range of lubricant oil with various specifications; and for our brands targeting the “low-end markets”, we mainly offer generic products with a less variety of specifications. Please also refer to the sub-section headed “Industry overview — Overview of lubricant market in Hong Kong — Competitive landscape” in this prospectus for further details.

Our self-branded products are packaged and sold in drums, pails, tins and other smaller packs for the convenience of our end customers.



BUSINESS

Automotive lubricant oil

Our key automotive lubricant oil comprises petrol engine oil, diesel engine oil, gear oil and ATFs. Descriptions of some of our key products in this category are set forth below:

Brand name	Product name	Brief description of products	Price range ^(Notes)	Sample picture
<u>Petrol engine oil</u>				
AMERICO	MAX POWER SAE 10W-40 API SM/CF	It is a product of semi-synthetic gasoline engine oil which is mainly for the use in high performance turbocharged and normally aspirated, gasoline and diesel engines.	HK\$98–HK\$128 (4L package)	
AMERICO	MAGIC POWER SAE 5W-40	This product series is fully synthetic engine oil which is designed to help to extend the engine life and offers protection against engine wear and corrosion.	HK\$228–HK\$300 (4L package)	
<u>Diesel engine oil</u>				
AMERICO	DEXUS 9600/9500	This is a series of commercial multi-purpose engine oil products designed for use in light and heavy duty diesel and gasoline engines.	HK\$410–HK\$520 (18L package)	
AMERICO	MULA S600 TURBO/MULA S500 TURBO/ MULA S400 TURBO	This product series is diesel engine oil which is designed to help to extend engine life in severe and off expressways application.	HK\$90–HK\$228 (4L package)	

BUSINESS





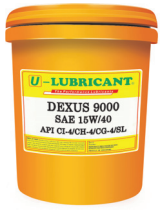
Brand name	Product name	Brief description of products	Price range ^(Notes)	Sample picture
<u>Gear oil</u> AMERICO	GEAR OIL EP SSAE 80W-90	This is a product series of multi-purpose gear lubricant designed to offer gear protection and fuel economy improvement.	HK\$99–HK\$120 (4L package)	
<u>ATFs</u> AMERICO	AUTOMATIC TRANSMISSION FLUID ATF-3	This is a series of petroleum fluid for automatic and power-shift transmissions.	HK\$375–HK\$420 (18L package)	

Notes: “Price range” denotes the wholesale price range or recommended retail price range of the respective product which varies depending on the product packaging and specifications during the Track Record Period.

BUSINESS

Industrial lubricant oil

Our key industrial lubricant oil mainly comprise compressor oil, turbine oil, soluble cutting oil and neat cutting oil. Descriptions of some of our key products in this category are set forth below:





Brand name	Product name	Brief description of products	Price range ^(Notes)	Sample picture
AMERICO	COMPRESSOR OIL	This product is designed to prevent deposit formation in high pressure systems.	HK\$500–HK\$600 (18L package)	
AMERICO	TURBINE	This product is designed to provide resistance against oxidation and the formation of sludge and varnish for turbine systems.	HK\$400–HK\$450 (18L package)	
AMERICO	NEAT CUTTING OIL	This product is designed to extend tool life and reduce work-piece deformation.	HK\$400–HK\$500 (18L package)	
AMERICO	SOLUBLE CUTTING OIL	This products is designed to offer rust protection and high heat absorbing features.	HK\$400–HK\$500 (18L package)	
U-LUBRICANT	DEXUS 9000/8000/7000	This product series provides protection to heavy duty diesel engines, including heavy duty construction machinery. It neutralises acids commonly found in diesel engines and minimise corrosive wear. This series is the major line of products from our in-house blending and repackaging operation.	HK\$275–HK\$350 (18L package)	

Notes: “Price range” denotes the wholesale price range or recommended retail price range of the respective product which varies depending on the product packaging and specifications during the Track Record Period.

BUSINESS

Specialty fluids

Our key speciality fluid products mainly comprise coolants, hydraulic oil and grease. Descriptions of some of our key products in this category are set forth below:

Brand name	Product name	Brief description of products	Price range ^(Notes)	Sample picture
<u><i>Hydraulic oil</i></u> AMERICO	HYDRAULIC OIL 32/ HYDRAULIC OIL 46/ HYDRAULIC OIL 68	This is a product series of long-life anti-wear hydraulic oil designed to extend the life of hydraulic equipment through resisting the formation of sludge.	HK\$250–HK\$290 (18L package)	
<u><i>Coolant</i></u> AMERICO	COOLANT	This product is designed to provide protection for the cooling system of petrol and diesel engines.	HK\$250–HK\$290 (18L package)	
<u><i>Grease</i></u> AMERICO	RED GREASE	This product is designed for the grease lubrication of rolling element and plain bearings	HK\$360–HK\$400 (15kg package)	
Dr. Lubricant	ADVANCE SUPER GREASE GAZAR K2/ BLUE GREASE RL2	This series of products are designed to lubricate moving surfaces of machinery and reduce friction and wears.	HK\$360–HK\$400 (15kg package)	

Notes: “Price range” denotes the wholesale price range or recommended retail price range of the respective product which varies depending on the product packaging and specifications during the Track Record Period.

Third-party branded lubricant oil

During the Track Record Period, we also procured third-party branded lubricant oil from oil companies, lubricant oil manufacturers as well as distributors of petrochemical products for onward wholesale through our fleet of trucks transporting from the Yuen Long Site to customers’ designated spot and retail for walk-in customers at the Sham Shui Po Outlet. We received the “35 Years of Long Service Award” from Oil Company X for the long-term distribution of its own branded lubricant oil. The aforesaid award was granted to our Group by Oil Company X in recognition of its decades-long business relationships not only with the first member company of our Group, being Yee Sing Hong which was incorporated in 2002, but also with other corporate entities owned by Mr. Hui before the incorporation of Yee Sing Hong. Our Directors consider that third-party branded lubricant oil is an important supplement to our product mix which enables us to satisfy the customers’ diverse requirements and preferences.

BUSINESS

The third-party branded lubricant oil offered at the Sham Shui Po Outlet for wholesale and retail sales during the Track Record Period was mainly automotive lubricant oil, industrial lubricant oil and specialty fluids which generally covered the same categories as those we distributed under our self-branded products. The table below sets forth descriptions of some of the third-party branded products we distributed during the Track Record Period:

Generic names of products	Brief description of products	Price range^(Notes)
<u>Automotive lubricant oil</u>		
Engine oil supplied by Oil Company X	This series of multi-grade engine oil is for the use in passenger car and light truck engines. It is designed to help to prevent formation of deposit and improve oil stability.	HK\$303.7 (4L package)
Mixed fleet motor oil supplied by Oil Company X	This series of products is designed for the use by naturally aspirated and turbocharged four-stroke diesel engines and four-stroke gasoline engines.	HK\$389.5 (4L package)
<u>Automotive lubricant oil</u>		
Engine oil supplied by Oil Company Y	This series of products is designed for the use by heavy-duty diesel engines.	HK\$312.5 (4L package)
Transmission oil supplied by Oil Company Y	This series of products is designed for the use by a variety of automotive transmission units.	HK\$1,810 (20L package)
<u>Industrial lubricant oil</u>		
General purpose soluble oil supplied by Oil Company X	This series of products is designed to form stable emulsions for use in a variety of machining operations	HK\$1,346.6 (18L package)
<u>Specialty fluids</u>		
Hydraulic fluids supplied by Oil Company X	This series of products is designed to provide protection to hydraulic pumps in mobile and stationary systems.	HK\$1,153– HK\$1,194.4 (18L package)
Greases supplied by Oil Company X	This is a series of multi-purpose extreme pressure greases for industrial grease applications.	HK\$1,751 (16kg package)
Hydraulic fluids supplied by Oil Company Y	This series of products is designed to offer protection to a variety of industrial hydraulic systems.	HK\$1,100 (20L package)
Greases supplied by Oil Company Y	This is a series of multi-purpose extreme pressure greases designed for grease lubrication of rolling element and plain bearings as well as hinges and sliding.	HK\$1,605 (18L package)

BUSINESS

Notes: “Price range” denotes the recommended retail price range of the respective product which varies depending on the product packaging and specifications during the Track Record Period.

Fluctuation of sales quantity of lubricant oil

For the year ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, our sales quantity of lubricant oil amounted to approximately 3.7 million litres, 3.3 million litres, 2.8 million litres and 0.9 million litres, respectively, among which the automotive lubricant oil accounted for approximately 0.7 million litres, 0.7 million litres, 0.8 million litres and 0.3 million litres, respectively. The decrease in our sales quantity of lubricant oil during the Track Record Period was mainly attributable to the decrease in the demand for lubricant oil for public and public related projects. Such decrease was mainly due to the slowdown of public construction projects as a result of the delay in passing of public works funding proposals by committees of the Legislative Council of Hong Kong in recent years.

Other products

Other products we supplied during the Track Record Period mainly included bitumen and kerosene. During the Track Record Period, we sourced such petrochemicals mainly from oil companies and distributors of petrochemical products in Hong Kong, and we also purchased finished products from manufacturers located in Singapore and Malaysia for onward sales under our self-owned brands in Hong Kong.

The table below sets forth the general information about our self-branded bitumen:

Brand name	Product name	Brief description of products	Price range <i>(Notes)</i>
AMERICO	Bitumen	This is a type of black, solvent based bitumen coating solution and is intended for cold application when applied by brushing, spraying or a suitable dipping process. It is designed to provide coating for the protection of iron and steel.	HK\$340–HK\$380 (18L package)

Notes: “Price range” denotes the wholesale price range or recommended retail price range of the respective product which varies depending on the product packaging and specifications during the Track Record Period.

For the year ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, our revenue from the sales of other products amounted to approximately HK\$8.8 million, HK\$5.6 million, HK\$4.1 million and HK\$1.3 million, representing approximately 0.9%, 0.7%, 0.6% and 0.6%, respectively, of our total revenue for the same period.

Fleet cards

Our fleet card business segment mainly targets small-to-medium commercial fleets in the construction and transportation sectors, as well as individual car owners. The fleet cards promoted by us allow our customers to purchase diesel or petrol (as applicable), as well as lubricant oil and greases supplied by Oil Company Y at any Network Gas Station. We promote our fleet cards through various channels, including field sales, telesales, direct marketing, point-of-sale marketing and online promotion. For details, please refer to the sub-section headed “— Sales and marketing —

BUSINESS

Marketing and promotion” in this section. As at 31 March 2015, 2016 and 2017 and 31 July 2017, we operated fleet card accounts in a total number of approximately 8,104, 17,807, 28,921 and 31,410, respectively. Potential customers apply for our fleet cards by submitting to us an application form and other supporting documents such as identity documents (which are required for individual applicants), business registration records (which are required for commercial applicants) as well as vehicle registration records (which are required for all applicants).

Cardholders are generally eligible for a discount against the posted retail fuel price in their purchase of diesel or petrol (as applicable) at a Network Gas Station, which discount is generally fixed at the time when the customer’s application is approved, unless the parties subsequently negotiate and agree otherwise. We determine such discounts pursuant to our internal sales policies and pricing schedules, as amended from time to time on the basis of fuel price charged by Oil Company Y and our desired profit margin. As such, the rates of discount vary across different fleet card accounts.

We generally grant a monthly spending limit of HK\$10,000 to new cardholders, and our fleet cards have with a credit cap up to HK\$40,000. We do not charge our fleet card applicants or cardholders any application fee, administration fee or any other miscellaneous expenses, nor do we require any deposit, collateral or guarantee from most of our fleet card users, except that we would demand guarantee from the proprietor or shareholder(s) of a commercial fleet if it has over 100 vehicles under the same account with us.

	Year ended 31 March									Four months ended 31 July		
	2015			2016			2017			2017		
	Sales			Sales			Sales			Sales		
Revenue	volume	Spread	Revenue	volume	Spread	Revenue	volume	Spread	Revenue	volume	Spread	
<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 3)</i>	<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 3)</i>	<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 3)</i>	<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 3)</i>	
HK\$'000	Litre '000		HK\$'000	Litre '000		HK\$'000	Litre '000		HK\$'000	Litre '000		
Provision of fleet												
card service	6,727	13,213	0.51	15,064	20,990	0.72	20,350	21,505	0.95	8,400	7,877	1.07

Notes:

1. Revenue from provision of fleet cards service is recognised on a net basis, based on the difference between gross proceeds received and receivable from fleet card holders and gross amounts paid and payable to Oil Company Y. Please also refer to the sub-section headed “Business — Sales and marketing — Pricing policy — Pricing policy for fleet card products” and Note 4 to the Accountants’ Report in Appendix I to this prospectus for further details.
2. It refers to the total sales volume of fuel (including diesel and petrol) via fleet cards operated by us in the respective period.
3. It refers to the product of dividing revenue by sales volume of the respective period.

BUSINESS

Our fleet card agreement with Oil Company Y

During the Track Record Period and as at the Latest Practicable Date, we were appointed by Oil Company Y as an authorised reseller of fleet cards on non-exclusive basis, and our fleet card business segment focused on the sales of fleet cards issued by Oil Company Y in Hong Kong. Set forth below is the salient terms of our current fleet card agreement with Oil Company Y which was subsisting as at the Latest Practicable Date:

Term	:	Four years and two months, expiring in April 2021.
Pricing	:	We enjoy fuel discounts and volume rebates under the agreement.
Payment term	:	We are granted a credit term of 15 days following the date of each invoice from Oil Company Y monthly. If we are in default of payment, a penalty may be charged to us by Oil Company Y on the outstanding amount.
Marketing activities	:	We are authorised to use trademarks of Oil Company Y in line with its branding policies for the marketing and sales of fleet cards issued by Oil Company Y in Hong Kong.
Guarantee	:	We are required to provide an unconditional and irrevocable guarantee on all payments and liabilities under the agreement.
Termination clause	:	The agreement could be terminated by either party in case of (a) material breach without being remedied by the other party; or (b) the other party goes into liquidation.

Pursuant to our subsisting fleet card agreement with Oil Company Y which was entered into in February 2017, annual sales volume targets (“**Volume Targets**”) were introduced for the first time while the same was not set out in any of our previous fleet card agreement with Oil Company Y. Should we fail to meet the Volume Targets, we would be required to pay a lump sum penalty (“**Volume Penalty**”) representing the product of volume shortfall multiplied by the specified unit price adjustment. We were not subject to any Volume Penalty for the calendar year of 2017. As the Volume Targets for the calendar year of 2018 is the same as 2017, we expect to continue to satisfy the Volume Targets in the calendar year of 2018.

BUSINESS

We are not contractually bound to deposit any specified amounts with Oil Company Y with respect to our fleet card business. However, during the Track Record Period we paid trade deposits as costs on account with Oil Company Y to settle payments made by our fleet card customers, the balance of which was approximately nil, HK\$7.9 million, HK\$6.6 million and HK\$9.7 million as at 31 March 2015, 2016 and 2017 and 31 July 2017, respectively. In our fleet card business, we are granted a credit term of 15 days following the date of each invoice from Oil Company Y monthly. We are also required to provide an unconditional and irrevocable guarantee on all payments and liabilities under our fleet card agreement with Oil Company Y. During the Track Record Period, we provided such guarantees by way of letter of guarantees issued by commercial banks in Hong Kong which were secured by charges either over leasehold land and building of our Group or certain properties held by our related parties, of which Mr. Hui and Ms. Tong are the controlling shareholders. Our Directors considered that the arrangement for costs on account with Oil Company Y not only ensure that we set aside sufficient financial resources to support the growing customers base (and their total fleet card spending) of our fleet card business segment, but also further bolster Oil Company Y's confidence in our ability to operate and expand our fleet card business. For details of our cost on amounts placed and guarantees provided to Oil Company Y during the Track Record Period, please refer to the sub-sections headed "Financial Information — Deposits, other receivables and prepayments", "Financial Information — Contingent liabilities" in this prospectus.

We commenced our first fleet card agreement with Oil Company Y in September 2013 with a term of one year, and had renewed the agreement throughout the Track Record Period. In February 2017, we renewed our fleet card agreement with Oil Company Y which became effective on 1 March 2017 and had a term up to April 2021. Such a long-term agreement not only indicates our stable business relationship with Oil Company Y, but also strengthens the certainty in formulating our strategies for the development of our fleet card business.

Our self-developed "TFH" app

Our self-developed "TFH" app was launched in March 2016 with an aim to provide convenient and value-added services to our fleet card customers and have better experience in using our fleet cards. Our self-developed "TFH" app is compatible with the two major smartphone operating systems on the market. According to the Frost & Sullivan Report, we are amongst the earliest fleet card resellers in Hong Kong providing value-added services to fleet card users via mobile apps.

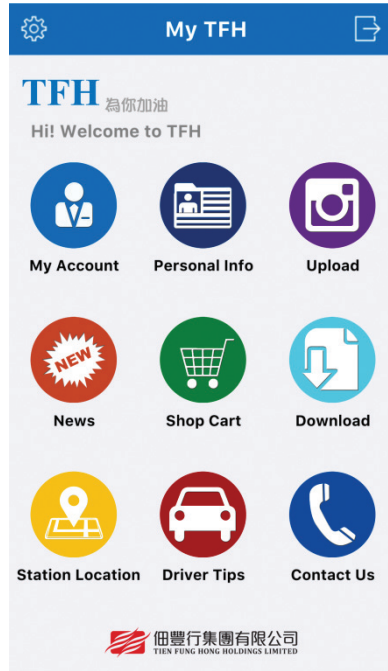
The screenshots below illustrate the key features of our self-developed “TFH” app.

User interface

Screenshot

Description of key features

Home screen of the app



Key functions of the app are categorised into the following major sections:

- “My Account” section allows customers to check their refuelling records in the current month and access past monthly bills.
- “Personal Information” section displays the basic information of the account holder.
- “Upload” section allows account holders to upload any information as needed, such as amendment to registered personal information.
- “News” section presents the latest promotions or offers from us.
- “Download” section gathers all forms available for download in connection with the application and use of our fleet cards.
- “Station Location” section assists our customers to locate the nearby Network Gas Stations through the smartphone’s positioning and navigation function.
- “Driver Tips” section promotes car-related services offered by our business partners.
- “Contact us” section displays the contact information where the customer could reach us for query or feedback.

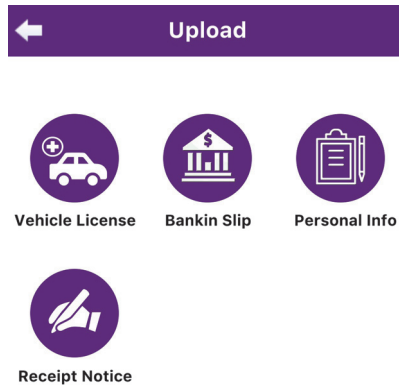
User interface

The screen of “My Account” section

Screenshot**Description of key features**

Customers could check their refuelling records in the current month and download monthly bills in the past nine months.

The screen of “Upload” section



Customers could send us certain documents within the app, such as the registration record of new vehicle(s) to be added to the same account, confirmation of receipt of the new fleet card, as well as amendment to registered personal information.

An account on our self-developed “TFH” app is automatically created for each of our fleet card customers. Leveraging on the large user base and interactive features of our self-developed “TFH” app, we have teamed up with third-party providers who offer vehicle-related services such as car repair, maintenance and car beauty on cross-marketing activities where we displayed in our self-developed “TFH” app the contact information of our business partners who offer car repair, maintenance and car beauty services in exchange for the display and distribution of our product leaflets (such as fleet card application forms) at such partners’ business sites. During the Track Record Period and as at the Latest Practicable Date, such cross-marketing activities were carried out free-of-charge among the parties, and we have not entered into any term contracts in this connection with such business partners. Going forward, we plan to improve the in-app promotion and sale of our self-branded automotive lubricant oil, and to introduce more car-related service providers on such an interactive platform. Please refer to the sub-section headed “— Business strategies — Broaden the offering of value-added services on our self-developed “TFH” app to provide ‘one-stop-shop’ experience” in this section for further details.

Customer information security

During the operation of our fleet card business, we electronically receive, process, store and transmit our customers’ and partners’ sensitive information, including personal identifiable information, bank account information and expense data. Please refer to the sub-section headed “Risk Factors — Risks relating to our business — We may not be able to adequately protect our customers’ data, which could subject us to liability and damage our reputation” in this prospectus.

We have established our information and data protection policy which governs the collection, transfer, processing and back-up of all personal data and other private information collected from fleet card holders and applicants, and have implemented internal policies and systems to protect the personal data and other private information collected from fleet card holders and applicants:

- All documentation collected from fleet card holders and applicants in electronic forms is protected by encrypted regular back-ups within the Group’s information management system. Such information will be destroyed two years after the respective fleet card holders terminate the fleet card service.
- Hard copy of all application documents from our fleet card applicants are kept by our Group in a locked document cabinet, the key to which is kept by the Group’s customer service manager. Such application documents will also be kept by our Group for two years before destruction.
- Appropriate levels of access control are implemented across our internal computer systems, so that the personal data and other private information of fleet card holders and applicants could only be accessed by senior management and permitted operation staff on an “need-to-know” basis.
- Mr. Eric Hui, our executive Director and chief executive officer (as supported by our in-house technician and external vendors), is responsible for overseeing the safekeeping of personal data and other private information in our possession as well as the maintenance of our internal systems for data storage, processing and protection.
- We set forth our privacy policy in our fleet card application form to notify fleet card applicants about our usage of personal data and other private information collected during the application process.

BUSINESS

During the Track Record Period and as at the Latest Practicable Date, we did not experience any breach of customer confidential information or any other customer information related incidents which could cause a material adverse effect on our business, financial condition or results of operations.

Seasonality

According to the Frost & Sullivan Report, demand for petrochemicals in Hong Kong is subject to seasonal fluctuation. As the commercial end users of diesel and lubricant oil distributed by us are mainly in the construction, civil engineering and transportation sectors, we generally experience a weak demand for such products during the Chinese New Year holiday from January to February, the rainy season in Hong Kong generally from April to June when the construction and civil engineering projects are in slow progress as affected by weather conditions. Generally our fleet card business segment also records fewer sales during holiday seasons such as Christmas and Chinese New Year holidays.

SALES AND MARKETING

Overview

During the Track Record Period, we derived substantially all of our revenue from the operation of our four business segments in Hong Kong namely, distribution of diesel, lubricant oil and other products as well as resale of fleet cards. For the year ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, we derived approximately 99.8%, 99.8%, 99.7% and 99.8%, respectively, of our revenue from customers based in Hong Kong. We also derived revenue from customers based in Macau during the Track Record Period, which accounted for approximately 0.2%, 0.2%, 0.3% and 0.2%, respectively, of our total revenue during the respective period.

Marketing and promotion

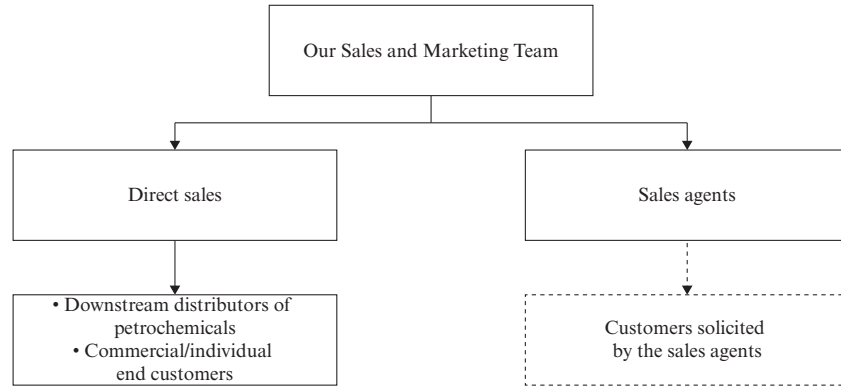
Marketing and promotion is important for our continued success and sustainable development. Our key marketing strategy is to promote our quality products, offer competitive pricing and provide quality after-sale services.

For our distribution of petrochemicals, we focus on promoting our products through advertisements on various media such as magazines, websites, as well as portable advertisements on vehicles. We also participate in trade shows and exhibitions in Hong Kong to enhance awareness of our self-owned brands and to develop new customers. For our fleet card business, we market our fleet card products to fleet operators and individual car owners through multiple channels including field sales, telesales, direct marketing, point-of-sale marketing and online promotion.

We have a dedicated sales and marketing team, which is led by one marketing manager and supported by two members as at 31 July 2017. We also engaged a team of third-party sales agents to promote our fleet card products. For details, please refer to the sub-section headed “— Sales and marketing — Sales Channels — Sales agents” in this section. Our in-house sales and marketing team is responsible for formulating our marketing strategies, implementing our marketing campaigns, as well as monitoring and evaluating the performance of our third-party agents.

Sales channels

Our sales network is comprised of two major channels, being (i) direct sales to downstream distributors of petrochemicals as well as commercial and individual end customers; and (ii) promotion through sales agents. Our main sales channels can be illustrated as follows:



During the Track Record Period, we derived revenue mainly from the direct sales of diesel, lubricant oil and other products to customers through our established distribution network as well as direct delivery from the Yuen Long Site to our customers' designated spot or the operation of Sham Shui Po Outlet for walk-in customers. During the Track Record Period we also sold a small portion of our lubricant oil to a customer located in Macau. In our fleet card business segment, we mainly rely on the sales referral from our sales agents in Hong Kong. During the Track Record Period, our sales commission paid to external sales agents for the promotion of fleet cards amounted to approximately HK\$2.8 million, HK\$5.8 million, HK\$7.4 million and HK\$2.0 million, respectively, which represented approximately 2.1%, 3.1%, 3.7% and 2.6% of our gross proceeds received and receivable from our fleet card holders for the year ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, respectively.

Direct sales

We directly sell our products mainly to (i) downstream distributors of petrochemicals, such as local traders and automotive service workshops; (ii) commercial end users of petrochemicals principally in the construction, civil engineering and transportation sectors; and (iii) individual customers. In our direct sales of petrochemicals and fleet card products, we generally sell our products on an order-by-order basis. We generally do not enter into term contract or framework sales agreement with our commercial customers, which practice is in line with industry norm.

BUSINESS

Sales to downstream distributors of petrochemicals

Our sales to customers who are downstream distributors of petrochemicals are made on order-by-order basis, and we generally do not enter into framework agreement or term contract with such customers, which practice is in line with industry norm. Major terms of our orders with downstream distributors of petrochemicals usually set forth product type, price, quantity and delivery schedules, which terms are generally negotiated between us and the respective distributors on an order-by-order basis. Our Directors understand that these distributors, who have chosen to place order with us, generally do not meet the oil companies' requirements to directly source from oil companies. While the Oil Company X is entitled to select distributors according to its internal policy which is not open to the public, we are of the view that we shall continue to be a qualified distributor to directly source oil products from Oil Company X because of the following:

- (a) our track record of punctual payment and our ability to (i) generate business volume with substantial turnover amount each year for Oil Company X; and (ii) place sufficient costs on accounts with Oil Company X;
- (b) our sizeable fleet which are all duly licensed to transport diesel; and
- (c) our expertise within the industry since 1970s in Hong Kong and our established customer base.

According to the Frost & Sullivan Report, there is a limited number of oil distributors which the four major oil companies in Hong Kong would prefer directly working with. Such oil distributors usually hold the following qualifications: (a) a fleet of wagons duly licensed to transport diesel; (b) not less than five years' track record; and (c) an annual sales volume of not less than 12 million litres.

Sales to commercial and individual end customers

To effect a transaction of petrochemicals, our commercial customers place purchase orders with us which generally stipulate the price, quantity, payment terms, delivery schedule, destination, as well as delivery arrangements. Such purchase orders are usually made by way of written agreement or exchange of electronic communications to stipulate the essential terms of the purchase. Once the purchase order is placed and agreed, its terms will not be amended or supplemented without mutual consent. Our individual walk-in customers are mainly served at the Sham Shui Po Outlet, where we have face-to-face communication with such customers to explain the specifications of our products and promote our diverse product portfolio.

In our direct sales of fleet card products, both our commercial customers and individual customers approach us directly in response to our advertisement in various channels or our other marketing campaigns. We process the applications from such direct sales customers by the same standard fleet card review procedures, details of which are set forth in the sub-section headed “— Business model — Provision of fleet cards service” in this section.

Sales agents

We promote our fleet card products primarily through a team of third-party sales agents in Hong Kong. Our sales agents exclusively solicit customers, and introduce, market, promote and sell our fleet card products on our behalf. We had approximately 21 sales agents in total as at the Latest Practicable Date; and as at 31 March 2015, 2016, 2017 and 31 July 2017, we engaged a total number of approximately 21, 20, 20 and 20 sales agents in Hong Kong, respectively.

We select sales agents based on their prior industry experience. Our sales agents are either self-employed individuals or companies engaged in the trading of petrochemical products in Hong Kong, both of which only receive success-commission instead of salary. During the Track Record Period, we principally engaged sales agents for reselling fleet cards. The table below sets forth the revenue from fleet card holders who were procured by the Group from referral by our sales agents:

	For the year ended 31 March						For the four months ended 31 July													
	2015			2016			2017			2016 (unaudited)										
	% of total revenue from fleet card business	% of total gross profit from fleet card business	% of total gross profit from business Revenue ⁽²⁾	% of total revenue from fleet card business	% of total gross profit from fleet card business	% of total gross profit from business Revenue ⁽²⁾	% of total revenue from fleet card business	% of total gross profit from fleet card business	% of total revenue from fleet card business	% of total gross profit from fleet card business	% of total revenue from fleet card business									
Revenue ⁽²⁾	3,853	57.3%	1,038	26.5%	9,280	61.6%	3,520	37.8%	14,115	69.3%	6,736	51.9%	4,124	61.5%	1,872	42.0%	4,884	57.7%	2,853	44.5%

Fleet card customers procured by sales agents⁽¹⁾

Notes:

- (1) The revenue and gross profit attributable to the referral of sales agents was based on the best estimate of our Directors given that (a) our revenue from fleet card business is recognized on the basis of difference between gross proceeds received and receivable from fleet card holders and gross amounts paid and payable to Oil Company Y; (b) in our ordinary course of business we have not specifically analyzed the revenue attributable to the referral of sales agents, as our commissions are paid to sales agents either by fixed amount or with reference to the volume of fuel purchased by fleet card holders, rather than on the basis of either gross proceeds received and receivable from fleet card holders or gross amounts paid and payable to Oil Company Y.
- (2) Our revenue from fleet card business is recognized on the basis of difference between gross proceeds received and receivables from fleet card holders and gross amounts paid and payable to Oil Company Y.

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Given that we maintain direct contact with and offer our services to the fleet card customers once after such customers are referred to us by the sales agent, to the best knowledge of our Directors, it is unlikely that our fleet card customers will cease using our fleet card services solely because we terminate our engagement of any sale agent. Besides, during the Track Record Period we maintained a relatively stable team of sales agents with whom we have entered into sales agency agreements, the turnover of which is set forth below:

	For the year ended 31 March			For the four months ended 31 July	
	2015	2016	2017	2016	2017
Opening balance of the year/ period	19	21	20	20	20
Intake	2	1	0	0	0
Outgoing	0	2	0	0	0
Closing balance of the year/ period	21	20	20	20	20

We have established our sales agency model to ensure that our sales agents are able to reach our target customers while maintaining our control over the quality of our fleet card products and the integrity of the sales process of our fleet card business. Notwithstanding the use of a sales agency network to market our services and products, our sales agents are neither our distributors nor our employees. Rather, our fleet card customers sign up for fleet cards and settle bills with us directly. Moreover, our sales agents do not have the right to decide or change the fuel prices charged by us during the customer's use of fleet cards; they are instead authorised to negotiate with fleet card applicants the fixed discount to be granted at the time of filing application for fleet card, which must be within our prescribed range of discount and is subject to our final approval.

Sales commissions

For the purpose of allocating sales commission, when we approve an application for a new cardholder solicited by our sale agent, such a fleet card account will be "assigned" to such sales agent who makes the referral. Our sales agents then receive commissions based on the fuel purchase made by their "assigned customers" using the fleet cards. During the Track Record Period and as at the Latest Practicable Date, we paid our sales agents monthly commissions based on two different models, namely volume-based commission, and commission by fixed amount:

- *Volume-based commission:* Under this model, the sales commissions to a sales agent are determined on the basis of total volume of fuel purchased by each of such sales agent's assigned customers within a billing cycle. Our sales agents share the credit risk with us under this model. If a customer fails to settle our bill in any billing cycle, we will withhold the sales commissions accrued from such defaulting customer for the corresponding period and will only pay out such commissions on the basis of net amounts recovered from such customer.
- *Commission by fixed amount:* Under this model, a sales agent is entitled to a one-off sales commission as long as a new customer solicited by the sales agent commences the use of a new fleet card and purchases a minimum volume of fuel within a prescribed period. The sales agents are not entitled to any commission based on the subsequent fuel purchase volume of their introduced customers.

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We generally agree the range of sales commission rates with our sales agents with reference to the fuel discounts granted by Oil Company Y to us, and may adjust the commission rates from time to time at our discretion based on the management's review of our sales and marketing strategies.

Under both models, the sales commissions are paid to our sales agents in one lump sum on a monthly basis. For the year ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, the sales commissions we paid to our sales agents for the promotion of fleet cards amounted to approximately HK\$2.8 million, HK\$5.8 million, HK\$7.4 million and HK\$2.0 million, respectively, which represented approximately 3.7%, 5.1%, 5.4% and 4.5% of our gross revenue attributable to fleet card holders procured by third-party sales agents during the same periods. For further details about our sales commissions, please refer to the sub-section headed "Financial Information — Description of selected items for the consolidated statements of profit or loss — Selling and distribution expenses" in this prospectus.

Management of sales agents

Our engagement of sales agents are governed by the sales agency agreement between our Group and the respective sale agent, the salient terms of which are set forth below:

Subject matter	:	To appoint the sale agent as the Group's agent to exclusively promote the fleet card services operated by the Group
Term of agreement and termination	:	<ul style="list-style-type: none">• The sales agency agreement generally has a term of one year, except our agreement with a sale agent which has a term of five year.• Either party may terminate the agreement at discretion upon prior written notice to the other party, or our Group may terminate the agreement with immediate effect if it is found that the sale agent is not acting as the Group's agent on an exclusive basis.
Sales commission	:	Please refer to the sub-section headed "— Sales and marketing — Sales channels — Sales agents — Sales commissions" in this section for details.

Our sales agents are supervised by our sales and marketing team, who provides regular and close interaction with the sales agents by relaying our marketing strategies, company developments, promotional events and feedback from the sales agents. Our sales and marketing team also regularly tracks performance of our sales agents.

Our sales agents are also required to comply with our fleet card sales policy which outlines our day-to-day operational requirements and standard procedures for our fleet card business. We update our sales agents on any revisions to business policies and promotion guidelines through notices and e-mails, or through our sales training provided to sales agents periodically.

To strengthen our sales agency management, we maintain customer service hotlines to, among other things, collect complaints and feedbacks from customers relating to the services and sales behaviour of our sales agents. During the Track Record Period, we have not received material complaints from our customers relating to the services and sales behaviour of our sales agents.

Pricing policy

Pricing policy for petrochemicals

We adopt the approach of cost-plus with mark-up margin in determining our pricing policy for the sales of petrochemicals. We assess our cost based on our expected purchase cost (i.e. the purchase price offered by our suppliers) and the estimated delivery cost. We determine the mark-up margin based on prevailing market oil price (such as the Europe Brent crude price), credit period offered to the customer, customer's purchase volume and our business relationship with the customer. We also consider the pricing of our competitors and may adjust our sale price accordingly. During the Track Record Period and as at the Latest Practicable Date, we have entered into term contracts with certain oil companies for the resale and distribution of diesel and third-party branded petrochemicals. Please refer to the sub-sections headed "— Our purchase and suppliers — Our relationship with Oil Company X" and "— Our products and services — Fleet cards" in this section for salient terms of such agreements. None of such agreements has any requirements, restrictions or guidelines on the resale price of the respective underlying petrochemicals, and we generally adopt the same pricing policy in the sales of all petrochemicals.

Details of our pricing policy are set out below:

- *Cost of purchase of petrochemicals:* We negotiate and determined the purchase price with our suppliers on order-by-order basis with reference to the prevailing market prices, expected purchase quantity, payment terms and the credit period offered by our suppliers. Since the supply and demand of petrochemicals are dynamic and may fluctuate constantly, we rely on our operation department to closely monitor the trend and changes of the market. We monitor the market dynamics of supply and demand of petrochemicals through regular communications with our suppliers and customers.
- *Delivery location and delivery arrangement:* In determining our mark-up margin, we take into account the number of diesel tank wagons or trucks needed for delivery, the delivery location, route chosen and the complexity of delivery method.
- *Length of credit period:* We generally demand payments within three to five days upon delivery of diesel to customers, and a credit period ranging from 15 to 30 days on average to in the sales of lubricant oil and other products.
- *Relationship with customers:* We may offer more favourable pricing to new customers with lower profit margin in order to induce such new customers to purchase petrochemicals from us and build a long-term business relationship with us.

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The following table sets forth the average selling price per litre of diesel and lubricant oil in our distribution of diesel and lubricant oil for the year ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017:

	For the year ended 31 March			For the four months ended 31 July	
	2015	2016	2017	2016	2017
	<i>HK\$/Litre</i>	<i>HK\$/Litre</i>	<i>HK\$/Litre</i>	<i>HK\$/Litre</i>	<i>HK\$/Litre</i>
Diesel ⁽¹⁾	5.4	3.4	3.2	3.0	3.3
Lubricant oil ⁽²⁾	<u>17.5</u>	<u>17.3</u>	<u>17.6</u>	<u>17.8</u>	<u>17.5</u>

Notes:

- (1) The average selling price of diesel during the Track Record Period is for illustrative purpose only. It is calculated based on our total revenue from the sales of diesel as divided by our total sales quantity during the respective period.
- (2) The average selling price of lubricant during the Track Record Period is for illustrative purpose only. It is calculated based on our total revenue from the sales of lubricant (including both our self-branded lubricant oil and the third-party branded lubricant oil) as divided by our total sales quantity (including both our self-branded lubricant oil and the third-party branded lubricant oil) during the respective period.

Pricing policy for fleet card products

During the Track Record Period, we were engaged in the resale of fleet cards issued by Oil Company Y in Hong Kong, and our revenue in the fleet card business segment was derived and recognized on a net basis, based on the difference between (a) gross proceeds received and receivables from fleet card holders and (b) gross amounts paid and payable to Oil Company Y. The gross proceeds received and receivables from fleet card holders present the Pump Price less the Fleet Card Discount offered by our Group to fleet card holders. The gross amounts paid and payable to Oil Company Y represent the Pump Price less the Oil Company Discount and volume rebate offered by Oil Company Y to our Group.

During the Track Record Period, the Oil Company Discount was negotiated between Oil Company Y and us subject to periodic review of market conditions. We determine our Fleet Card Discount and sales commissions offered to sales agents mainly on the basis of Oil Company Discount. For the year ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, the total amount of Oil Company Discount was approximately HK\$45.1 million, HK\$82.0 million, HK\$90.8 million and HK\$34.0 million, respectively, representing approximately 26.0%, 31.9%, 32.7% and 32.1% of the nominal total fuel purchase amount (calculated on the basis of Pump Price) by our fleet card holders for the respective period.

The volume rebates are offered to us by Oil Company Y on a sliding-scale basis if the monthly total fuel consumption volume by our fleet card customers exceeds certain thresholds. Such volume rebates are negotiated and agreed between Oil Company Y and us in the fleet card agreements and are subject to periodical review. For the year ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, the total amount of volume rebates from Oil Company Y was approximately HK\$2.8 million, HK\$7.7 million, HK\$7.8 million and HK\$3.7 million, respectively,

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representing approximately 1.6%, 3.0%, 2.8% and 3.5%, respectively, of the nominal total fuel purchase amount (calculated on the basis of Pump Price) by our fleet card holders for the respective period.

As we adopt the top-up pricing policy in our fleet card business, our effective discount margin represents the spread between the Oil Company Discount and the Fleet Card Discount. The aggregate of such an effective discount margin and the volume rebate comprised our revenue from fleet card business during the Track Record Period, a breakdown of which is set forth below:

	For the year ended 31 March			For the four months ended 31 July	
	2015 (HK\$'000)	2016 (HK\$'000)	2017 (HK\$'000)	2016 (HK\$'000) (unaudited)	2017 (HK\$'000)
Effective discount	3,962	7,361	12,555	3,502	3,369
Volume rebate	<u>2,765</u>	<u>7,703</u>	<u>7,795</u>	<u>2,436</u>	<u>3,717</u>
Total <i>(Note)</i>	<u><u>6,727</u></u>	<u><u>15,064</u></u>	<u><u>20,350</u></u>	<u><u>5,938</u></u>	<u><u>7,086</u></u>

Note: The aggregate of Effective Discount and the volume rebates amounts to the Group's revenue from fleet card business which is recognised based on the difference between gross proceeds received and receivable from fleet card holders and gross amounts paid and payable to Oil Company Y.

In line with our sales and marketing strategies, we vigorously promote our fleet card business by both encouraging our existing cardholders to increase fuel purchases with fleet cards and expanding the customer base of our cardholders, so that we could continuously improve the performance of our fleet card business segment.

Product warranty and return policy

We offer product swap on the sales of petrochemicals to our customers within ten days following the purchase. We bear the liability of product defects only on our in-house blended products. In terms of the third-party branded products, our upstream suppliers or distributors, as applicable, are generally liable for any defective products distributed or manufactured by them and offer replacement of defective products.

Upon receiving complaints from our customers and downstream distributors lodged through our customer service hotline, email, fax or walk-in visit at the Sham Shui Po Outlet which are relating to quality defects or shortfalls in quantity on the products we sold, we will work with our customers to investigate the issues together. If it is concluded that there are shortfalls in our delivery, we will make supplemental deliveries to our customers. For products with quality defects, we accept the exchange of same types of products or replacement with different types of products at the same value.

Given that our sales of third-party branded products to downstream distributors are covered by the quality warranty of the product manufacturers, we provide no refund or return of any obsolete inventories to our customers who are downstream distributors. In addition, the products purchased by customers using our fleet cards will be subject to the after-sales policies of Oil Company Y, and are not covered by our product return policy. We maintain customer service hotlines to, among other

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things, take complaints from customers relating to the services and sales behaviour of our sales agents. Please refer to the sub-section headed “— Sales and marketing — Sales agents — Management of sales agents” in this section for details.

During the Track Record Period and up to the Latest Practicable Date, we did not experience material product swap or disputes with our customers over quality of our products that may have a material adverse impact to our business operations.

OUR MAJOR CUSTOMERS

Our petrochemical products are primarily sold to downstream petrochemicals distributors as well as commercial end customers mainly in the construction, civil engineering and transportation sectors in Hong Kong. The customers of our fleet card products are mainly small-to-medium commercial fleets in the construction and logistics sectors, as well as individual car owners.

For the year ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, the revenue attributable to our five largest customers (in terms of revenue) was approximately HK\$623.9 million, HK\$556.6 million, HK\$496.3 million and HK\$166.5 million, respectively, which accounted for approximately 69.7%, 76.2%, 73.9% and 75.7%, respectively, of our total revenue for the same period. The sales to our largest customer (in terms of revenue) accounted for approximately 30.6%, 44.4%, 39.1% and 41.5%, respectively, of our total revenue for the year ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017. During the Track Record Period and up to the Latest Practicable Date, none of our Directors, their respective close associates, or any Shareholder (who, to the knowledge of our Directors, owned more than 5% of our issued capital as at the Latest Practicable Date), held any interest in any of our five largest customers.

To the best of our knowledge and belief, we sold most of our petrochemicals to logistics company, downstream distributor of petrochemicals and commercial end users during the Track Record Period. Breakdown of our top five customers are set out as follows.

	For the year ended 31 March						For the four months ended 31 July			
	2015		2016		2017		2016		2017	
	Revenue	% of total	Revenue	% of total	Revenue	% of total	Revenue	% of total	Revenue	% of total
	(HK\$'000)	revenue	(HK\$'000)	revenue	(HK\$'000)	revenue	(HK\$'000)	revenue	(HK\$'000)	revenue
	(unaudited)									
Top five customers —										
Logistics companies	273,763	30.6%	324,103	44.4%	262,469	39.1%	85,852	41.0%	91,260	41.5%
Top five customers —										
Downstream distributors of petrochemicals	350,120	39.1%	232,540	31.8%	233,785	34.8%	65,381	31.2%	75,210	34.2%
Customers other than top five customers (including commercial end users)	270,842	30.3%	173,828	23.8%	175,551	26.1%	58,414	27.9%	53,484	24.3%
Total	894,725	100.0%	730,471	100.0%	671,805	100.0%	209,647	100.0%	219,954	100.0%

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The table below sets forth the details of our five largest customers (in terms of revenue) during the Track Record Period:

For the year ended 31 March 2015

Rank	Customer	Principal business nature	Major products we sold	Approximate years of relationship	Revenue recorded <i>HK\$'000</i>	% of total revenue	Typical credit terms and payment method ⁽¹⁾
1	Customer A	A Hong Kong-based logistics company which is also engaged in the distribution of petrochemicals as a downstream distributor	Diesel and lubricant oil	7	273,763	30.6%	Payment on demand generally within five days by way of cheque upon each delivery
2	Customer B	A Hong Kong-based downstream distributor of petrochemicals	Diesel and lubricant oil	14	212,664	23.8%	Payment on demand generally within three to five days by way of cheque or bank transfer upon each delivery
3	Customer C	A Hong Kong-based downstream distributor of petrochemicals	Diesel and lubricant oil	14	64,196	7.2%	Payment on demand generally within three to five days upon each delivery ⁽²⁾ or a 30-day credit period ⁽³⁾ by way of cheque or bank transfer
4	Customer D	A Hong Kong-based downstream distributor of petrochemicals	Diesel	2	41,856	4.7%	Payment on demand generally within three to five days by way of cash, cheque or bank transfer upon each delivery
5	Customer E	A Hong Kong-based downstream distributor of petrochemicals	Diesel	8	31,404	3.4%	30–45 days with settlement by cheque or bank transfer

Notes:

- (1) Please refer to the sub-section headed “— Credit policy — Fleet cards credit management and control measures” in this section for credit terms and payment method applicable to fleet card customers.
- (2) Applicable to the sales of diesel.
- (3) Applicable to the sales of lubricant oil.

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For the year ended 31 March 2016

Rank	Customer	Principal business nature	Major products we sold	Approximate years of relationship	Revenue recorded <i>HK\$'000</i>	% of total revenue	Typical credit terms and payment method ⁽¹⁾
1	Customer A	A Hong Kong-based logistics company which is also engaged in the distribution of petrochemicals as a downstream distributor	Diesel and lubricant oil	7	324,103	44.4%	Payment on demand generally within five days by way of cheque upon each delivery
2	Customer B	A Hong Kong-based downstream distributor of petrochemicals	Diesel and lubricant oil	14	156,310	21.4%	Payment on demand generally within three to five days by way of cheque or bank transfer upon each delivery
3	Customer C	A Hong Kong-based downstream distributor of petrochemicals	Diesel and lubricant oil	14	44,135	6.0%	Payment on demand generally within three to five days upon each delivery ⁽²⁾ or a 30-day credit period ⁽³⁾ by way of cheque or bank transfer
4	Chivin Petroleum Company Limited	A Hong Kong-based downstream distributor of petrochemicals	Diesel and lubricant oil	5	19,541	2.7%	Payment on demand generally within five days by way of cheque upon each delivery
5	Customer D	A Hong Kong-based downstream distributor of petrochemicals	Diesel	2	12,554	1.7%	Payment on demand generally within three to five days by way of cash, cheque or bank transfer upon each delivery

Notes:

- (1) Please refer to the sub-section headed “— Credit policy — Fleet cards credit management and control measures” in this section for credit terms and payment method applicable to fleet card customers.
- (2) Applicable to the sales of diesel.
- (3) Applicable to the sales of lubricant oil.

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For the year ended 31 March 2017

Rank	Customer	Principal business nature	Major products we sold	Approximate years of relationship	Revenue recorded <i>HK\$'000</i>	% of total revenue	Typical credit terms and payment method ⁽¹⁾
1	Customer A	A Hong Kong-based logistics company which is also engaged in the distribution of petrochemicals as a downstream distributor	Diesel and lubricant oil	7	262,469	39.1%	Payment on demand generally within five days by way of cheque upon each delivery
2	Customer B	A Hong Kong-based downstream distributor of petrochemicals	Diesel and lubricant oil	14	124,981	18.6%	Payment on demand generally within three to five days by way of cheque or bank transfer upon each delivery
3	Customer C	A Hong Kong-based downstream distributor of petrochemicals	Diesel and lubricant oil	14	42,292	6.3%	Payment on demand generally within three to five days upon each delivery ⁽²⁾ or a 30-day credit period ⁽³⁾ by way of cheque or bank transfer
4	Customer D	A Hong Kong-based downstream distributor of petrochemicals	Diesel	2	34,094	5.1%	Payment on demand generally within three to five days by way of cash, cheque or bank transfer upon each delivery
5	Customer G	A sole proprietor engaged in the distribution of diesel in Hong Kong	Diesel and lubricant oil	less than one year	32,418	4.8%	Payment on demand generally within three to five days upon each delivery ⁽²⁾ or a 30-day credit period ⁽³⁾ by way of cheque or bank transfer

Notes:

- (1) Please refer to the sub-section headed “— Credit policy — Fleet cards credit management and control measures” in this section for credit terms and payment method applicable to fleet card customers.
- (2) Applicable to the sales of diesel.
- (3) Applicable to the sales of lubricant oil.

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For the four months ended 31 July 2017

Rank	Customer	Principal business nature	Major products we sold	Approximate years of relationship	Revenue recorded <i>HK\$'000</i>	% of total revenue	Typical credit terms and payment method
1	Customer A	A Hong Kong-based logistics company who is also engaged in the distribution of petrochemicals	Diesel	7	91,260	41.5%	Payment on demand generally within five days by way of cheque upon each delivery
2	Customer G	A sole proprietor engaged in the distribution of diesel in Hong Kong	Diesel and lubricant oil	less than one year	33,554	15.3%	Payment on demand generally within three to five days upon each delivery or a 30-day credit period by way of cheque or bank transfer
3	Customer D	A Hong Kong based downstream distributor of petrochemicals	Diesel	2	16,379	7.4%	Payment on demand generally within three to five days by way of cash, cheque or bank transfer upon each delivery
4	Customer B	A Hong Kong-based downstream distributor of petrochemicals	Diesel and lubricant oil	14	13,543	6.2%	Payment on demand generally within three to five days by way of cheque or bank transfer upon each delivery
5	Customer C	A Hong Kong-based downstream distributor of petrochemicals	Diesel, lubricant oil & fleet card	14	11,734	5.3%	Payment on demand generally within three to five days upon each delivery or a 30-day credit period by way of cheque or bank transfer

Our relationship with Customer A

We have established stable and long-term relationship with Customer A since 2010. As at the Latest Practicable Date, we maintained business relationship with this customer and, to the best knowledge of our Directors, we are Customer A's principal supplier of diesel in Hong Kong. For the year ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, our revenue attributable to the sales to Customer A amounted to approximately HK\$273.8 million, HK\$324.1 million, HK\$262.5 million and HK\$91.3 million, respectively, which accounted for approximately 30.6%, 44.4%, 39.1% and 41.5% of our total sales revenue for the corresponding period, respectively.

Background of Customer A

Customer A is a logistics company based in Hong Kong. To the best knowledge of our Directors, Customer A is also engaged in the distribution of petrochemical products as a downstream distributor which is ancillary to its principal business, and its customers mainly include construction sites and commercial fleets.

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Our framework supply agreement with Customer A

During the Track Record Period and as at the Latest Practicable Date, we have entered into framework supply agreement with Customer A for our sales of petrochemicals. Set forth below are the salient terms of our framework supply agreement with Customer A which is subsisting as at the Latest Practicable Date:

Term	:	Five years, expiring in June 2018.
Specification, price and quantity of petrochemicals	:	The specifications, price and quantity of petrochemicals shall be set out in a purchase order to be placed by Customer A from time to time.
Warranty	:	Customer A shall notify us in a timely fashion of any non-conforming products or quality issues; and if there are defects in our delivery, we offer aftersales services pursuant to our product warranty and return policies.
Delivery	:	Product delivery shall be arranged in accordance with the respective purchase orders.
Payment	:	Customer A is required to settle purchase price within five days upon receive of our delivery of products.

There is no minimum purchase commitment from Customer A. Consistent with our arrangements with other customers, Customer A makes purchase from us on an order-by-order basis on terms similar to those of the other customers. Please refer to the sub-section headed “— Sales and marketing — Sales Channels — Direct sales” in this section for further details. We have been negotiating with Customer A on renewing the framework supply agreement after it expires in June 2018, which negotiation was on-going as at the Latest Practicable Date. Considering our stable and long-term relationship with Customer A, our Directors did not foresee any material obstacle in such renewal.

Mutual and complementary reliance between Customer A and our Group

Our Directors consider that it is commercially beneficial for both of Customer A and us to maintain a close and long-term business relationship with each other, because of the following reasons:

- *Our relationship with Customer A has been shaped by the industry landscape.* We mainly supply diesel to Customer A. As described in the sub-section headed “— Our purchase and suppliers — Our relationship with Oil Company X” in this section, we obtain stable supply of diesel from Oil Company X which is one of the four dominant oil companies in Hong Kong. Given that we are one of the few major distributors in Hong Kong who have directly contracted with any of the four dominant oil companies, and that we possessed a market share of approximately 19.8% in terms of the estimated distribution value of diesel in Hong Kong in the year ended 31 March 2017, our Directors believe that downstream oil distributors (like Customer A) tend to rely on us, with whom they have formed long-term and stable relationship, for stable supply of fuel. By the same token, upstream oil distributors (like our Group) also tend to work with their preferred downstream distributors (like Customer A) because of their business connection with downstream customers, sales channel, purchase volume and their understanding of end customers’ needs and requirements. As such, our Directors are of the view, and Frost & Sullivan concurs, that it is an industry norm for upstream oil distributors (like our Group) to have a customer base relatively concentrated to a few downstream distributors (like Customer A) in Hong Kong.
- *We have established relationship with upstream suppliers and maintain stable supply of petrochemicals.* Our Directors also believe that our stable cooperation with Customer A was due to our established long-standing relationship with our major upstream suppliers. For example, We received the “35 Years of Long Service Award” from Oil Company X for the long-term distribution of its own branded lubricant oil; The Group sourced petrochemicals from Oil Company X since 2002 while it entered into the first term contract with Oil Company X in 2011 for sourcing diesel from Oil Company X. The aforesaid award was granted to our Group by Oil Company X in recognition of its decades-long business relationships not only with the first member company of our Group, being Yee Sing Hong which was incorporated in 2002, but also with other corporate entities owned by Mr. Hui before the incorporation of Yee Sing Hong. Our long-standing relationship with major suppliers enables us to negotiate for competitive prices in sourcing petrochemicals. We believe that Customer A could benefit from our stable sourcing of petrochemicals from oil suppliers.
- *We have extensive knowledge and experience in the distribution of petrochemicals in Hong Kong.* Our Directors believe that our stable relationship with Customer A was also grounded on our reputation in the industry, our extensive knowledge and experience in distributing petrochemicals in Hong Kong, our ability to meet their requirements as well as our high standard of service quality. We believe that Customer A could benefit from working with us and gaining access to a diverse portfolio of high quality petrochemicals, so that they are in a better position to serve their customers.

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- *Customer A may face potential challenges in the engagement of another supplier in place of our Group.* Over the years of cooperation, we have established a comprehensive understanding of Customer A's requirements as to product types and specifications, products delivery practice as well as its general operation flow. Our Directors believe that the process of identifying and engaging new upstream supplier with comparable volume of supply could be time consuming and might result in unforeseen operational problems to Customer A. Hence, unless there are imminent unresolvable adverse factors, such as material adverse change in Customer A's business operations, unreasonable prices offered by other suppliers, or our incapability in serving Customer A, our Directors are of the view that Customer A would normally prefer maintaining the existing stable business relationship with our Group.
- *Customer A is principally engaged in logistics business.* To the best knowledge of our Directors, Customer A is principally engaged in logistics business while its distribution of petrochemicals as a downstream distributor is ancillary to its principal business. As such, Customer A does not maintain designated team to establish direct distribution relationship with the oil companies. As such, our Directors believe that it will continue to source finished petrochemical products from us.

In light of the above, our Directors consider that our relationship with Customer A is mutually beneficial, and the reliance, if any, is also mutual and complementary.

Moreover, according to the Frost & Sullivan Report, the overall use of diesel in Hong Kong witnessed an increase at a CAGR of approximately 1.7% from 2011 to 2016. This upward trend is expected to continue, with an estimated CAGR of approximately 2.0% from 2017 to 2021, which growth is expected to be driven by the increasing public expenditure in infrastructure, development of residential projects as well as the stable demand for diesel being the primary choice in fuelling commercial vehicles and heavy industrial machinery in Hong Kong. Please refer to the sub-section headed "Industry Overview — Overview of diesel market in Hong Kong — Market drivers" in this prospectus for further details. Considering our established market position in distributing petrochemicals in Hong Kong, our experience in supplying fuel to downstream distributors as well as commercial users mainly in the construction and logistics sectors, as well as our stronger delivery capacity as supported by our self-owned fleet of wagons and trucks, our Directors are of the view that we are able to leverage on our strengths, replicate our experience gained in serving major customers such as Customers A, and maintain sustainable growth in revenue from the distribution of petrochemicals and the sales of our self-branded lubricant oil along with the positive market outlook.

Customer concentration risk

Although there has been a mutual and complementary reliance between Customer A and our Group as disclosed in the sub-section headed "— Our major customers — Our relationship with Customer A", and we have established stable and long-standing business relationships with other major customers, our Directors are of the view that our customer structure is still susceptible to inherent risk of customer concentration. For details, please refer to the following sub-sections in the "Risk Factors" section in this prospectus:

- "We generate a substantial portion of our revenue from Customer A; and any decrease or loss of business from Customer A could adversely and substantially affect our operations and financial conditions"; and

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- “In addition to reliance on Customer A, we also rely on our sales to other major customers, and our major customers do not have long-term commitments to purchase petrochemicals from us”.

To the best of our knowledge and belief, we sold most of our petrochemicals to logistics company, downstream distributor of petrochemicals and commercial end users during the Track Record Period. While we cannot ensure all of our customers use the products from us legally and are not engaged in illegal activities such as smuggling, we will enforce the following internal control measures to identify the red flag if our downstream customers are involved in illegal activities such as smuggling of petrochemicals to other jurisdictions:

- as an established market player, we correspond with oil companies, downstream distributors, upstream suppliers and transportation contractors from time to time so as to gather market information (such as any police investigation on those customers) which might be indicative of any illegal activities of our customers; and
- with respect to our top five customers in terms of transaction volumes in the most recent completed financial year, we will order litigation search and media background search on quarterly basis, and will make enquiry if the search results indicate any conviction record, litigation proceedings, prosecution records or negative news report which relate to our customers.

OUR PURCHASE AND SUPPLIERS

Overview

Our purchases mainly include diesel, third-party branded lubricant oil, semi-finished lubricant oil and unbranded finished lubricant oil, as well as other finished petrochemicals:

- *Diesel.* Our diesel products are mainly sourced from Oil Company X and other oil trading companies in Hong Kong. During the Track Record Period, we entered into agreements with Oil Company X for the supply of diesel during the Track Record Period. For the salient terms of such an agreement subsisting as at the Latest Practicable Date, please refer to the sub-section headed “— Our purchase and suppliers — Our relationship with Oil Company X” in this section.
- *Third-party branded lubricant oil.* We source third-party branded lubricant oil from Oil Company X and their distributors of other major oil companies who are mainly located in Hong Kong, and resell such lubricant oil to commercial and individual end-users. Our purchase of third-party branded lubricant oil from suppliers is generally made on an order-by-order basis.
- *Semi-finished lubricant oil and unbranded finished lubricant oil.* We also source semi-finished lubricant oil and unbranded finished lubricant oil from suppliers located in Singapore and Malaysia for our in-house blending and/or repackaging into wholesale and retail packs for sales in Hong Kong. Based on our required specifications, our suppliers develop the formula of lubricant oil, arrange for the sourcing and production, and sell us the finished products in bulk or retail packaging. We generally purchase semi-finished lubricant oil and unbranded finished lubricant oil from suppliers on an order-by-order basis without entering into term contracts with them.

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- *Other products.* For other products such as bitumen and kerosene, we make purchases mainly from oil suppliers as well as manufactures and distributors of petrochemical products in Hong Kong, Malaysia, and the Netherlands. During the Track Record Period, our purchase of other finished petrochemicals from suppliers is generally made on an order-by-order basis.

We also purchase additives, packaging materials and other consumables for the in-house blending of our self-branded lubricant oil. We source such raw materials mainly from manufacturers and distributors of petrochemical products located in Hong Kong, Singapore and Korea. Our purchases of such semi-finished products and raw materials are mainly on an order-by-order basis without entering into term contracts with suppliers.

We select our suppliers based on their product quality, price and delivery schedule. As at the Latest Practicable Date, there were approximately 25 suppliers on our approved list of suppliers. We select our suppliers from our approved list of suppliers based on their prices, quality, past performances and timeliness of delivery. We believe our established and stable relationships with our key suppliers enable us to obtain a reliable supply of finished products and raw materials essential to our business operations. During the Track Record Period, we did not experience any material difficulties in sourcing petrochemicals and other raw materials required for our business operation. Our Directors consider that the possibility of a material shortage or delay in the supply of petrochemicals and other raw materials is low given the abundance of suppliers of petrochemicals and raw materials in the market. During the Track Record Period, we did not experience any material interruption to our business operations due to shortage in the supply of petrochemicals and other raw materials, such as diesel, lubricant oil, other finished petrochemicals, semi-finished lubricant oil and additives.

Our suppliers generally grant us credit period in the range of 30 to 60 days, except that we are generally required to settle payment on or before delivery or collection of diesel and lubricant from Oil Company X as well as petrochemicals from overseas suppliers. For the purchase from suppliers with whom we have established long-term relationships, we are generally granted a credit period of 30 days following the date of invoice. The prices of finished petrochemicals, semi-finished products and raw materials are usually dictated by the market conditions and may fluctuate along with the trend of crude oil price in the international market. Please refer to the sub-section headed “Risk Factors — Risks relating to the industry — Our business and results of operations are dependent on the crude oil price which is driven by factors beyond our control” in this prospectus. We generally negotiate the price with our suppliers at the time of placing purchase orders, and certain oil companies may also provide indicative pricing schedules which are adjusted from time to time. Given that our sale prices of petrochemicals are determined based on a cost-plus approach with mark-up margin, we are generally able to pass on the increase in purchase costs to our customers.

We generally make purchases from our suppliers through purchase orders. The terms of such purchase which mainly include product type, price, quantity, delivery date and delivery location, are generally negotiated on an order-by-order basis. Such purchase orders are usually placed by way of fax or exchange of emails, and are legally binding once accepted by the suppliers. Once the purchase order is placed and accepted, the terms of purchase order will not be amended or supplemented without mutual consent.

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Our major suppliers

During the Track Record Period and as at the Latest Practicable Date, we have established long-standing and stable relationship with our five largest suppliers for periods ranging from two to 15 years. For the year ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, our five largest suppliers (in terms of purchase value) accounted for approximately 96.7%, 97.1%, 97.7% and 97.6%, respectively, of our total purchases, and our largest supplier (in terms of purchase value) accounted for approximately 93.6%, 94.0%, 94.9% and 94.7%, respectively, of our total purchases during the same periods. During the Track Record Period and up to the Latest Practicable Date, none of our Directors, their respective close associates, or any Shareholder (who, to the knowledge of our Directors, owned more than 5% of our issued capital as at the Latest Practicable Date), held any interest in any of our five largest suppliers.

The table below sets forth the details of our five largest suppliers (in terms of purchase value) during the Track Record Period⁽¹⁾:

For the year ended 31 March 2015

Rank	Supplier	Principal business nature	Major products we purchased	Approximate years of relationship	Amount of purchases (HK\$'000)	% of total purchase	Typical credit terms and payment method
1	Oil Company X	One of the four dominant oil companies in Hong Kong	Diesel and lubricant oil	15 ⁽²⁾	807,905	93.6%	Payment on or before delivery or collection of petrochemical products
2	Supplier A	A Hong Kong-based distributor of fleet cards and petrochemical products	Diesel	9	11,546	1.3%	Payment on demand by way of bank transfer
3	Tao Kee Electrical Engineering & Petroleum Products Co.	A Hong Kong-based distributor of lubricant oil	Lubricant oil	13	6,091	0.7%	30 days with settlement by cheque
4	WBF PTE LTD	A Singapore-based provider of lubricant oil and the relating product development services	Lubricant oil	9	5,078	0.6%	Cash-in-advance payment by way of telegraphic transfer
5	Supplier D	A Hong Kong-based distributor of petrochemical products	Diesel	6	4,422	0.5%	30 days with settlement by cheque

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For the year ended 31 March 2016

Rank	Supplier	Principal business nature	Major products we purchased	Approximate years of relationship	Amount of purchases (HK\$'000)	% of total purchase	Typical credit terms and payment method
1	Oil Company X	One of the four dominant oil companies in Hong Kong	Diesel and lubricant oil	15 ⁽²⁾	640,460	94.0%	Payment on or before delivery or collection of petrochemical products
2	Supplier D	A Hong Kong-based distributor of petrochemical products	Diesel	6	8,012	1.2%	30 days with settlement by cheque
3	Supplier A	A Hong Kong-based distributor of fleet cards and petrochemical products	Diesel	9	5,748	0.8%	Payment on demand by way of bank transfer
4	Supplier E	The Hong Kong subsidiary of a chemical distribution group headquartered in Mülheim, Germany (whose shares are traded on the German Stock Exchange)	Lubricant oil	10	4,152	0.6%	30 days with settlement by cheque
5	Tao Kee Electrical Engineering & Petroleum Products Co.	A Hong Kong-based distributor of lubricant oil	Lubricant oil	13	3,226	0.5%	30 days with settlement by cheque

For the year ended 31 March 2017

Rank	Supplier	Principal business nature	Major products we purchased	Approximate years of relationship	Amount of purchases (HK\$'000)	% of total purchase	Typical credit terms and payment method
1	Oil Company X	One of the four dominant oil companies in Hong Kong	Diesel and lubricant oil	15	589,625 ⁽²⁾	94.9%	Payment on or before delivery or collection of petrochemical products
2	Supplier D	A Hong Kong-based distributor of petrochemical products	Diesel	6	8,156	1.3%	30 days with settlement by cheque
3	Tao Kee Electrical Engineering & Petroleum Products Co.	A Hong Kong-based distributor of lubricant oil	Lubricant oil	13	3,814	0.6%	30 days with settlement by cheque
4	Fest Enterprises Oil Pte. Ltd.	A Singapore-based distributor of finished/ semi-finished lubricant oil	Lubricant oil and semi-finished lubricant oil	2	3,018	0.5%	Cash-in-advance payment by ways of telegraphic transfer
5	Supplier E	The Hong Kong subsidiary of a chemical distribution group headquartered in Mülheim, Germany (whose shares are traded on the German Stock Exchange)	Lubricant oil	10	2,789	0.4%	30 days with settlement by cheque

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For the four months ended 31 July 2017

Rank	Supplier	Principal business nature	Major products we purchased	Approximate years of relationship	Amount of purchases (HK\$'000)	% of total purchase	Typical credit terms and payment method
1	Oil Company X	One of the four dominant oil companies in Hong Kong	Diesel and lubricant oil	35	192,695	94.7%	Payment on or before delivery or collection of petrochemical products
2	Fest Enterprise Oil Pte. Ltd.	A Singapore-based trader of base oil and lubricant oil	Lubricant oil and base oil	2	2,213	1.1%	Cash in-advance payment by way of telegraphic transfer
3	Tao Kee Electrical Engineering & Petroleum Products Co.	A Hong Kong-based distributor of lubricant oil	Lubricant oil	13	1,697	0.8%	30 days with settlement by cheque
4	Supplier E	The Hong Kong subsidiary of a chemical distribution group headquartered in Mülheim, Germany (who shares are traded on the German Stock Exchange)	Lubricant oil	10	1,041	0.5%	30 days with settlement by cheque
5	Supplier D	A Hong Kong-based distributor of petrochemical products	Diesel	6	923	0.5%	30 days with settlement by cheque

Notes:

- (1) Our revenue derived from the provision of fleet cards service is recognised based on the difference between gross proceeds received and receivables from fleet card service and gross amounts paid and payable to Oil Company Y. For details, please refer to the sub-section headed “Financial Information — Description of selected items for the consolidated statements of profit or loss — Revenue — Provision of fleet cards services” in this prospectus. Set forth below are the gross amounts paid and payable to Oil Company Y by us during the Track Record Period:

	For the year ended 31 March			For the four months ended 31 July	
	2015	2016	2017	2016	2017
Gross amounts paid and payable to Oil Company Y	<u>125,942</u>	<u>167,535</u>	<u>179,290</u>	<u>55,339</u>	<u>67,043</u>

- (2) We received the “35 Years of Long Service Award” from Oil Company X for the long-term distribution of its own branded lubricant oil. The aforesaid award was granted to our Group by Oil Company X in recognition of its decades-long business relationship not only with the first member company of our Group, being Yee Sing Hong which was incorporated in 2002, but also with other corporate entities owned by Mr. Hui before the incorporation of Yee Sing Hong.

Overlap between customers and suppliers

Some of our suppliers may, on occasions, purchase petrochemicals from us if we have such products in stock or we are able to secure such products that they are in need of from respective sources. Sales to such customers who are also our suppliers could include diesel, our self-branded and third-party branded lubricant oil. During the Track Record Period, three, four, three and two of our five largest suppliers (in terms of purchase value) were also our customers for the year ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, respectively. Our aggregate purchases from these parties were approximately HK\$15.6 million, HK\$23.1 million, HK\$14.8 million and HK\$2.6 million, respectively, which accounted for approximately 1.8%, 3.4%, 2.4% and 1.1%, respectively, of our total purchase for the year ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017. Our aggregate sales to such parties were approximately HK\$3.1 million, HK\$13.0 million, HK\$2.8 million and HK\$1.1 million, respectively, representing approximately 0.3%, 1.8%, 0.4% and 0.5%, respectively, of our total revenue for the year ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017.

The terms of transactions with such customers who are also our suppliers are similar to those transactions with our other customers. Our sales invoices to such parties are standardised invoices consistent with those issued to other major customers of our Group. In addition, our Directors confirmed that during the Track Record Period: (a) negotiations of the terms of our sales to and purchases from such parties were conducted in the ordinary course of business under normal commercial terms and on arm's length basis; (b) the sales to and purchases from such parties were neither inter-connected nor inter-conditional with each other; and (c) none of the products we purchased from such parties was subsequently sold back to the same party, nor vice versa.

Our relationship with Oil Company X

Oil Company X is a subsidiary of a multinational energy group headquartered in California, United States which is one of the leading energy conglomerates mainly engaged in the exploration, production and transportation of crude oil and natural gas, as well as the refining, marketing and sales of automotive fuels and lubricant oil worldwide.

According to the Frost & Sullivan Report, all diesel products consumed in Hong Kong are imported from overseas, and the entire market is dominated by four oil companies only, and there are a limited number of major distributors who directly contracted with oil companies in Hong Kong for the sourcing and sales of diesel. While it is rarely seen in the market that a major distributor directly source oil products from multiple oil companies at the same time, we pride ourselves on our established direct sourcing channel from oil companies, which places us in a relatively higher rank in the supply chain.

Oil Company X is our dominant supplier of diesel. During the Track Record Period, Oil Company X was one of our five largest suppliers (in terms of purchase value), from whom we mainly sourced diesel and its own branded lubricant oil. For the three years ended 31 March 2017 and the four months ended 31 July 2017, our purchase from this supplier accounted for approximately 93.6%, 94.0%, 94.9% and 94.7%, respectively of our total purchases for the same periods. Please also refer to the sub-section headed "Risk Factors — Risks relating to our business — We are dependent on the supply of diesel, lubricant oil and other products from our suppliers" in this prospectus.

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Contractual arrangement with Oil Company X

During the Track Record Period and as at the Latest Practicable Date, we have entered into agreements with Oil Company X for obtaining its supply of diesel. Such agreements generally have a term of two years.

Diesel contracts

Set forth below are the salient terms of our agreement with Oil Company X for our sourcing of diesel, which agreement is subsisting as at the Latest Practicable Date:

Term	:	From 1 July 2017 to 30 June 2019
Purchase order	:	We have no commitment to purchase diesel from Oil Company X until we place a purchase order, which generally sets out the specifications of diesel required, purchase price, purchase quantity and other commercial terms (such as delivery date and delivery locations).
Commitment on purchase volume	:	We are not subject to any minimum purchase requirement with Oil Company X, and the parties agreed on a monthly estimated supply volume in good faith for indicative purpose only.
Pricing	:	The prices of diesel to be purchased under the agreement are negotiated between Oil Company X and us from time to time.
Payment term	:	We are required to settle the purchase price before collection of diesel from Oil Company X.
Termination clause	:	Either party may terminate the agreement with or without cause upon at least 14 days' prior written notice to the other party.

While the termination clause only required 14 days' notice, our Directors are of the view that:

- (1) There is no foreseeable risk of Oil Company X terminating such contract, considering the reasons below:
 - (a) We commenced sourcing petrochemicals from Oil Company X since the incorporation of Yee Sing Hong, being the first member company of our Group, in 2002; while it entered into the first term contract with Oil Company X in 2011 for sourcing diesel from Oil Company X. Hence, our Group has established long-standing and continuous business relationships with Oil Company X in the trading of diesel in Hong Kong.

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- (b) According to the Frost & Sullivan Report, we were ranked as the second largest diesel distributor in Hong Kong, with a market share of approximately 19.8% in terms of the estimated distribution value of diesel in Hong Kong in the year ended 31 March 2017. Given our established market position, it would not be easy to replace us with another market player with comparable distribution capability and market share in Hong Kong.
- (2) Even in the unlikely event that our term contract with Oil Company X is terminated or otherwise not renewed upon expiry in June 2019, we shall be able to source diesel from other sources:
- (a) According to the Frost & Sullivan Report, on one hand, all diesel products consumed in Hong Kong are imported from overseas, and the entire market is dominated by four oil companies only (including Oil Company X); on the other hand, we were ranked as the second largest diesel distributor in Hong Kong, with a market share of approximately 19.8% in terms of the estimated distribution value of diesel in Hong Kong in the year ended 31 March 2017. As such, we are likely to become a top or even key distributor of any of the other three oil companies on the market should we decide to open negotiation with them. On this basis, in the unlikely event where Oil Company X unilaterally terminates or deliberately limits its supply of diesel to us, we are confident that we can establish business relationships with other oil companies without material disruption to our business.
 - (b) Even if our negotiation with other oil companies takes time, we are still able to source diesel from diesel distributors at market price and on normal commercial terms. During the Track Record Period, we sourced diesel from other suppliers in addition to Oil Company X. Please refer to the sub-section headed “— Our purchase and suppliers — Our major suppliers” in this section for details.

Please also refer to the sub-section headed “— Our purchase and suppliers — Our relationship with Oil Company X — Sustainability of our business despite obtaining a significant proportion of diesel and part of third-party branded lubricant oil from Oil Company X” in this section for further detail.

Background of Oil Company X

According to the Frost & Sullivan Report, all diesel products consumed in Hong Kong are imported from overseas, and the entire market is dominated by four oil companies only, one of which being the Oil Company X. Oil Company X is a subsidiary of a multinational energy group headquartered in California, United States supplying energy and related products worldwide. It is also one of the major suppliers of other petrochemical products in the Hong Kong market.

We mainly source diesel and lubricant oil from Oil Company X. We have established long-term and stable relationship with Oil Company X. We received the “35 Years of Long Service Award” from Oil Company X for the long-term distribution of its own branded lubricant oil. The aforesaid award was granted to our Group by Oil Company X in recognition of its decades-long business relationships not only with the first member company of our Group, being Yee Sing Hong which was incorporated in 2002, but also with other corporate entities owned by Mr. Hui before the incorporation of Yee Sing Hong. As at the Latest Practicable Date, we have also been procuring diesel under fuel supply agreements with Oil Company X for around six years.

Industry landscape

According to the Frost & Sullivan Report, it is a market practice that oil companies in Hong Kong limit their direct sales of diesel to their key account corporate customers such as large construction groups and transportation companies, as well as to individual customers via gas stations; and that due to concerns over cost efficiency and credit risk management, such oil companies prefer appointing a limited number of major distributors (such as our Group) to serve downstream customers such as sub-distributors as well as small and medium-sized commercial end users. Due to the nature of the oil distribution industry in Hong Kong, such major distributors appointed by oil companies usually have established business tracked record, broad distribution network and good relationship with customers, solid financial strength, as well as strong serving capability as demonstrated by possession of diesel tank wagons.

According to the Frost & Sullivan Report, there are a limited number of major distributors who directly contracted with oil companies in Hong Kong for the sourcing and sales of diesel, and the five largest major distributors (including our Group) collectively accounted for a market share of approximately 53.8% in terms of the estimated distribution value of diesel in Hong Kong in the year ended 31 March 2017. It is also rarely seen in the market that a major distributor directly source oil products from multiple oil companies at the same time. Please also refer to the sub-section headed “— Market and competition” in this section and the sub-section headed “Industry overview — Overview of diesel market in Hong Kong — Competitive landscape” in this prospectus for further details.

In light of the above, our Directors are of the view, which Frost & Sullivan concurs, that it is an industry norm for major oil distributors to concentrate their source of supply to few key oil companies; and it is commonly seen that a major distributor in Hong Kong (like our Group) concentrates its source of supply to one of the four dominant oil companies (including Oil Company X) in Hong Kong.

Sustainability of our business despite obtaining a significant proportion of diesel and part of third-party branded lubricant oil from Oil Company X

Our Directors consider that our substantial purchases of diesel and part of third-party branded lubricant oil (being Oil Company X’s branded lubricant Oil) from Oil Company X and the extent of supplier concentration during the Track Record Period will not materially affect our business prospects. Sustainability of our business is based on the following factors:

Our profitability and business growth do not rely solely on the distribution of diesel supplied by Oil Company X

The table below sets forth a breakdown with details of our revenue and gross profit derived from the distribution of diesel and third-party branded lubricant oil as well as the sales of self-branded lubricant oil in the Track Record Period.

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While the proportion of our revenue derived from the sales of diesel in our total revenue was approximately 91.1%, 89.4%, 89.1% and 88.2%, respectively, for the year ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, respectively, the corresponding gross profit arising from the sales of diesel only represented approximately 37.4%, 35.2%, 27.8% and 23.4%, respectively, of our Group's total gross profit during the same periods.

Moreover, although only contributing a relatively small proportion of our total revenue, each of the fleet card business and our sales of self-branded lubricant oil segments have become an important driver of our overall business during the Track Record Period.

Based on the above, our Directors consider that our profitability and business growth have not and will not rely solely on the distribution of diesel supplied by Oil Company X.

We have been diversifying our product mix and service offering and reducing reliance on the sales of diesel and third-party branded lubricant oil from Oil Company X

We have formulated our strategies to further diversify our source of revenue and continue the growth of our profitability, which mainly include the expansion of the in-house blending of our self-branded lubricant oil, penetration of our self-branded products to the Hong Kong market and expanding fleet card business. For further details, please refer to the sub-section headed “— Business strategies” in this section. Based on the above, our Directors are of the view that we have been reducing reliance on the sales of diesel through diversification of our product mix and service offering during the Track Record Period, and that we are able to sustain our profitability through the development of our self-branded lubricant oil as well as fleet card business segment.

We have established long-standing and stable business relationship with Oil Company X

As a veteran distributor of Oil Company X's branded lubricant oil in Hong Kong, we received a “35 Years of Long Service Award” from Oil Company X. The aforesaid award was granted to our Group by Oil Company X in recognition of its decades-long business relationships not only with the first member company of our Group, being Yee Sing Hong which was incorporated in 2002, but also with other corporate entities owned by Mr. Hui before the incorporation of Yee Sing Hong. We used to source third-party branded lubricant oil from Oil Company X, and we also entered into diesel supply agreements with Oil Company X since 2011. Our Directors confirmed that during the Track Record Period we have not experienced difficulties in renewing our term contract with Oil Company X for the sourcing of diesel and Oil Company X's branded lubricant oil. Considering our established business relationship with Oil Company X as well as our track record in working with Oil Company X under the fuel supply agreements, our Directors consider it unlikely that Oil Company X would unilaterally terminate or deliberately limit its supply of diesel or third-party branded lubricant oil to us.

Our relationship with Oil Company X is mutually beneficial

According to the Frost & Sullivan Report, it is a market practice that oil companies in Hong Kong limit their direct sales of diesel to their key account corporate customers such as large construction groups and transportation companies, as well as to individual customers via gas stations. Due to concerns over cost efficiency and credit risk management, such oil companies prefer appointing a limited number of major distributors to serve downstream customers such as sub-distributors as well as small and medium end users. According to the Frost & Sullivan Report, the

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five largest major distributors (including our Group) collectively accounted for a market share of approximately 53.8% in terms of the estimated distribution value of diesel in Hong Kong in the year ended 31 March 2017, among which we were ranked as the second largest distributor with a market share of approximately 19.8% in the same market. According to the Frost & Sullivan Report, we were one of the two major distributors of petrochemicals in Hong Kong who sourced diesel under term contracts directly with Oil Company X in each year ended 31 March 2015, 2016 and 2017; and our market share (in terms of the estimated distribution value of diesel in Hong Kong in the year ended 2017) was almost triple of that of the other major distributor who contracted with Oil Company X.

We have entered into fuel supply agreements with Oil Company X since 2011 and have been sourcing diesel from it in Hong Kong since then. On the one hand, our cooperation with Oil Company X has ensured our stable supply of quality diesel; while on the other hand, our Directors believe that Oil Company X has also benefited from our strong product delivery capacity as supported by our fleet of wagons, as well as our established distribution network with broad customer base in Hong Kong, as demonstrated by our strong market position and leading market share in the year ended 31 March 2017 according to the Frost & Sullivan Report. Considering the present competition landscape in the Hong Kong market and the capital-intensive industry entry barrier as described in the sub-section headed “— Market and competition” in this section, our Directors believe that it may not be easy for Oil Company X to find a comparable replacement for our role in distributing its diesel and lubricant oil in the near term.

As such, our Directors are of the view that our relationship with Oil Company X is mutually beneficial, and the reliance, if any, is also mutual and complementary.

Industry practice and our ability to source diesel and third-party branded lubricant oil from alternative suppliers

According to the Frost & Sullivan Report, all diesel products consumed in Hong Kong are imported from overseas, and the entire market is dominated by four major oil companies. It is rare in the market for a major distributor (like our Group) to directly source oil products (such as diesel and/or third-party branded lubricant oil) from multiple oil companies at the same time; and it is common that a major distributor in Hong Kong (like our Group) concentrates its source of supply to one of the four dominant oil companies in Hong Kong. We received the “35 Years of Long Service Award” from Oil Company X for the long-term distribution of its own branded lubricant oil. The aforesaid award was granted to our Group by Oil Company X in recognition of its decades-long business relationships not only with the first member company of our Group, being Yee Sing Hong which was incorporated in 2002, but also with other corporate entities owned by Mr. Hui before the incorporation of Yee Sing Hong. During the Track Record Period and as at the Latest Practicable Date, we have been sourcing diesel under fuel supply agreements with Oil Company X for around six years. Our Directors believe that our loyalty towards and the long-established business relationship with Oil Company X are beneficial to our bargaining position with Oil Company X.

During the Track Record Period and although limited in volume, we have sourced diesel from other petrochemicals distributors in Hong Kong. Under our agreement with Oil Company X for obtaining its supply of diesel, we have no commitment to purchase diesel from Oil Company X until we place a purchase order. Similarly, we have no commitment to purchase third-party branded lubricant oil from Oil Company X until we place a purchase order with it pursuant to mutually agreed terms therein. Our diesel agreements with Oil Company X neither restrict our ability to

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source petrochemical products from alternative suppliers, nor prohibit us from selling petrochemicals procured from alternative sources. During the Track Record Period, we did not experience any material shortage or suspension in the supply of diesel or lubricant oil from Oil Company X which resulted in material interruption to our business operations; and in the event that the terms of specific purchase orders could not be mutually agreed between Oil Company X and us, we sourced diesel or third-party branded lubricant oil from other distributors of petrochemical products. Based on the market information available to us and considering that (a) our established market position as the second largest diesel distributor in Hong Kong with a market share of approximately 19.8% in terms of the estimated distribution value of diesel in Hong Kong in the year ended 31 March 2017 (according to the Frost & Sullivan Report); (b) our strong capability in serving downstream petrochemicals distributors and commercial end users as supported by our self-owned fleet of wagons with flexible delivery capacity and schedule; (c) our track record of directly sourcing diesel and third-party branded lubricant oil from one of the four dominant oil companies in Hong Kong which itself signifies our satisfaction of Oil Company X's requirements in its selection of competent business partner; and (d) there are alternative petrochemical suppliers (including other oil companies as well as petrochemicals distributors) in the market, our Directors believe that, in the unlikely event where Oil Company X unilaterally terminates or deliberately limits its supply of diesel and/or its own branded lubricant oil to us, we, as an established market player, shall be able to source such products at market price and on normal commercial terms from alternative suppliers.

We are capable of maintaining growth of revenue in the future in light of the overall prospect of the industry

During the Track Record Period, our revenue from the sales of diesel accounted for approximately 91.1%, 89.4%, 89.1% and 88.2% of our total revenue from the year ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, respectively. According to the Frost & Sullivan Report, the overall use of diesel in Hong Kong grew at a CAGR of approximately 1.7% from 2011 to 2016. Such a growth prospect is expected to continue, with an estimated CAGR of approximately 2.0% from 2017 to 2021. According to the Frost & Sullivan Report, the main drivers behind such an expected growth trend include: (a) increasing public expenditure in infrastructure; (b) development of residential projects; and (c) stable demand for diesel which is expected to remain as the primary choice in fuelling commercial vehicles and heavy industrial machinery in Hong Kong in the near future. For details, please refer to the sub-section headed "Industry Overview — Overview of diesel market in Hong Kong — Market drivers" in this prospectus.

According to the Frost & Sullivan Report, new entrants must overcome substantial entry barriers in the diesel market in Hong Kong, which mainly include developing stable relationship with dominant oil companies or major upstream distributors, cultivating customer relationship and establishing distribution network, as well as maintaining strong working capital sufficiency as required by the capital-intensiveness of petroleum distribution sector. For further details, please refer to the sub-section headed "Industry Overview — Overview of diesel market in Hong Kong — Entry barrier" in this prospectus.

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Considering our competitive strengths below during the Track Record Period, our Directors believe that we are well equipped to retain our market share and market position, and achieve overall growth in our revenue along with the positive outlook for the diesel market in Hong Kong:

- We have well established business relationship with our customers who include downstream distributors and commercial end users of diesel;
- We possess our own fleet of wagons with various delivery capacity and are duly licensed to deliver diesel products to our customers at flexible schedule; and
- We have an experienced and dedicated management team who has track record in leading our Group to achieve growth in profitability during the Track Record Period.

Given such a positive outlook for the diesel market in Hong Kong, our Directors are of the view that there is no reasonable commercial cause for Oil Company X to unilaterally terminate or deliberately limit its supply of diesel to us; and in the unlikely event that Oil Company X does so, it will not be commercially difficult for our Group to identify alternative suppliers.

Please also refer to the sub-section headed “— Competitive strengths” in this section for further details.

Our relationship with Oil Company Y

Oil Company Y is a subsidiary of a multinational energy group headquartered in The Hague, the Netherlands which is a leading oil and gas group with operations worldwide mainly engaged in the exploration and liquefying of natural gas, the refining of crude oil, as well as the production and sales of a variety of petrochemical products for industrial and automotive use. According to the Frost & Sullivan Report, Oil Company Y is one of the four dominant suppliers of oil products in the Hong Kong market. During the Track Record Period, our fleet card business segment focused on the promotion of fleet cards issued by Oil Company Y in Hong Kong. We commenced our first fleet card agreement with Oil Company Y in September 2013 with a term of one year and had continued such business relationship as an authorised fleet card reseller of Oil Company throughout the Track Record Period. In February 2017, we renewed our fleet card agreement with Oil Company Y which became effective on 1 March 2017 with a term up to April 2021. Such a long-term agreement not only indicates our stable business relationship with Oil Company Y, but also strengthens the prospect of our planning for the development of our fleet card business. Please refer to the sub-section headed “- Our products and services — Fleet cards — Our fleet card agreement with Oil Company Y” for the salient terms of our current fleet card agreement with Oil Company Y.

During the Track Record Period, our revenue from the fleet card business segment accounted for approximately 0.8%, 2.1%, 3.0% and 3.8% of our total revenue for the year ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, respectively; and our gross profit from the fleet card business segment accounted for approximately 15.4%, 22.2%, 31.4% and 39.0% of our total gross profit for the same period respectively. We have established our operational platform (including our self-developed “TFH” app) to support the operation of our fleet card business, which platform could be expanded and upgraded to accommodate future growth of our business cooperation with Oil Company Y or other business partners should there be suitable business opportunities.

IN-HOUSE BLENDING AND REPACKAGING OPERATION

During the Track Record Period, we sourced semi-finished lubricant oil in bulk volume and/or finished lubricant oil from overseas suppliers for our in-house blending and/or repackaging into wholesale and retail packs for sales under our brands. Constrained by the availability of machinery, our in-house blending operation has been restricted to either (1) pouring selected type and amount of lubricant oil into storage container at the Yuen Long Site when we offload semi-finished lubricant oil from shipment container; or (2) a very limited scale of manual operation for the blending and repackaging of industrial lubricant oil in a limited number of specifications, such as hydraulic oil and cylinder oil for walk-in customers. During the Track Record Period and to the best of our Directors' knowledge, the production volume of lubricant oil from our in-house blending operation amounted to approximately 1.4 million litres, 1.2 million litres, 1.2 million liters and 0.4 million litres in the year ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, respectively; and the sales quantity of finished lubricant oil from our in-house blending operation was approximately 1.4 million litres, 1.2 million litres, 1.1 million litres and 0.4 million litres, respectively, for the corresponding period, representing approximately 63.9%, 59.1%, 61.8% and 59.5%, respectively, of our total sales volume of self-branded lubricant oil for the corresponding period. Given the manual operation, we were not able to ascertain the utilisation rate of our in-house blending operation during the Track Record Period. As at the Latest Practicable Date, our self-branded lubricant oil was marketed under brand names of "AMERICO", "Dr. Lubricant" and "U-LUBRICANT". For details of our self-branded products, please refer to the sub-section headed "— Our self-branded lubricant oil" in this section.

(1) Purchase of semi-finished lubricant oil

While we source finished lubricant oil from overseas suppliers for repackaging into most of our self-branded lubricant oil product mix, we also source semi-finished lubricant oil and additives for blending into our self-branded products which are (1) industrial lubricant oil under the product series of "U-LUBRICANT-DEXUS 9000/8000/7000"; and (2) hydraulic oil under the product series of "AMERICO — HYDRAULIC OIL 32/46/68".

(2) Transport

Once the semi-finished lubricants are off-loaded, we typically arrange for transporting the semi-finished lubricant oil stored in container to the Yuen Long Site for storage to cater for major customers whose order volumes are typically large.

Based on order schedule and customers' specific requirements, we would from time to time arrange our fleet to collect semi-finished lubricant oil from the Yuen Long Site to Sham Shui Po Outlet to cater for walk-in customers whose orders are typically in relatively small volume for instant use.

(3) Blending, packaging and sample check

Our designated staff will bump appropriate additives into a blending tank for mixing with semi-finished lubricant oil. Our in-house blending process does not require heating of oil. Our designated staff shall strictly follow our in-house formula for particular specification and grading. In general, the application of additives with appropriate level and class helps to improve the viscosity (黏度), durability and smoothness of the finished lubricant oil. The whole blending process is normally

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completed within a few minutes after the mixture of semi-finished lubricant oil and additives, following which our designated staff will bump the finished lubricant oil into wholesale or retail packs.

Our designated blending staff will compute the quantities of semi-finished lubricant oil, additives as well as other consumables such as packaging materials used for the mixture and blending for internal record.

Our management and in-house quality control staff also conduct sample quality check of finished products to test the viscosity, colouring, sediments, smell and opacity of our in-house blended lubricant oil. We may also send our finished products to our suppliers in Singapore if our customers request for the formal testing report of our in-house blended lubricant oil.

TRANSPORTATION OF PETROCHEMICALS AND OUR FLEET OF WAGONS

We possess our own fleet of wagons to support our delivery of diesel, lubricant oil and other products. As at the Latest Practicable Date, our fleet comprised 15 wagons in total, including eight diesel tank wagons with bulk tank capacity ranging from 6,700 litres to 20,000 litres, as well as seven light and medium goods trucks with permitted gross weight ranging from approximately 3.2 tonnes to 9.0 tonnes. Each of our eight diesel tank wagons carries licence for the delivery of Category 2/5 dangerous goods and supports our bulk delivery of diesel, and four of our trucks are also duly licensed to fulfil our customers' impromptu orders for small volume of diesel. Our light and medium goods trucks with various loading capacity also facilitates our flexible delivery of lubricant oil and other products.

We believe our own fleet of diesel tank wagons and trucks strengthens our competitive advantages by enhancing the marketability of our products and eliminating any reliance on third-party transportation providers for delivery of products to our customers. Please also refer the sub-section headed "— Competitive strengths — Possession of our own fleet of wagons" in this section for details.

Our fleet of diesel tank wagons and trucks

As at the Latest Practicable Date, we had a total of eight diesel tank wagons duly licensed by the Fire Services Department to convey diesel which is classified as Category 5 dangerous goods under the Dangerous Goods Ordinance. We also have seven light and medium goods trucks with permitted gross weight ranging from approximately 3.2 tonnes to 9.0 tonnes to support the flexible delivery of petrochemicals in small volumes. We normally purchase our diesel tank wagons and trucks from car dealers in Hong Kong.

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We adopt a straight-line depreciation policy on our fleet of diesel tank wagons and trucks. During the Track Record Period, the accounting useful life of our diesel tank wagons and trucks has been determined as five years from the date of acquisition, which is in line with industry norm from our Directors' view. On this basis, the average years of service and the average remaining accounting useful lives of our diesel tank wagons and trucks are set forth below:

	2015		As at 31 March 2016		2017		As at 31 July 2017	
	Average age <i>(In years)</i> <i>(Note 1)</i>	Average remaining accounting useful life <i>(Note 2)</i>	Average age <i>(Note 1)</i>	Average remaining accounting useful life <i>(Note 2)</i>	Average age <i>(Note 1)</i>	Average remaining accounting useful life <i>(Note 2)</i>	Average age <i>(Note 1)</i>	Average remaining accounting useful life <i>(Note 2)</i>
Diesel tank wagons	3.0	2.0	3.0	2.0	4.0	1.0	4.0	1.0
Trucks	6.3	Nil	6.3	Nil	7.3	Nil	7.3	Nil

Notes:

- (1) The calculation of average age is based on the average number of years operated in respect of each of our diesel tank wagons and trucks (i.e. from the date of acquisition to the date indicated above).
- (2) The estimated average remaining useful live of our diesel tank wagons and trucks refers to the difference between the average accounting useful life and the average age of such vehicles as at the respective date indicated above. For this purpose, vehicles with years used exceeding its estimated useful life shall have nil remaining useful life. Our Directors confirmed that, during the Track Record Period, our diesel tank wagons and trucks were still in good condition generally even though their years of service have exceeded the accounting useful life, and such vehicles will remain in service as long as they are in general good condition and satisfy the applicable requirements. Our vehicles are also subject to routine inspection and maintenance to ensure, among others, the compliance with applicable safety requirements, details of which are set forth in the sub-section headed “— Work safety, health and environmental matters — Safety and health — Work safety and occupational health policies” in this section.

For details, please refer to the section headed “Financial information — Discussion of selection items of the consolidated statements of financial position — Property, plant and equipment” in this prospectus.

With our own fleet of diesel tank wagons and trucks, we are capable of providing logistics support to our customers. We generally deploy our diesel tank wagons to pick up diesel from our supplier's oil depot located at Tsing Yi, Hong Kong, and make delivery to locations designated by our customers. If the delivery location is situated in Hong Kong Island, our delivery will involve dangerous goods vehicular ferry service for transport of diesel to Hong Kong Island because vehicles carrying Category 5 dangerous goods (such as diesel) exceeding 2,500 litres are forbidden to use vehicular tunnels within Hong Kong under regulation 11(1)(d) of the Road Tunnels (Government) Regulations (Chapter 368A of the Laws of Hong Kong). Our trucks are generally deployed for the delivery of diesel in small volumes as well as lubricant oil and other non-combustible petrochemical products to our customers.

We believe that our investment in diesel tank wagons and trucks has placed us in a better position to cater customers with flexible, reliable and timely delivery services. We are also in a better position to devise suitable delivery schedules and methods tailored to different needs and requirements from different customers.

Financing agreements for the purchase of wagons

Taking into account our liquidity position and capital need, during the Track Record Period, our Group acquired certain diesel tank wagons and trucks by way of finance leases. In considering the acquisition of diesel tank wagons and trucks through finance leases, our Group takes into account several factors including interest cost, availability of funds, repayment schedule and security requirements, among which interest cost is an important factor. As at the Latest Practicable Date, we had one truck within the terms of finance lease with effective interest rate at 4.85%.

Utilisation of wagons

Our Directors consider that our diesel tank wagons and trucks were substantially deployed for delivering diesel and other non-combustible petrochemical products, respectively, for different customers. However, due to the nature of our business operations and for the following reasons, it is not feasible to quantify, define and disclose detailed utilisation rate of our diesel tank wagons or trucks solely with reference to their designed capacity:

- We deploy our diesel tank wagons and trucks to deliver diesel and other non-combustible petrochemical products, respectively, according to our customers' delivery schedule and requirements which may be irregular, impromptu and unplanned. Occasionally, we may even deploy our diesel tank wagon to supply an insignificant amount of diesel to satisfy our customers' immediate project need.
- Subject to our delivery schedule, we may set aside two diesel tank wagons or trucks on stand-by mode to meet any contingency in the course of our business operations (e.g. vehicle breakdown or traffic accident), so as to ensure our delivery to customers will remain uninterrupted.
- Considering the complexity of delivery specifications and additional requirements involved in terms of the number and type of construction machinery and vehicles requiring diesel to be fuelled, it could take longer time for us to fuel the machinery and therefore lengthen the operating hours of a diesel tank wagon regardless of the volume of diesel delivered.
- A diesel tank wagon or truck may also be left unused at times for repair and maintenance.

In view of the above, it would be impracticable and inaccurate to define utilisation rate of our diesel tank wagons or trucks in general or to make a full account of the daily or hourly usage of each diesel tank wagon or truck. Nevertheless, we will optimise our operational efficiency and capacity by scheduling the use of diesel tank wagons and trucks at suitable time based on our customers' requirements.

Repair, maintenance and operation and safety management of our wagons and trucks

We perform routine checks on our wagons, such as replacing parts and tires, on ongoing basis to ensure the smooth operation and delivery of petrochemicals to our customers. Our diesel tank wagons are also subject to annual inspection as required by the Transport Department and annual inspection by qualified service providers to ensure that our diesel tanks comply with the safety requirements imposed by the Fire Services Department. For details, please refer to the sub-section headed “— Work safety, health and environmental matters — Safety and health — Work safety and occupational health policies” in this section. We engage external service providers for repair and maintenance of our diesel tank wagons and trucks.

As our purchase and sale of petrochemicals are made on an order-by-order basis daily and to ensure safety and compliance with the applicable regulations (including Part VI of the Dangerous Goods (General) Regulations (Chapter 295B of the Laws of Hong Kong) which stipulates requirements of the operations and maintenance of tank wagon and the storage of dangerous goods in Category 5, such as diesel), it is our policy to empty all wagons and trucks (including all diesel tank wagons) of petrochemicals at the close of business every day.

QUALITY CONTROL

We maintain a set of rigorous quality control policies throughout our sourcing, production and delivery cycle, and we have a successful delivery track record and provide quality after-sale services. To ensure consistent quality of the petrochemicals we distribute, we only source finished products and raw materials from our approved suppliers, whose performances are reviewed annually so as to ensure overall quality of supplies.

For the purchase of lubricant oil and other products, we generally request our suppliers to issue report on the technical specifications from time to time to ensure that the technical specifications and quality consistently satisfy our customers’ requirements. In our delivery of diesel, we also conduct checks on the quantity prior to each delivery.

In our in-house blending and repackaging of lubricant oil, we strictly follow the formula and production guidelines applicable to the respective types of lubricant oil. In addition, during the process of blending and repackaging, Mr. Hui, our executive Director and chairman of the Board who has more than 40 years of experience in handling petrochemicals, regularly inspects the sample of finished products on the basis of various factors such as viscosity, colouring, sediments, smell and opacity. In the event that the sample does not pass the inspection, components in the process will be adjusted and the product will be re-blended until it conforms to the requirements. If the failed product cannot be re-blended, the entire production batch will be rejected and disposed.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had not received any complaint or claim for compensation from our customers due to quality issue in relation to the lubricant oil and diesel supplied by us.

WORK SAFETY, HEALTH AND ENVIRONMENTAL MATTERS**Overview**

We value corporate social responsibilities and have been, and intend to continue to be, committed to observing environmental protection and safety regulations in all of our business activities to ensure our operations are in compliance with the applicable international standards. We have been certified in relation to the quality management systems (ISO 9001:2008) during the Track Record Period and as at the Latest Practicable Date.

Safety and health*Work safety and occupational health policies*

We place emphasis on work safety and occupational health during the storage, handling and delivery of our products as it is our responsibility to put the safety of our employees and the general public in our top priority. We have adopted safety system under the supervision of Mr. Hui, our executive Director and chairman of the Board, whose background and industry experience are set forth in the section headed “Directors, Senior Management and Employees” in this prospectus. Our safety control policy largely follows the standard fire safety requirements used for conveyance of Category 5 dangerous goods issued by the Fire Services Department, details of which are as follows:

- Our drivers are required to attend safety induction training on an annual basis organised by oil suppliers on the safety requirements issued by the Fire Services Department and our diesel tank wagons are subject to annual inspection by the Fire Services Department.
- Our diesel tank wagons are exclusively used for conveyance of diesel. Only one category of dangerous goods shall be conveyed by the diesel tank wagons at any one time.
- Sufficient number of dry powder fire extinguishers shall be provided on each side of the diesel tank wagon and accessible from the outside of the vehicle. The fire extinguishers shall be kept in order at all times and be inspected by a registered fire service installation contractor at least once in every 12 months. Fire extinguishers are also equipped at the Sham Shui Po Outlet where kerosene products may be stored.
- Regular inspections and maintenance on our diesel tank wagons are carried out by us to ensure the safety requirements issued by the Fire Services Department are complied with.
- “NO SMOKING” “不准吸煙” notice of not less than 120 mm in height shall be prominently displayed and this instruction shall be complied with at all times by the driver and attendants on the vehicle. Such alarming notices are also displayed at the Sham Shui Po Outlet where kerosene products may be stored.
- Designated personnel are deployed for the safekeeping of area at the Sham Shui Po Outlet where kerosene products may be stored, and such area will be locked during non-business hours with the keys properly labelled and securely kept.
- We strictly adhere to the safety requirement on engine, fuel tank, cargo tank, fire resisting shield and electrical systems of our diesel tank wagons, as well as on the electrical systems installed at the Sham Shui Po Outlet, in accordance with the regulations issued by the Fire Services Department.

System of recording and handling accidents and our safety compliance record

If there is an accident in the course of our business operation, we require any injured worker or person who has witnessed the accident to report to Mr. Hui, our executive Director and chairman of the Board, for the purposes of collecting information for processing employees' compensation claims as well as compliance with the relevant regulations in Hong Kong regarding the reporting of all work injuries to the Labour Department. To ensure proper recording and handling of work injuries, our administration department will prepare a work injury report and, if it is an employee injury reportable case, submit it to the Labour Department within the period as specified under the relevant laws and regulations. Our administrative department will report to the insurance company and, where the claim is significant, consult external legal adviser if necessary. Settlement of any claim will be handled by the insurance company. If the insurance company and the injured person (or their respective representatives) do not agree on the settlement amount, the matter may be litigated.

During the Track Record Period and up to the Latest Practicable Date, there was no accident which gave rise to potential employees' compensation claims and personal injury claims.

To the best of our Directors' knowledge, during the Track Record Period and up to the Latest Practicable Date: (a) our Group did not experience any significant incidents or accidents in relation to workers' safety; and (b) we also have not suffered from any removal or suspension of the Category 5 dangerous goods licence for storage of kerosene and conveyance of diesel due to accidents or breaches of applicable safety rules and regulations.

Environmental compliance

We endeavour to minimise any adverse impact on the environment resulting from our business activities. Our Group's operations on sites are subject to certain environmental requirements pursuant to the laws in Hong Kong such as the Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong) and the Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong). For details of the regulatory requirements applicable to us, please refer to the section headed "Laws and Regulations" in this prospectus.

In order to comply with the applicable environmental protection laws, we had implemented our environmental management policy to ensure proper management of environmental protection and compliance of environmental laws and regulations. Furthermore, we place high importance to the maintenance of our diesel tank wagons, as their condition is crucial for us not only to delivery our products smoothly but also to prevent leakage of oil products or other hazardous substances which could cause health and environmental incidents, such as fire and explosion.

During the Track Record Period and up to the Latest Practicable Date, we did not record any non-compliance with applicable environmental requirements that resulted in prosecution or penalty being brought against us.

INVENTORY MANAGEMENT

We adopt a stringent inventory control policy. Records on inventory movements are updated in our financial information system regularly, and are periodically reviewed by our senior management to ensure such records are up-to-date.

We generally do not maintain any inventory of diesel as we normally place back-to-back order for diesel to our suppliers when receiving orders from our customers. For the procurement of finished petrochemicals as well as raw materials for our in-house blending process, we generally maintain the inventory at a level equals to approximately 55% to 70% of the forecasted sales demand in the coming month, which forecast is usually determined by our senior management by the end of each month.

We have taken measures at our operation sites to ensure the safety and security of our inventories. For details, please refer to the sub-section headed “— Work safety, health and environmental matters — Safety and health — Work safety and occupational health policies” in this section. We carry out physical inventory counts periodically for better control and management of inventories. In addition, our Group adopts the “first-in first-out” method to reduce obsolete products in our inventories. Generally, provision will be made for inventories which are considered obsolete after taking into account the aging of the inventory items, the movement and usefulness or residual value of the inventories.

CREDIT POLICY**Overview**

We use our best endeavours to exercise tight credit control. Our Group’s finance department regularly reviews the credit terms of each existing customer. The payment method and credit terms granted to any particular customer are generally determined with reference to, among other things, the length of business relationships, payment history, and financial strength and credibility of such customer.

For the sales of diesel, we generally demand payments within three to five days upon each delivery to our customers. For the distribution of lubricant oil and other products, we typically offer a credit term of 15 to 30 days on average to our customers following the issuance of our monthly invoice.

Our suppliers generally provide us with a credit period ranging from 30 to 60 days following the date of invoice, except that we are typically required to settle payment on or before delivery or collection of diesel from Oil Company X as well as lubricant oil from overseas suppliers.

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Fleet cards credit management and control measures

We are contractually required to fully settle the invoice issued by Oil Company Y, regardless of whether or not we eventually receive full payment from our fleet card customers. As such, we bear the credit risk of default by our fleet card holders, which is in line with market practice in Hong Kong according to the Frost & Sullivan Report. The table below sets forth the gross proceeds received and receivable from our fleet card customers, and the gross amount paid and payable to Oil Company Y during the Track Record Period:

	For the year ended 31 March			For the four months ended
	2015	2016	2017	31 July 2017
	<i>In HK\$ million</i>			
Gross proceeds received and receivable from our fleet card customers	132.2	184.4	199.1	76.5
Gross amounts paid and payable to Oil Company Y	125.9	167.5	179.3	67.0

We have implemented a series of policies and measures to monitor and control our credit risk in connection with our fleet card business:

- The fleet card could only be used by a cardholder for fuelling his/her vehicle registered with the fleet card which mitigates the risk of unauthorised or fraudulent use.
- Each of the fleet cards distributed by us is protected by personalised password, and cardholders would need to provide their password in order to refuel at the Network Gas Stations. Moreover, our fleet cards limited to use by designated cardholders and/or designated vehicles depending on the different types of fleet card accounts, which further strengthens security and prevent unauthorised or fraudulent use. Please refer to the sub-section headed “— Our products and services — Fleet cards” for details.
- We closely monitor the activities and performance of our fleet card accounts. Generally our customer service team will contact our cardholders if a commercial fleet card account becomes inactive (i.e., no-refuelling record) for around seven business days, or if an individual car-owner account is inactive for around one month. Our senior management will periodically assess such fleet card accounts with abnormal activities, and may adjust the spending limit granted to such accounts or suspend such accounts accordingly.

We send bills to our cardholders on a monthly basis after we receive from Oil Company Y a schedule with detail invoice data of all our cardholders at the beginning of each month. Details of our standard collection procedure in our fleet card business are set forth below:

- Our customers are required to settle our bills by the twelfth or fifteenth day of each month; and if we encounter difficulties in collecting payment in full through the pre-authorised direct debit arrangement by such deadline, our customer service team will follow up by contacting the customer.

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- If we still fail to reach the defaulting customer by sixteenth day of each month, we will immediately suspend the fleet card(s) held by such customer. Our customer service team will keep contacting the defaulting customer to remind the settlement of bills.
- Generally on the twenty-sixth day each month, we will commence legal actions against all defaulting customers in the past month. Given that the overdue amount in each case were all below HK\$40,000 during the Track Record Period, we filed our case at the Small Claims Tribunal, where our operation manager is typically authorised to attend such court hearings.
- After the judgments are awarded, our finance department will report to our senior management. Subject to our Directors' decision to continue the pursuit of material outstanding bills and the settlement status, the full amount of such outstanding bills will be recognised as bad debts on our accounts.

During the Track Record Period, we filed claims in Small Claims Tribunal against our default customers despite our suspension of fleet card service and repeated reminders. For the years ended 31 March 2015, 2016, 2017 and four months ended 31 July 2017, our customer default rate (being the ratio of defaulted accounts during the respective period against the total number of all fleet card accounts as at the respective period end) was approximately 0.16%, 0.24%, 0.03% and 0.01% respectively and the respective default amounts was approximately HK\$69,000, HK\$120,000, HK\$41,000 and HK\$29,000 respectively. According to the Frost & Sullivan Report, our fleet card customer default rate is within normal level in line with the market condition in Hong Kong, which remains relatively low mainly because: (a) fleet card users are individual or commercial owners of vehicles, which is a minimum screening requirement of a fleet card user's financial ability; (b) the defaulting customer would suffer bad credit record if any legal action is commenced against such defaulting customer, whose loss of reputation could be disproportionate to the defaulting amount; and (c) it may also become difficult for a defaulting customer with bad credit record to apply for fleet cards from other fleet card resellers or oil companies. As at the Latest Practicable Date, approximately HK\$11,000 relating to one default customer remained unpaid (the "**Default Amount**").

To the best knowledge and belief of our Directors, the relatively low level of Default Amounts is mainly because (a) the fleet card service was immediately suspended when the defaulting cardholders failed to fully settle our monthly invoice within four days upon due, and thus the default amounts per cardholder were relatively trivial and were all below HK\$40,000 during the Track Record Period; and (b) any default records arising from Small Claims Tribunal ruling against them would adversely affect the credit record of the default customers and thereby pressurizing them to settle the default amounts.

BUSINESS

AWARDS AND ACCREDITATIONS

Our Group's long-standing relationship with our major supplier and our commitment to serving the community are evidenced by the accolades awarded to us. The table below sets forth some of the major awards and accreditations we received:

Year	Award/Recognition	Awarding institution
2018	Caring Company Award (2013–2018)	The Hong Kong Council of Social Service
2008	35 Years Long Service Award	Oil Company X

INTELLECTUAL PROPERTY

We believe that our intellectual property rights are of material importance to our business. As at the Latest Practicable Date, our “AMERICO” trademarks is registered in Hong Kong and the PRC, and we also have another five trademarks (including our “Dr. Lubricant”, “U-LUBRICANT” and “Tien Fung Hong” trademarks) registered in Hong Kong. As at the Latest Practicable Date, we have also filed the application for registering “AMERICO” as trade marks in Singapore. For further details about our registered trademarks, please refer to the sub-section headed “B. Further information about the business — 2. Intellectual property rights” in Appendix V to this prospectus.

We recognise the importance of protecting and enforcing intellectual property rights. As at the Latest Practicable Date, we are not aware of any infringement (i) by our Group of any intellectual property rights owned by any third parties; or (ii) by any third-party of any intellectual property rights owned by us. During the Track Record Period and up to the Latest Practicable Date, there had not been any pending or threatened material claims made against us, nor had there been any material claims made by us against third parties, with respect to the infringement of intellectual property rights owned by us or third parties.

MARKET AND COMPETITION

According to the Frost & Sullivan Report: (a) there are over fifty distributors in Hong Kong who specialized in the distribution and transportation of oil products; (b) the five largest distributors of diesel in Hong Kong (including our Group) collectively accounted for a market share of approximately 53.8% in terms of the estimated distribution value of diesel in Hong Kong in the year ended 31 March 2017; (c) the overall lubricant oil market in Hong Kong is fragmented with more than 100 market players selling products with international brands and local brands; and (d) the fleet card sales market is relatively concentrated with top five players taking up a total market share of approximately 48.6% in terms of the estimated revenue (on gross basis) in the Hong Kong fleet card market in the year ended 31 March 2017.

For further details, please refer to the sub-section headed “Industry Overview” in this prospectus.

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Our Directors consider that the following are key determinants of competitiveness of a distributor of petrochemicals in Hong Kong: (i) stable and long-term relationship with suppliers and customers; (ii) the ability to develop new customers and react quickly to customer' demand; (iii) working capital strengths to support the substantial cash flow in daily operations; (iv) possession of specific knowledge and market know-how about petrochemicals and dynamics of the market; (v) possession of suitable fleet of vehicles for the delivery of petrochemicals; and (vi) warehousing capability for the storage of various petrochemicals.

INSURANCE

During the Track Record Period, our Group maintained insurance coverage against, among other things, (i) fire insurance in relation to office premises and stocks at our sales outlet; (ii) liability for third-party bodily injury occurred in our operation sites; (iii) employees' compensation insurance for our employees; and (iv) third-party liability in relation to the use of our diesel tank wagons and other vehicles.

We believe that we have property and liability insurance policies with coverage and insured limits that are customary for similar companies with business operations in Hong Kong. For the three years ended 31 March 2017 and the four months ended 31 July 2017, our insurance expenses were approximately HK\$371,000, HK\$339,000, HK\$299,000 and HK\$89,783, respectively. However, our insurance coverage may not be adequate to cover all losses that may occur. Please refer to "Risk Factors — Risks relating to our business — Our business operations may be affected by fire, adverse weather conditions, natural disasters, acts of war, terrorist attacks and geopolitical tensions, or outbreak of a contagious epidemic disease" in this prospectus. We review our insurance coverage annually, and we will continue to assess our risk portfolio and make necessary and appropriate adjustments to our insurance practice, so as to align with our needs and with industry practices in Hong Kong. During the Track Record Period and up to the Latest Practicable Date, we had not made, and had not been the subject of, any material insurance claim.

EMPLOYEES

As at the Latest Practicable Date, we had 28 full-time employees, all of whom are based in Hong Kong. The following table sets out a breakdown of the number of our employees by functions as at the Latest Practicable Date:

Function	Number of employees
Management and administration	4
Accounting and finance	3
In-house blending and repackaging	3
Quality control	1
Sales and marketing	2
Customer service	5
Procurement, IT and operations support	3
Logistics support	7
Total	28

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Relationship with our staff

Our Directors consider that we maintain good relationship with our employees and that it is expected to continue in the future. We have not experienced any significant disputes with our employees or any disruption to our operations due to labour disputes. In addition, we have not experienced any difficulties in recruitment and retention of experienced core staff or skilled personnel during the Track Record Period.

Recruitment policy and training

We generally recruit employees from the open market or through internal referral with reference to factors such as their experience, qualifications and expertise required for our business operations. We use our best effort to attract and retain appropriate and suitable personnel to serve our Group. Our Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of our Group.

We provide our employees with occupational safety trainings to enhance their awareness of safety issues relating to construction site safety and handling of dangerous goods.

Remuneration policy

The remuneration package our Group offered to our employees includes salary, bonuses and other cash subsidies. In general, our Group determines employees' salaries based on each employee's qualifications, position and seniority. Our Group has designed an annual review system to assess the performance of our employees, which process forms the basis of our decisions with respect to compensation adjustment, bonuses and promotions.

Our qualifying employees in Hong Kong are required to participate in the Mandatory Provident Fund scheme, under which we are required to contribute a fixed percentage of the employees' payroll costs (the maximum mandatory contributions being HK\$1,500 monthly) to the scheme. Contributions to the Mandatory Provident Fund are recognised as an expense in the period in which the related service is performed.

PROPERTIES

Owned property

The following table summarises the information regarding our owned property in Hong Kong as at the Latest Practicable Date:

Address	Use of property	Saleable area
Office D, 11/F, Billion Plaza 2, No. 10 Cheung Yue Street, Hong Kong	Office	1,370 sq.ft.

As at the Latest Practicable Date, the above property was subject to mortgage in favour of a commercial bank in Hong Kong for the purpose of securing a mortgage loan facility granted to our Group. As advised by our Hong Kong Legal Advisers, the Company has a good title to the above property.

BUSINESS

For further details of the above property owned by the Group, please refer to the Property Valuation Report set out in Appendix III to this prospectus.

Leased property

As at the Latest Practicable Date, our Group leased and occupied properties consisting of warehouses, sales outlet, office and workshop at various locations in Hong Kong. Our Directors confirm that we are using these leased properties in accordance with the permitted usages under the relevant lease agreements. Set out below is a summary of our leased properties:

No.	Address	Principal use of property	Area	Expiration of lease
1.	Lot No. 2617 and the remaining portion of Lot No. 2618 in D.D. 120, Yuen Long, New Territories, Hong Kong	Storage	Approximately 25,000 sq.ft. ⁽¹⁾	31 August 2018
2.	Ground Floor (excluding the cockloft), Wing Fat Building, Nos. 204 and 206 Fuk Wing Street, Kowloon, Hong Kong	Retail store of petrochemical products	Approximately 1,910 sq.ft. ⁽²⁾	31 August 2018

Notes:

1. Refers to the approximate total site area.
2. Refers to saleable area excluding the ancillary area of two water closets and two yards.

Our Hong Kong Legal Advisers have confirmed that each of the landlords of the above lease properties under the respective tenancy agreement is the registered owner pursuant to the search records with the Land Registry of Hong Kong, and that each tenancy agreement is valid and subsisting and in full force and effect in favour of the tenant and the tenant is entitled to enjoy possession of the respective lease property on the terms outlined above.

LICENCES, PERMITS AND CERTIFICATIONS

Pursuant to the Dangerous Goods Ordinance (Chapter 295 of the Laws of Hong Kong) which controls the usage, storage, manufacturing and conveyance of the dangerous goods under the ordinance and sets out the relevant licensing requirements in relation to these activities, diesel is categorised as one of the dangerous goods in Category 5, Class 3 thereunder and kerosene is categorised as one of the dangerous goods in Category 5, Class 2 thereunder. As such, our Group's transportation of diesel is regarded as conveyance of dangerous goods under the Dangerous Goods Ordinance and our Group's storage of products containing kerosene in our Sham Shui Po Outlet is regarded as storage of dangerous goods under the Dangerous Goods Ordinance.

BUSINESS

Pursuant to Section 6 of Dangerous Goods Ordinance, no person shall store, convey or use any dangerous goods in excess of their respective exempted quantities in any premises or place without a licence issued by the director of Fire Services Department. Pursuant to the Dangerous Goods (General) Regulations (Chapter 295B of the Laws of Hong Kong) which sets out certain restrictions and requirements in relation to various categories of dangerous goods, we are required to obtain a licence from the Fire Services Department for conveyance of diesel by our wagons or for storage of kerosene in our Sham Shui Po Outlet if the quantity of such dangerous goods in our conveyance or storage exceeds the exempt quantity. Moreover, storage tanks for conveyance of diesel require approval from the Director of Fire Services in accordance with Regulation 99A of Dangerous Goods (General) Regulations (Chapter 295B of the Laws of Hong Kong).

For further details, please refer to the section headed “Laws and Regulations” in this prospectus.

The following table sets forth a summary of material licences, permits and certifications relating to our business and operations which have been obtained by us:

No.	Licences, permits and certifications	Issuing authorities/ organisations	Date of issue/ award	Date of expiry
1.	Licences for the Conveyance of Dangerous Goods in Category 5 by Vehicles	Fire Services Department of the HKSAR	— ⁽¹⁾	— ⁽¹⁾⁽³⁾
2.	Licence for the Storage of Dangerous Goods (Category 5, Class 2)	Fire Services Department of the HKSAR	15 January 2017	14 January 2018 ⁽²⁾
3.	Pesticides Licence	The Government of the HKSAR	9 May 2017	12 June 2018
4.	Licence for the Import and Export of Hydrocarbon Oil	Customs and Excise Department of the HKSAR	6 June 2017	5 June 2018 ⁽³⁾
5.	ISO 9001:2008 (the local sales, sourcing, warehousing and distribution of petrochemicals)	Hong Kong Quality Assurance Agency	29 October 2007	14 September 2018

Notes:

- (1) Each of our 12 wagons, comprising eight diesel tank wagons and four trucks, carries a valid licence subsisting as at the Latest Practicable Date, and the date of issuance/expiration of each licence varies.
- (2) We did not renew such licence upon its expiry since we have ceased selling kerosene as at 31 December 2017. Kerosene was the only petrochemical sold by us during the Track Record Period which required the said licence and its attributable gross profit was only approximately HK\$0.29 million, HK\$0.44 million and HK\$0.15 million during the three years ended 31 March 2017 respectively.
- (3) Such licences generally renew annually.

BUSINESS

As at the Latest Practicable Date, we had 12 wagons in our fleet (comprising eight diesel tank wagons and four trucks) which were duly licensed by the Fire Services Department to convey diesel which is classified as Category 5 dangerous goods under the Dangerous Goods Ordinance. Generally, the validity period of the dangerous goods licence lasts for one year, subject to annual review and renewal. Our Group will renew the dangerous goods licences before their respective expiry dates. We have not experienced any refusal of renewal of the licences during the Track Record Period and up to the Latest Practicable Date. Our Directors confirm that they are not aware of any circumstances that would significantly hinder or delay the renewal of these licences.

As advised by our Hong Kong Legal Advisers, our Directors confirm that as at the Latest Practicable Date, we had obtained and maintained, or had no substantive legal obstacle to obtain, all material licences, approvals and permits from relevant competent authorities in Hong Kong as required for our business operations in Hong Kong. Our Directors confirm that save as disclosed in the sub-section headed “— Non-compliance” in this prospectus, we were in compliance with the applicable Hong Kong laws and regulations in all material respects.

NON-COMPLIANCE

Breach of Government Lease

During the Track Record Period, it was found that Yee Sing Hong, our direct wholly-owned subsidiary, had failed to comply with the permitted use as specified in the government lease of the Sham Shui Po Outlet. We set out below such non-compliance incidents during the Track Record Period. Our Directors are of the view that (i) no provisions have to be made in respect of such non-compliance incidents; and (ii) such non-compliance incidents, whether individually or collectively, will not have a material operational or financial impact on us.

Particulars of historical non-compliance	Reason for non-compliance	Legal consequence including potential maximum penalty and other financial liabilities	Remedial actions
<p>The government lease of the Sham Shui Po Outlet (the “Government Lease”) prohibits offensive trade or business (which includes a trade or business of “oilman”, hereinafter referred as the “Offensive Trades Clause”).</p>	<p>We were not aware of the restriction under the Government Lease until we sought advice on the matter from our Hong Kong Legal Advisers in May 2017. The breach was not wilful and was due to the absence of timely and professional advice during the material time.</p>	<p>Our Hong Kong Legal Advisers advised that, strictly speaking, for breaches of the Government Leases, the Government has the right to enforce the leases against the landlords (“SSP Landlords”) of the Sham Shui Po Outlet where:</p> <p>(a) warning letters may be issued by the Lands Department to the SSP Landlords requiring rectification of the breach within a specified time (usually 14 or 28 days); (b) should the SSP Landlords fail to rectify the breach upon expiry of the stipulated deadline, the Lands Department may register the warning letters at the Land Registry and reserve the right to take further lease enforcement action in the next round of action; and (c) if the seriousness of the breach warrants further action in the opinion of the Lands Department, the Lands Department may re-enter the property.</p>	<p>On 6 May 2017, we obtained authorisation from the SSP Landlords to make relevant applications (the “Licence Application”) to the Lands Department for the Offensive Trades Licences for the Sham Shui Po Outlet.</p>
<p>During the Track Record Period, we used the Sham Shui Po Outlet as retail shops for the sale of various petrochemical products. In this connection, we did not obtain any licence from the Lands Administration Office of the Lands Department during the Track Record Period to remove the restriction of the trade of “oilman”.</p>	<p>If the Group is found to be guilty of the Breach of the Government Lease, the law provides for a maximum fine of \$500 and maximum imprisonment of 3 months. Given that we had made an application as soon as practicable after we became aware of the requirement, the application is an administrative one, there has been no record of any prosecution in this regard for at least 5 years and our confirmation that we have not received any warning notice from the Government to this effect, our Hong Kong Legal Advisers takes the view that the risk of the Government re-entering the premises is remote, and there is no risk of the Government taking any action against us (as the tenant) by reason of the breach of the Offensive Trade Clause, and there shall be no material legal impediment for us to obtain the Offensive Trades Licences. If the Lands Administration Office of the Lands Department does not approve the licence application, the Government may take lease enforcement action against the SSP Landlords as set out above.</p>	<p>On 12 May 2017, we submitted the Licence Application to the Lands Department.</p>	<p>On 12 December 2017, the Offensive Trade Licences were executed and issued by the District Lands Office/Kowloon West of the Lands Department. On 28 December 2017, the Offensive Trade Licences were registered at the Land Registry against the Sham Shui Po Outlet.</p>
<p>As such, our use of the Sham Shui Po Outlet as retail shops for the sales of petrochemical products during the Track Record Period was in breach of the Government Lease (the “Breach of Government Lease”).</p>	<p>Based on the confirmation by SSP Landlords which acknowledges our use of the Sham Shui Po Outlet as retail shops for the sale of the Tenant’s petrochemical products, our Hong Kong Legal Advisers also take the view that the breach of Offensive Trade Clause will not lead to any legal action by the SSP Landlords against the Tenant under the relevant tenancy agreements.</p>		

The Offensive Trade Licences were executed and issued on 12 December 2017 and the same was registered at the Land Registry on 28 December 2017. The total administrative fees and the land registry fees of HK\$66,580 are one-off and there is no expiration date of the Offensive Trade Licence. SSP Landlords have settled the aforesaid fee required for obtaining the Offensive Trade Licence, and Mr. Hui irrevocably undertook to indemnify the Group for any future fees or penalty arising from the Breach of Government Lease.

Our Legal Counsel advised that: (i) the transactions during the Track Record Period whereby we deliver petrochemical products from the Yuen Long Site to the customers' designated spot does not constitute breach of Government Lease even if our staff received the sales order whether through electronic communication (such as phone calls or emails or text messages), or face-to-face communication at the Sham Shui Po Outlet; and (ii) the revenue arising from the Breach of Government Lease only pertains to transactions where those petrochemical products sold are stored at the Sham Shui Po Outlet.

In light of the Offensive Trade Licence being granted in December 2017, our Legal Counsel is of the view that the chance of prosecution or further action by the Hong Kong Government against us with respect to the failure to obtain Offensive Trade Licence during the Track Record Period is remote.

INCORRECT PROFITS TAX FILING

I. Historical statutory financial statements and tax computation containing Incorrect Information and Filing of Incorrect Tax Returns

Set out below are details of historical incorrect statutory financial statements (“**Historical Statutory Financial Statements**”) and incorrect tax computation (“**Tax Computation**”) of Yee Sing Hong, Yee Sing Logistics and Carmen Logistics, all of which are members of our Group.

(a) Ying Sing Hong

The Historical Statutory Financial Statements

- Allowance of inventories (which is recognised in the cost of sales) for the year ended 31 March 2015 was understated by approximately HK\$1,385,000 due to the revised estimate of the net realisable value of our inventories as at 31 March 2015 was lower than the cost of such inventories.
- Costs of sales for the year ended 31 March 2016 was overstated by approximately HK\$1,385,000 due to the understatement of the allowance of the relevant inventories for the year ended 31 March 2015.
- Allowance of inventories for the year ended 31 March 2016 was understated by approximately HK\$117,000 due to the revised estimate of the net realisable value of our inventories as at 31 March 2016 was lower than the cost of such inventories.
- Impairment loss on trade receivables for the year ended 31 March 2016 was understated by approximately HK\$67,000 due to the revised estimate of recoverability of certain trade debtors which were considered as uncollectible.
- Administrative expenses and other operating expenses for the year ended 31 March 2016 was overstated by approximately HK\$14,000 due to cut-off adjustments on various expenses included in administrative expenses and other operating expenses.
- Finance costs for the year ended 31 March 2016 was understated by approximately HK\$33,000 due to cut-off adjustments on finance costs.

Tax Computation

- Deduction claim in the amount of approximately HK\$17,000 in the tax computation for the year of assessment 2014/2015 was understated due to arithmetical error.
- Deduction claim in the amount of approximately HK\$7,000 in the tax computation for the year of assessment 2015/2016 was understated due to arithmetical error.
- Assessable profits of Yee Sing Hong for the year of assessment 2014/2015 was overstated by approximately HK\$1,402,000 and the assessable profits for the year of assessment 2015/2016 was understated by approximately HK\$1,175,000. As a result, the profit tax assessed of Yee Sing Hong for 2014/2015 was overstated by approximately HK\$231,000 and the profit tax assessed for 2015/2016 was understated by approximately HK\$194,000.

(b) Yee Sing Logistics

Historical Statutory Financial Statements

- Other income, gains and losses for the year ended 31 March 2016 was overstated by approximately HK\$275,000 due to overstatement of government grant.

Tax Computation

- Deduction claim in the amount of approximately HK\$14,000 in the tax computation for the year of assessment 2015/2016 was overstated due to arithmetical error.
- Assessable profit of Yee Sing Logistics for the year of assessment 2015/2016 was overstated by approximately HK\$261,000. As a result, the profit tax assessed of Yee Sing Logistics for 2015/2016 assessment year was overstated by approximately HK\$43,000.

(c) Carmen Logistics

Historical Statutory Financial Statements

- Administrative expenses and other operating expenses for the year ended 31 March 2016 was overstated by approximately HK\$23,000 due to cut-off adjustments on various expenses included in administrative expenses and other operating expenses.
- Finance costs for the year ended 31 March 2016 was understated by approximately HK\$1,000 due to cut-off adjustments on finance costs.

Tax Computation

- Deduction claim in the amount of approximately HK\$14,000 in the tax computation for the year of assessment 2015/2016 was understated due to arithmetical error.
- The adjusted loss of Carmen Logistics for the year of assessment 2015/2016 was overstated by approximately HK\$8,000.

II. Reasons for filing incorrect tax returns

- During the Track Record Period, the accounting treatment of certain financial statement items were erroneously applied in the historical statutory financial statements of our subsidiaries, Yee Sing Hong, Yee Sing Logistics and Carmen Logistics, resulting in corresponding errors in the tax returns filed with the IRD.
- Such incorrect filings were not willful and were due to the incorrect tax treatments adopted by the former local auditors of the above-mentioned companies.

III. Legal consequence including potential maximum penalties and other financial liabilities

In relation to (i) the Historical Statutory Financial Statements and the Tax Computation containing the incorrect information (“**Incorrect Information**”); and (ii) the filing of tax return containing the Incorrect Information, each of the companies and/or its directors may be subject to:

- Prosecutions under section 80(2) or 82(1) of the Inland Revenue Ordinance:
 - any person who without reasonable excuse files an incorrect return commits an offence under section 80(2) of the Inland Revenue Ordinance and is liable on conviction to a fine at level 3 (i.e. HK\$10,000) and a further fine of treble the amount of tax which has been undercharged as a result of the incorrect return, statement or information, or would have been so undercharged if the return, statement or information had been accepted as correct.
 - Any person who willfully with intent to evade or to assist any other person to evade tax omits from a return any sum which should be included commits an offence under section 82(1) of the Inland Revenue Ordinance is liable —
 - (a) on summary conviction to a fine at level 3 (i.e. HK\$10,000), a further fine of treble the amount of tax which has been undercharged in consequence of the offence or which would have been undercharged if the offence has not been detected and imprisonment for 6 months; and
 - (b) on indictment to a fine at level 5 (i.e. HK\$50,000), a further fine of treble the amount of tax which has been undercharged in consequence of the offence or which would have been undercharged if the offence has not been detected and imprisonment for 3 years.
- Under sections 80(5) and 82(2) of the Inland Revenue Ordinance, the Commissioner of Inland Revenue may compound any offence in lieu of prosecution.
- Under section 82A of the Inland Revenue Ordinance, any person who without reasonable excuse makes an incorrect return by omitting or understating anything in respect of which he is required to make a return, shall, if no prosecution under section 80(2) or 82(1) has been instituted in respect of the same facts, be liable to be assessed to additional tax of an amount not exceeding treble the amount of tax undercharged as a result of the filing of the incorrect tax return.

IV. Remedial/rectification actions

- Our Group has made a voluntary filing (“**Voluntary Filings**”) of revised profits tax computations of Yee Sing Hong for the years of assessment 2014/2015 and 2015/2016 and revised profits tax computations for Yee Sing Logistics and Carmen Logistics for the year of assessment 2015/16 to the IRD on 28 June 2017.
- On 26 July 2017, the IRD issued revised profits tax assessments to Yee Sing Hong for the years of assessment 2013/2014, 2014/2015 and 2015/2016 in accordance with the revised profits tax computations submitted to the IRD in the Voluntary Filings. The additional tax demanded totalling HK\$575,724 was settled by Yee Sing Hong on 21 August 2017.

- As at the date of this prospectus, IRD is still in the process of reviewing the information and documents submitted by Yee Sing Logistics and Carmen Logistics in relation to the revised profits tax computations.

V. Opinion of Legal Counsel and Tax Representative

- As advised by our Legal Counsel, having considered the penalty policy of the IRD, offences which do not involve willful evasion of tax will be dealt with administratively. Since our Group has made a voluntary filing of the revised profits tax computation, our Legal Counsel is of the view that the IRD will deal with it by compound in lieu of prosecution and re-assessment of profits tax.
- As advised by a reputable international accounting firm engaged by our Company as tax representative (“**Tax Representative**”), our Directors are of the view that in all circumstances of the case and in particular the absence of clear evidence of our Group’s intention to evade tax, section 82 of the Inland Revenue Ordinance should not be applicable in Yee Sing Hong’s case; the chance of the IRD invoking section 80(2) or 82A of the Inland Revenue Ordinance against Yee Sing Hong is low. Even in the unfortunate event that the IRD does not consider Yee Sing Hong has reasonable excuse for under-reporting the tax for 2013/2014 and 2015/2016 and would intend to impose penalty, according to the IRD’s penalty policy and Tax Representative’s practical experience, the potential penalty may be approximately HK\$174,000. As advised by the Tax Representative, our Directors are of the view that the chance of the directors of Yee Sing Hong, Yee Sing Logistics and Carmen Logistics being subject to penalty actions from the IRD is remote, particularly because the revised profits tax assessments have been issued by the IRD to Yee Sing Hong on 26 July 2017 in accordance with the revised profits tax computations submitted in the Voluntary Filings (where the additional tax demanded was subsequently settled by Yee Sing Hong accordingly on 21 August 2017) and that as at the Latest Practicable Date, we have not received any written notice from the IRD to impose any penalty in this connection.

To prevent the reoccurrence of such non-compliance incident, our Group has adopted and implemented the following measures to improve our corporate governance and enhance our internal control system:

- Future lease agreements of the Group will be reviewed by our Directors, who may also seek professional advice from external legal advisers if necessary. Our Directors will be responsible for ensuring that the use of all leased properties complies with the relevant laws and regulations based on the legal advice obtained from external legal advisers.
- All tax related matters of our Group will be handled by our finance department which consists of our accountant and other accounting staff. Please refer to the sub-section headed “Directors, Senior Management and Employees — Senior management” in this prospectus for further details. Our finance department will, on an annual basis, report to our Board on the compliance of applicable tax laws and regulations.
- We have assigned designated staff to handle all tax related matters to ensure our tax returns are properly and correctly filed; and we have also engaged an international accounting firm as our tax representative who will review our tax returns before filing. We will also seek professional advice from external tax or legal advisers if necessary.

BUSINESS

- Introductory training will be arranged for any newly appointed directors, company secretary or senior finance department personnel so as to discuss and study the relevant regulatory requirements in relation to directors' responsibilities and duties under the relevant laws and regulations.
- Our existing Directors have attended directors' training provided by Hong Kong Legal Advisers before Listing, during which the relevant regulatory requirements in relation to directors' responsibilities and duties under the relevant laws and regulations were explained and discussed.
- All senior management and employees of our Group will be required to promptly report to and/or notify our Directors of any non-compliance or potential non-compliance events.
- Meetings and trainings will be regularly arranged for senior management and employees of our Group to discuss and study regulatory requirements and latest updates thereof applicable to our Group's business operations.

Given that: (i) our Group's non-compliance involving the usage of leased properties for the operation of Sham Shui Po Outlet was not intentional; (ii) our Group's filings of tax returns with incorrect information were not wilful and were due to the inadvertent oversight of our staff; (iii) we have taken remedial measures by submitting the Licence Application and the Voluntary Filings as soon as we were aware of such non-compliance; and (iv) such non-compliance incidents did not involve any dishonesty or fraud on the part of our Directors or senior management and sufficient preventive measures have been implemented by our Group to prevent reoccurrence of such incident in the future, our Directors are of the view, which the Sole Sponsor concurs, that our enhanced internal control and corporate governance measures in place are adequate and effective, and such non-compliance incidents should not affect our Directors' suitability under Rules 3.08 and 3.09 of the Listing Rules or impugn on their integrity or competence.

LEGAL PROCEEDINGS

We may from time to time be involved in legal proceedings arising from the ordinary course of our business. As of the Latest Practicable Date, none of our Company, any of our subsidiaries or any of our Directors was a party to any litigation, arbitration or claim that could have a material adverse effect on our financial condition or results of operations, and no such material litigation, arbitration or administrative proceedings have been threatened against our Company or any of our subsidiaries.

RISK MANAGEMENT AND INTERNAL CONTROL

We endeavour to uphold the integrity of our business by maintaining an internal control system into our organisational structure. In preparation for the Listing and to further improve our internal control system, we engaged the Internal Control Consultant to perform an evaluation of our Group's internal control system.

BUSINESS

In April 2017, the Internal Control Consultant completed the first review of our internal control system on, among others, our control environment, risk assessment, control activities, information and communication, monitoring activities, as well as procedures in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The work performed by our Internal Control Consultant resulted in a number of findings and recommendations, and we have taken corrective actions in response to such findings and recommendations. The table below sets forth material weaknesses and deficiencies identified by the Internal Control Consultant in such reviews, and the rectification measures implemented by our Group:

Material weaknesses and deficiencies identified

Rectification measures

Financial reporting

- | | |
|---|---|
| (1) The Group failed to designate a particular personnel to double check, the accounting records and statutory filing with the underlying documents. | (1) We have designated our accountant to double check and verify the respective underlying documents when our accounting records are reviewed and approved. |
| (2) The Group failed to designate a particular personnel to double check, at the Group level, from time to time as to whether our accounting records are captured in our internal financial systems in a timely manner. | (2) We have designated a particular personnel to keep periodical review of our management accounts and underlying documents so as to ensure that our accounting records are captured in our internal financial systems in a manner consistent with our internal control manuals and policies. |
| (3) The Group recorded certain expenses items by initially adopting standard costing methods but failed to adopt adjustment by actual costing calculation. | (3) We have designated personnel to conduct monthly reconciliation between standing costing and actual costing. |
| (4) The Group incurred certain cut-off errors as it did not record production costs and administrative expenses in a timely manner, as a result of which certain production costs and administrative expenses were not recorded in the period which they were incurred. | (4) The accountant of our Group regularly reviews and monitors production costs and administrative expenses so as to ensure such costs and expenses are appropriately recorded in the current accounting period. |

We will also establish an audit committee to carry out independent review and supervision of our internal control systems and procedures, so as to ensure that our financial management and reporting practices are in line with our internal policies, and that we are in compliance with the requirements of the Listing Rules.

BUSINESS

Material weaknesses and deficiencies identified (Cont'd)

Rectification measures (Cont'd)

Development and documentation of internal manuals

The Group failed to maintain a written internal control manual and policies to cover corporate governance, risk management, and other aspects of internal control.

We have improved the existing internal control framework by adopting a set of internal control manuals and policies, which cover corporate governance, risk management, comprehensive anti-bribery policies, operations and legal matters, so as to enhance our internal compliance system and monitor the proper conducting of business.

Human resources and payroll management

(1) The Group do not have formal employment contracts for the existing employees of the Group.

We have prepared the official employment contracts once the employee is employed and the existing employee.

(2) There was overlap in duties between the Group's finance and human resources department as to human resources and payroll matters.

We have clarified the roles and responsibilities of human resources department in our internal policies. We also plan to recruit additional personnel to improve our overall management of human resources matters.

In June 2017, our Internal Control Consultant performed follow-up procedures on our system of internal control with regard to those corrective actions taken by us. In its follow-up reviews, our Internal Control Consultant noted that we had followed all of its recommendations and accordingly taken corrective actions to address our internal control deficiencies and weaknesses.

In addition to the above actions and in order to ensure sound implementation of our risk management and internal control policies, we will continue to assess and monitor the implementation of our internal control manual and policies by the relevant departments and companies in our Group through regular audits and inspections, and will continue providing our employees with appropriate internal trainings from time to time, so as to help them in strictly following our internal control and corporate governance procedures.

We will continuously monitor and improve our management procedures to ensure that effective operation of those internal controls is in line with the growth of our business and good corporate governance practice.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS OF OUR COMPANY

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares that may be issued upon the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme), Max Fortune will effectively hold an aggregate of 720,000,000 Shares, representing 72% of the total issued share capital of our Company. Max Fortune is held by Mr. Hui, Ms. Tong and Mr. Eric Hui as to 35.0%, 35.0% and 30.0%, respectively. Max Fortune is an investment holding company and has not commenced any substantive business activities as at the Latest Practicable Date. Mr. Hui, Ms. Tong and Mr. Eric Hui have decided to exercise direct control over the Company by holding their interests through a common holding company, namely, Max Fortune. Hence, Mr. Hui, Ms. Tong, Mr. Eric Hui and Max Fortune are a group of Controlling Shareholders within the meaning of the Listing Rules.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors believe that our Group is capable of carrying on our Group's business independently from our Controlling Shareholders and their close associates after the Share Offer.

Management and administrative independence

The Board consists of nine Directors, of whom five are executive Directors, one is non-executive Director, and the remaining three are independent non-executive Directors.

Our Group considers that the Board will function independently from our Controlling Shareholders because:

- (a) each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest;
- (b) if there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, unless otherwise provided in the Articles, the interested Director(s) shall abstain from voting at the relevant meetings of the Board in respect of such transactions and shall not be counted in the quorum;
- (c) the Board comprises nine Directors, and three of them are independent non-executive Directors who represent one third of the members of the Board. Such an arrangement is in line with the requirements as set out in the Listing Rules; and
- (d) we have an independent senior management team to carry out the business of our Group independently from our Controlling Shareholders.

Having considered the above factors, our Directors are of the view that our Group is capable of managing our business independent from our Controlling Shareholders and their respective close associates following completion of the Share Offer and the Capitalisation Issue and they are also able to perform their roles in our Company independently.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Financial independence

As at 31 March 2017, several bank loans and banking facilities were secured and guaranteed by amongst others, Mr. Hui and Ms. Tong, our Controlling Shareholders.

As at 31 March 2017, a total sum of approximately HK\$33 million was due from Mr. Hui, Ms. Tong and Mr. Eric Hui, our Controlling Shareholders. It is intended that a loan in the principal amount of approximately HK\$27.7 million owed by our Group to Mr. Hui will be capitalised and our Company will allot and issue 250 Shares, credited as fully paid, to Mr. Hui (or such person as he directs) on the date of this prospectus. An amount of approximately HK\$5.6 million due to our Controlling Shareholders was settled during the period from April 2017 to August 2017 and it is intended that the remaining amount of approximately HK\$0.3 million due to Mr. Hui and Ms. Tong will be settled by our Company on the date of this prospectus by the working capital of our Group. All loans, advances and balances due from our Controlling Shareholders and their respective close associates and all loans, advances and balances due to our Controlling Shareholders will be fully settled upon Listing. As at the Latest Practicable Date, the amount of loans due from the Group to third parties which are supported by personal guarantees from one or more of the Controlling Shareholders amount to approximately HK\$16.8 million. The relevant lenders have agreed in principle to the release of such personal guarantees upon Listing provided that the Company issues guarantees in respect of the same. Such outstanding personal guarantees will be released upon Listing.

In addition, our Group has an independent financial system and makes financial decisions independently according to our Group's own business needs. Accordingly, our Directors believe we are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

Operational independence

Our Group has established its own set of organisation structure made up of individual departments, each with specific areas of responsibilities. We have independent access to sources of suppliers as well as customers. The Group has not shared its operational resources, such as sales and marketing and general administration resources, with the Controlling Shareholders and/or their respective close associates. Our Group holds all material licenses necessary to carry on our business and we have sufficient operational capacity in terms of capital and employees to operate independently from our Controlling Shareholders and their respective close associates. We have also established a set of internal controls to facilitate the effective operation of our business.

Although our Group has leased four properties owned by our Controlling Shareholders during the Track Record Period, such transactions were conducted in the ordinary course of business and on normal commercial terms. Details of these related party transactions are set out in the section headed "Connected Transactions" in this prospectus.

On the basis of the matters disclosed in this section, our Directors believe that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective close associates.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

RULE 8.10 OF THE LISTING RULES

Our Controlling Shareholders, our Directors and their respective close associates do not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

NON-COMPETITION UNDERTAKINGS

To avoid any possible future competition between our Group and the Controlling Shareholders, the Controlling Shareholders (each a "**Covenantor**" and collectively the "**Covenantors**") have entered into a deed of non-competition (the "**Deed of Non-competition**") with our Company (for itself and as trustee of each of its subsidiaries) on 16 January 2018. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to our Company (for itself and as trustee for its subsidiaries) that, during the period that the Deed of Non-competition remains effective, that he/she/it shall not, and shall procure his or her or its close associates (other than any members of our Group) not to, on its/his/her own account or with each other or in conjunction with or on behalf of any person, firm or company develop, acquire, invest in, participate in, carry on or be engaged in, concerned with or interested in or otherwise be involved in, whether directly or indirectly, whether as a shareholder (other than being a director or shareholder of our Group or their associated companies), director, employee, partner, agent or otherwise in any business in competition with or likely to be in competition with the existing business activity of any member of our Group (the "**Restricted Activity**").

The undertaking set out above shall not prevent any of the Covenantors from acquiring a direct or an indirect shareholding interest or interest in other securities of not more than 5% (individually or taken together with their respective close associates) in a company listed on a recognised stock exchange anywhere in the world and engaged in any Restricted Activity, provided that each of them (individually or together) will not directly or indirectly own more than 5% of the total issued share capital of such company or control the exercise of more than 5% of the voting rights thereof or control the composition of the board of directors of such company.

If any of the Covenantors and/or his/her/its close associates is offered or otherwise intends to take up any business opportunity which directly or indirectly engages in or owns the Restricted Activity (the "**Competing Business Opportunity**"):

- (a) he/she/it shall within 10 Business Days of identifying or being made available the Competing Business Opportunity, notify our Company in writing (the "**Offer Notice**") of such Competing Business Opportunity and refer the same to our Company for consideration, and shall provide the relevant information to our Company as we may require in order to enable us to make an informed assessment of such opportunity; and
- (b) he/she/it shall not, and shall procure that his/her/its close associates (other than our Group) not to, invest or participate in any Competing Business Opportunity, unless such Competing Business Opportunity shall have been rejected by our Company, or the Board Committee (as defined below) failed to respond within 30 Business Days of receipt of the Offer Notice and that the principal terms of which the relevant Controlling Shareholder or his/her/its close associates (other than our Group) invest or participate in are substantially the same or not more favourable than those notified to our Company.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Our Board (including the independent non-executive Directors) or a board committee of our Company which has no interest in the Competing Business Opportunity (the “**Board Committee**”) will be responsible for reviewing and considering whether or not to take up a Competing Business Opportunity notified by a Covenantor.

The undertakings contained in the Deed of Non-competition are conditional upon the fulfilment of the conditions set out in the paragraph headed “Structure and Conditions of the Share Offer — Conditions of the Share Offer” in this prospectus. If any such condition is not fulfilled (or waived, where appropriate) on or before the date falling 30 days after the date of this prospectus (or if such date is not a Business Day, the immediate preceding Business Day), the Deed of Non-competition shall be null and void and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-competition.

The Deed of Non-competition shall terminate on the expiry of the Restricted Period (as defined below).

For the above purpose, the “Restricted Period” means the period commencing from the date on which dealings first commence on the Main Board of the Stock Exchange and shall expire on the earlier of the dates below:

- (a) the date on which the Covenantor and their respective close associates legally and beneficially cease to be a controlling shareholder of our Company for the purpose of the Listing Rules; and
- (b) the date on which the Shares cease to be listed on the Stock Exchange; and
- (c) the date on which the Group ceases to carry out the Restricted Activity.

Each Covenantor has undertaken under the Deed of Non-competition to provide to our Company and the Directors (including the independent non-executive Directors) from time to time all information necessary for the annual review by the independent non-executive Directors with regard to compliance with the terms of the Deed of Non-competition during the Restricted Period by the Covenantors and their respective close associates. Each Covenantor has also undertaken to make an annual declaration as to compliance with the terms of the Deed of Non-competition during the Restricted Period in our Company’s annual report.

CORPORATE GOVERNANCE MEASURES

Our Controlling Shareholders and their respective close associates may not compete with us as provided in the Deed of Non-competition. Each of our Controlling Shareholders has confirmed that he/she/it fully comprehends his/her/its obligations to act in the best interests of our Company and its Shareholders as a whole. To avoid potential conflicts of interest, our Group will implement the following measures:

- (i) as part of our preparation for the Share Offer, we have amended and conditionally adopted our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provided that, unless otherwise provided, if there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors (or their associates), the interested Directors shall abstain from voting at the relevant Board meeting and shall not be counted in the quorum;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (ii) each Director will make an annual confirmation as to compliance with his/its undertaking under the Deed of Non-competition for inclusion in the annual report of our Company;
- (iii) a Director with material interest shall make full disclosure in respect of matters that conflict or potentially conflict with our interest;
- (iv) the Board is committed to the view that the Board should include a balanced composition of executive, non-executive and independent non-executive Directors so that there is a strong independent element on the Board which can effectively exercise independent judgement. Our Company has appointed three independent non-executive Directors. Our Directors believe that our independent non-executive Directors are of sufficient calibre, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide impartial and professional advice to protect the interests of the minority Shareholders. Details of our independent non-executive Directors are set out in the section headed “Directors, Senior Management and Employees” in this prospectus;
- (v) our Company has appointed Kingsway Capital Limited as its compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors’ duties and internal controls. Please refer to the paragraph headed “Directors, Senior Management and Employees — Compliance adviser” in this prospectus for details in relation to the appointment of our compliance adviser;
- (vi) our Controlling Shareholders undertake to provide all information requested by our Group which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition; and
- (vii) our independent non-executive Directors will, based on the information available to them, review on an annual basis (i) the compliance with the Deed of Non-competition; and (ii) all the decisions taken in relation to whether to pursue the new opportunity under the Deed of Non-competition. Findings of such review will be disclosed in our annual report after the Listing.

CONNECTED TRANSACTIONS

OVERVIEW

Pursuant to Chapter 14A of the Listing Rules, our Directors and chief executive officer or those of our subsidiaries, any of their associates and any person who was our Director or a director of our subsidiaries, any of their associates within 12 months preceding the Listing Date will become a connected person of our Company upon the Listing. Upon the Listing, our transactions with such connected persons will constitute connected transactions under Chapter 14A of the Listing Rules.

Our Directors confirm that the following transactions which will continue after Listing will constitute continuing connected transactions for us under Chapter 14A of the Listing Rules.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Yee Sing Hong (a subsidiary of our Group) entered into four property lease agreements (collectively, the “**Property Lease Agreements**”) with the following connected persons of our Company, all of whom are landlord under each of the Property Lease Agreements. The relationship between our Company and the connected persons are set out below:

Relationship with Yee Sing Hong Petroleum Products Company Limited

As at the Latest Practicable Date, Yee Sing Hong Petroleum Products Company Limited (“**Yee Sing Hong Petroleum Products**”) is a company owned as to 99.99% by Pacific Group, which is in turn wholly owned by Mr. Hui, an executive Director and our Controlling Shareholder. As such, Yee Sing Hong Petroleum Products is a connected person of our Company under the Listing Rules. As at the Latest Practicable Date, Yee Sing Hong Petroleum Products is a property holding company and it did not carry any business in competition with or is likely to be in competition with the existing business activity of any member of our Group.

Relationship with Mr. Hui

Mr. Hui is an executive Director and our Controlling Shareholder, and therefore a connected person of our Company under the Listing Rules.

Relationship with Bright Ford Development Limited

As at the Latest Practicable Date, Bright Ford Development Limited (“**Bright Ford**”) is wholly owned by Mr. Hui, an executive Director and our Controlling Shareholder, and therefore a connected person of our Company under the Listing Rules.

Relationship with Sunny Gainer Investment Limited

As at the Latest Practicable Date, Sunny Gainer Investment Limited (“**Sunny Gainer**”) is wholly owned by Ms. Tong, an executive Director and our Controlling Shareholder, and therefore a connected person of our Company under the Listing Rules.

CONNECTED TRANSACTIONS

The details of each of the Property Lease Agreements are set out below:

Date of Agreement	Parties	Premises	Term	Rental and payment terms	Principal use	Rental payable by the Group for the period from (Note 2) for (approximately HK\$)					
						Historical amount (Note 1) for (approximately HK\$)			1 April 2017 to the date		
						the year ended 31 March 2015	the year ended 31 March 2016	the year ended 31 March 2017	immediately prior to the Listing Date	Listing Date to 31 March 2018	1 April 2018 to 31 August 2018
31 August 2016	Yee Sing Hong Petroleum Products as landlord and Yee Sing Hong as tenant (Note 2)	G/F, 206 Fuk Wing Street, Sham Shui Po, Hong Kong	1 September 2016 to 31 August 2018	HK\$28,000 per month payable in advance on the first day of each and every calendar month during the term	Retail store of petrochemical products	300,000	300,000	321,000	291,000	45,000	140,000
31 August 2016	Mr. Hui as landlord and Yee Sing Hong as tenant (Note 3)	G/F, 204 Fuk Wing Street, Sham Shui Po, Hong Kong	1 September 2016 to 31 August 2018	HK\$28,000 per month payable in advance on the first day of each and every calendar month during the term	Retail store of petrochemical products	300,000	300,000	321,000	291,000	45,000	140,000
31 August 2016	Bright Ford as landlord and Yee Sing Hong as tenant (Note 4)	Yuen Long Lot 2617 DD120	1 September 2016 to 31 August 2018	HK\$48,000 per month payable in advance on the first day of each and every calendar month during the term	Storage	576,000	576,000	576,000	499,000	77,000	240,000
31 August 2016	Sunny Gainer as landlord and Yee Sing Hong as tenant (Note 5)	(Remaining Portion of) Yuen Long Lot 2618 DD120	1 September 2016 to 31 August 2018	HK\$24,000 per month payable in advance on the first day of each and every calendar month during the term	Storage	288,000	288,000	288,000	249,000	39,000	120,000
Total:						<u>1,464,000</u>	<u>1,464,000</u>	<u>1,506,000</u>	<u>1,330,000</u>	<u>206,000</u>	<u>640,000</u>

Notes:

- Any historical amounts of rental paid by the Group before the commencement of the Property Lease Agreements have been calculated by reference to previous leases entered into in respect of the same premises. The monthly rental paid or payable by Yee Sing Hong under the Property Lease Agreements were determined after arm length's negotiations between parties with reference to the then prevailing market conditions and the rental rate of similar properties in the vicinity. Greater China Appraisal Limited, a property valuer, is of the opinion that the monthly rental under the Property Lease Agreements with each of the connected persons mentioned above are on normal commercial terms, fair and reasonable.
- The lease agreement dated 31 August 2016 between Yee Sing Hong Petroleum Products as landlord and Yee Sing Hong as tenant in relation to the leasing of the said premise is a renewal of the expired lease agreement dated 1 April 2014 for the period from 1 April 2014 to 31 August 2016 at a monthly rental fee of HK\$25,000.
- The lease agreement dated 31 August 2016 between Mr. Hui as landlord and Yee Sing Hong as tenant in relation to the leasing of the said premise is a renewal of the expired lease agreement dated 1 April 2014 for the period from 1 April 2014 to 31 August 2016 at a monthly rental fee of HK\$25,000.
- The lease agreement dated 31 August 2016 between Bright Ford as landlord and Yee Sing Hong as tenant in relation to the leasing of the said premise is a renewal of the expired lease agreement dated 1 April 2014 for the period from 1 April 2014 to 31 August 2016 at a monthly rental fee of HK\$48,000.

CONNECTED TRANSACTIONS

5. The lease agreement dated 31 August 2016 between Sunny Gainer as landlord and Yee Sing Hong as tenant in relation to the leasing of the said premise is a renewal of the expired lease agreement dated 1 April 2014 for the period from 1 April 2014 to 31 August 2016, at a monthly rental fee of HK\$24,000.

Given all the Property Lease Agreements are with Mr. Hui and his associates, the Stock Exchange reserves the right to aggregate all the Property Lease Agreements pursuant to Rule 14A.82(1) of the Listing Rules. If all the Property Lease Agreements were aggregated, the applicable percentage ratios (other than the profits ratio) by reference to the rental payable would be less than 5% with annual total consideration of less than HK\$3,000,000. Consequently, the Property Lease Agreements constitute *de minimis* continuing connected transactions which are fully exempt from the reporting, announcement and independent shareholder approval requirements applicable under Chapter 14A of the Listing Rules.

DIRECTORS' VIEWS

Our Directors (including the independent non-executive Directors) are of the view that (i) the continuing connected transactions contemplated under the Property Lease Agreements as set out in the paragraph headed “Fully exempt continuing connected transactions” have been entered into in the ordinary and usual course of business of our Group, on normal commercial terms or better, are fair and reasonable and in the interests of our Company and the Shareholders as a whole; and (ii) the rental payable in respect of these continuing connected transactions are fair and reasonable and in the interest of our Company and the Shareholders as a whole.

COMPLIANCE WITH THE LISTING RULES

If the terms of any of the Property Lease Agreements set out in the paragraph headed “Fully exempt continuing connected transactions” are altered to the extent that it is no longer an exempt continuing connected transaction or if we enter into any new agreements or arrangements with any connected persons in the future under which the aggregate consideration paid or payable by us exceed the limits for exempt continuing connected transactions referred to in the Listing Rules, we will comply with the relevant requirements of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

REASONS FOR THE LISTING

Our Directors believe that the Listing would:

- broaden our shareholder base and enhance our access to capital for future growth with opportunities to raise fund not only at Listing but also at a later stage. This is of particular importance to us as we are considering the expansion of our in-house blending and repackaging capacity, further growth market share of our self-branded lubricant oil in Hong Kong, and the addition of more value-added services on our self-developed “TFH” app to provide “one-stop-shop” experience. Moreover, our Directors have considered using debt financing from banks to fund our future business growth. However, the interest rate on bank loans is expected to be on the up trend in the future and thus our Group will be subject to high interest cost. Therefore, our Directors are of the view that fund-raising through initial public offering will reduce our financing costs and increase our financial leverage.
- enhance our profile, visibility and our market presence to generate reassurance among our clients and suppliers. We believe that both our customers (being commercial end users of petrochemical products as well as individual consumers) and suppliers (being oil companies, manufacturers and distributors of petrochemical products) prefer working with business partners who are listed companies given their reputation and listing status. By way of Listing, we can elevate our corporate image and status and strengthen confidence from our customers and suppliers, which in turn provides a more level playing field when we explore new business opportunities with our customers and suppliers. Moreover, the additional financial resources from the Listing will enable us to further consolidate our financial strength and enhance our capacity and efficiency in serving customers. Our Directors believe that this can fuel our business growth in a much faster pace and improve our market competitiveness.
- enhance our operational efficiency and corporate governance through compliance with rigorous disclosure standards which we believe would enhance our internal control and risk management.
- enhance employee incentive and commitment. Human resources and talents are vital to our business. The status of being a listed company can help us to attract, recruit and retain our valued management personnel and skilled employees and to provide additional incentive. To this end, we have also put in place the Share Option Scheme for our employees with an aim to attract and retain talents. Please refer to the sub-section headed “*Statutory and General Information — D. Share Option Scheme*” in Appendix V to this prospectus for a summary of principal terms of the scheme.

In light of the foregoing, the Listing will further complement our strong liquidity position as reflected during our Track Record Period.

FUTURE PLANS

Please refer to the sub-section headed “**Business — Business strategies**” in this prospectus for a detailed description of our future plans. We currently do not have any specific acquisition plans or targets and have not entered into any definitive agreements with any potential targets.

FUTURE PLANS AND USE OF PROCEEDS

USE OF PROCEEDS

We estimate that the net proceeds we will receive from the Share Offer (after deducting underwriting commissions and estimated total expenses paid and payable by us in connection with the Share Offer) will be approximately HK\$67.5 million, assuming an Offer Price of HK\$0.4 per Share, being the mid-point of the Offer Price range stated in this prospectus.

We plan to apply these net proceeds for the following purposes:

- (1) approximately HK\$51.6 million, representing approximately 76.4% of the net proceeds, will be used for the development of our new blending site with storage facility, which include:
 - approximately HK\$50.3 million (representing approximately 74.5% of the net proceeds) will be used for the acquisition/construction of a new site with a GFA of approximately 15,000–25,000 sq.ft. in Hong Kong and the renovation of this new site as we currently do not have sufficient indoor space to place bulky machinery and tools for blending and repackaging of our self-branded products;
 - approximately HK\$1.3 million (representing approximately 1.9% of the net proceeds) will be used for the purchase and installation of two sets of machinery for the blending and repackaging of our self-branded lubricant oil as well as one set of the automated houillon viscometers for the quality testing of finished lubricant oil; and

We plan to develop the new blending site with storage facility in light of the following:

- (a) We wish to improve our capacity of producing self-branded lubricant oil (especially the lubricant oil for automotive use) which yielded a higher profit margin than third-party branded lubricant oil products during the Track Record Period. Constrained by the availability of machinery, our in-house blending operation has been restricted to the manual operation of blending and repackaging of industrial lubricant oil in a limited number of specifications, such as hydraulic oil and cylinder oil. During the Track Record Period and to the best of our Directors' knowledge, the production volume of lubricant oil from our in-house blending operation amounted to approximately 1.4 million litres, 1.2 million litres, 1.2 million liters and 0.4 million liters in the year ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017, respectively; and the sales quantity of finished lubricant oil from our in-house blending operation was approximately 1.4 million litres, 1.2 million litres, 1.1 million litres and 0.4 million litres, respectively, for the corresponding period, representing approximately 63.9%, 59.1%, 61.8% and 59.5%, respectively, of our total sales volume of self-branded lubricant oil for the corresponding period. Given the manual operation, we were not able to ascertain the utilisation rate of our in-house blending operation during the Track Record Period. With a new site, we will be able to utilise automatic machinery for large-scale blending operation.

FUTURE PLANS AND USE OF PROCEEDS

- (b) According to the Frost & Sullivan Report, the market for automotive lubricant oil still has potential for growth:
- (i) The demand for lubricant oil is driven by the strong consumption of automotive lubricant, especially in the logistics services and transportation industry. Positioning at the heart of Asia and immediately adjacent to the Pearl River Delta, Hong Kong has its strategic location which encourages the flow of trade between Asian countries and Hong Kong. The infrastructure improvement projects such as Hong Kong-Zhuhai-Macao Bridge (HZMB) further strengthen Hong Kong's location advantage by driving the development of logistics and transportation industry in the region, so as to provide a strong growth momentum to the automotive lubricant oil market in Hong Kong.
 - (ii) According to statistics from the Transport Department of HKSAR, the number of total registration of private cars increased from 454,697 in 2012 to 536,025 in 2016, demonstrating a CAGR of approximately 4.2%. Also, with the improved access to information about automotive maintenance and services via digital media and the rising awareness of vehicle safety, there is an expected increase in demand for the aftermarket services, in particular vehicle maintenance and repair services. Given that the change of automotive lubricant oil is one of the vehicle maintenance routines, our Directors believe that the increasing volume of vehicles in Hong Kong and the growing automotive services market will provide a strong impetus in driving the demand for automotive lubricant oil products.
 - (iii) Our sales of industrial lubricant oil is dependent on the availability of construction and civil engineering projects in Hong Kong and thus is susceptible to delay in funding approval by the committees of the Legislative Council of Hong Kong as a result of lawmakers' filibustering. By contrast, the sales of automotive lubricant oil are generally driven by demand from commercial fleets and private vehicles which are less likely to be negatively affected by the uncertainty of political climates.
- (c) Our blending activities have been conducted through either (1) pouring the specific amount and type of lubricant oil into the storage container when we offload semi-finished lubricant oil from the shipment container at the Yuen Long Site, or (2) a very limited scale of blending within the Sham Shui Po Outlet with a size of approximately 2,108.4 sq.ft. only which is leased from Mr. Hui during the Track Record Period and as at the Latest Practicable Date. The acquisition/construction of a new self-owned site for production is beneficial for the Group's long-term development in light of the following:
- (i) With a self-owned site, we are able to commit more resources to renovation to fit our blending operation from perspective of long-term development, and we do not require consent from the landlord;
 - (ii) The blending and testing machinery are bulky and difficult to relocate frequently. A blending site with long-term stability can avoid moving such machinery, which could be costly and time-consuming; and
 - (iii) Acquisition/construction of self-owned site eliminates fluctuation of rents, and the blending site is capable of being used for re-financing arrangement should such need arise.

FUTURE PLANS AND USE OF PROCEEDS

Implementation plan of the acquisition/construction of the new blending site:

Timeline	Milestones
March 2018	Identify the new blending site, which is likely to be an industrial building in New Territories and start renovation
December 2018	Complete renovation
January 2019	Purchase and instalment of lubricant oil repackaging machines
January 2019	Purchase equipment and automatic houillon viscometers (粘度測試機) for testing lubricants
January 2019	Recruitment of staff
January 2019	Purchase wagons and trucks
February 2019	Start blending operations

Expected functions of the new blending site

We currently conduct blending through either (1) pouring the specific amount and type of lubricant oil into the storage container when we offload the semi-finished lubricant oil from the shipment container at the Yuen Long Site; or (2) a very limited scale of blending at the Sham Shui Po Outlet as we mainly store the finished products of lubricant oil at the Yuen Long Site. The new blending site is expected to accommodate not only blending machinery and testing equipment (such as houillon viscometers (粘度測試機)) but also the storage of finished lubricants oil products. Our Directors believe that the consolidation of blending, testing, repackaging and storage of lubricant oil under the same roof could reduce transportation costs and improve operational efficiency.

Licensing requirements for blending site

As confirmed by our Hong Kong Legal Advisers, the general licensing requirement for a blending site is to ascertain whether or not such use of the premises complies with the government lease, occupation permit and the deed of mutual covenant of the building. As no dangerous goods will be used or stored, an industrial building in New Territories which allows for “industrial and godown” use would be a viable site for blending activities unless there are special restrictions regarding production or storage of our lubricant oil products. Apart from the standard licensing requirements such as business registration certificate, no special licence is required for blending site.

Production capacity is subject to the future sales figures of our products, the blending machines are expected to yield 8,000 litres per hour, and therefore annual production will be approximately 1.7 million litres on the basis of 26 working days per month and 8 hours per day.

- (2) approximately HK\$6.8 million, representing approximately 10.1% of the net proceeds, will be used for the purchase of six new wagons and three new trucks, including:
 - approximately HK\$5.3 million (representing approximately 7.9% of the net proceeds) for the purchase of six diesel tank wagons with a designed capacity ranging from 6,700 litres and 15,000 litres; and

FUTURE PLANS AND USE OF PROCEEDS

- approximately HK\$1.5 million (representing approximately 2.2% of the net proceeds) for the purchase of three trucks with a designed capacity of nine tonnes each.

As at the Latest Practicable Date, our fleet comprised eight diesel tank wagons with bulk tank capacity ranging from 6,700 litres to 20,000 litres, as well as seven light and medium goods trucks with permitted gross weight ranging from approximately 3.2 tonnes to 9.0 tonnes, while one wagon is under repair. Pursuant to the Air Pollution Control (Air Pollutant Emission) (Controlled Vehicles) Regulation (Cap. 311X, Laws of Hong Kong), to improve roadside air quality and better protect public health, the government of Hong Kong adopts an incentive-cum-regulatory approach to phase out some pre-Euro IV diesel commercial vehicles (DCVs), including goods vehicles, light buses and non-franchised buses. As an incentive, eligible vehicle owners may apply for ex-gratia payment. As such, we aim to phase out a number of our wagons and trucks as we upgrade our fleet to strengthen our delivery capability:

	Expected amount of ex-gratia payment from government of Hong Kong for the voluntary phasing- out of pre-Euro IV diesel commercial vehicles	Approximate funds required for the purchase of new wagons
Two trucks will be phased out with replacement	HK\$0.2 million	HK\$1.0 million
Three diesel tank wagons will be phased out with replacement ⁽¹⁾	HK\$0.7 million	HK\$2.9 million
Three additional diesel tank wagons to cope with business expansion ⁽²⁾	Not applicable	HK\$2.4 million
One additional new truck without diesel tank to cope with business expansion ⁽³⁾	<u>Not applicable</u>	<u>HK\$0.5 million</u>
Total	<u><u>HK\$0.9 million</u></u>	<u><u>HK\$6.8 million</u></u>

Notes:

1. Comprising two diesel tank wagons each with an allowed bulk tank capacity of 15,000 litres, and one diesel tank wagon with allowed bulk tank capacity of 6,700 litres.
2. The addition of these three diesel tank wagons represents an increase of approximately 20.8% of our delivery capacity as compared to our existing delivery capacity as at the Latest Practicable Date (being the aggregate of total allowed bulk tank capacity of all diesel tank wagons in our fleet as at the Latest Practicable Date), which increase is in line with our strategy to (a) consolidate our established position in serving downstream distributors (by the addition of one diesel tank wagon with large bulk tank capacity of 15,000 litres) on one hand; and (b) further strengthen our capacity and flexibility in the delivery of diesel to commercial end users such as construction and civil engineering work sites (by the addition of two diesel tank wagons with the medium bulk tank capacity of 6,700 litres) on the other hand.

FUTURE PLANS AND USE OF PROCEEDS

3. The addition of one new truck without diesel tank mainly accommodates the Group's proposed expansion of in-house blending and repackaging of lubricant oil.

We expect to receive the ex-gratia payment when the two trucks and three diesel tank wagons are phased out by December 2019, and we plan to use such ex-gratia payment as standby funds for expenditure in connection with the purchase of new wagons and trucks.

- (3) approximately HK\$7.9 million, representing approximately 11.7% of the net proceeds, will be used for recruiting and retaining high calibre talents in management, quality control, operational support at the new blending site with storage facility, sales and marketing as well as internal control and compliance, so as to support future growth of the Group. Such amount represents the estimate of the forthcoming 12 months' salary upon recruitment of such personnel.

The number of staff to be hired, their expected roles and area of expertise are detailed as follows:

Position	Number of staff	Expected roles	Area of expertise
Human Resources Manager	1	Oversees the human resources department functions and management of employees to support the expansion of the Group	At least five years of experience in human resource
Human Resources Assistant	1	Assist the human resources department on various human resources matters within the Group to support the expansion of the Group	At least two years of experience in human resource and/or administration
Public Relations Manager	1	Formulate and implement publicity strategies and enhance corporate image of the Group to support the Group as a whole	At least five years of experience in human resource
Compliance Officer	1	Provide company secretarial, compliance and legal support and ensure the Group is in compliance with relevant rules and regulations to comply with the Internal Control Consultant's recommendation	At least five years of relevant experience with companies listed in Hong Kong

FUTURE PLANS AND USE OF PROCEEDS

Position	Number of staff	Expected roles	Area of expertise
Senior Accountant	2	Support the finance department of the Group on a wide spectrum of financial and accounting matters to comply with the Internal Control Consultant's recommendation	At least eight years of experience in accounting or auditing
IT Technician Assistant	1	Maintain the Group's information technology systems and provide ad hoc support on system monitoring and troubleshooting to support the expansion of the Group	At least one year of experience in information technology
Marketing Assistant	2	Assist the sales and marketing team to perform business development and sales and marketing activities to support the expansion of the Group	At least two years of experience in business development in the same industry of the Group
Delivery Worker	5	Support the delivery process and load/unload trucks for product delivery to support the expansion of the Group	No specific experience required, and candidates with class 18 driving licence are preferred

FUTURE PLANS AND USE OF PROCEEDS

Position	Number of staff	Expected roles	Area of expertise
Driver	7	Deliver products to customers to support the expansion of the Group	At least three years of driving experience with a class 18 driving licence
Quality Control Technician	1	Support the testing and quality control of in-house blended lubricant oil to support the new blending facility	At least three years of relevant experience
Inventory Control Supervisor	1	Oversee the operation and administration of inventory control functions to support the blending facility	At least three years of experience in inventory management and familiar with inventory management
Inventory Control Assistant	2	Support the inventory activities at the new blending site and provide communication support to operation and sales department to support the blending facility	No specific experience required, but at least with education level of Form six graduation
Product Assistant	3	Support the operation of the new blending site and storage facility to support the blending facility	No specific experience required, but at least with education level of Form six.
On-site Senior Distribution Clerk	2	Support the orders acceptance and product distribution to support the blending facility	At least three years of experience in operation management

- (4) approximately HK\$1.2 million, representing approximately 1.8% of the net proceeds will be used for additional working capital and other general corporate purposes.

If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, assuming the Offer Size Adjustment Option is not exercised, the net proceeds to our Company from the Share Offer will increase or decrease by approximately HK\$22.9 million. We will adjust the allocation of the net proceeds for the abovementioned purposes on a pro rata basis.

If the Offer Size Adjustment Option is exercised in full, the additional net proceeds received from the offer of the additional Shares allotted and issued will be allocated in accordance with the above allocations on a pro rata basis. For details of the Offer Size Adjustment Option, please refer to the sub-section headed “Structure and Conditions of the Share Offer — Offer size adjustment option” in this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

To the extent that the net proceeds are not immediately applied to the above purposes, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments (such as guaranteed bond) as permitted by the relevant laws and regulations.

In the event of any material change in our use of net proceeds from the purposes described above or in our allocation of the net proceeds among the purposes described above, a formal announcement will be made.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

BOARD OF DIRECTORS

Our Board consists of nine Directors, comprising five executive Directors, one non-executive Director and three independent non-executive Directors. The following table sets forth certain information in respect of our Directors:

Name	Age	Date of joining our Group	Date of appointment as Director	Current position/title	Principal responsibilities	Relationship with other Directors and senior management
Executive Directors						
Mr. HUI Pui Sing (許沛盛)	62	February 2002	24 March 2017	Executive Director, chairman of our Board and chairman of nomination committee	Corporate strategic planning and overall business development, management of our Group, decision making and business development strategies	Spouse of Ms. Tong, and father of Mr. Eric Hui and Ms. Hui Wing Man Rebecca
Ms. TONG Man Wah (湯敏華)	56	February 2002	24 March 2017	Executive Director	Responsible for overseeing the administration and developing strategies in relation to distribution, brand building and supplier relationships	Spouse of Mr. Hui, and mother of Mr. Eric Hui and Ms. Hui Wing Man Rebecca
Mr. HUI Yip Ho Eric (許業豪)	26	August 2013	24 March 2017	Executive Director, chief executive officer and member of remuneration committee	Responsible for overseeing the operation of our fleet card business and our Group's overall corporate management and business development strategies	Son of Mr. Hui and Ms. Tong and brother of Ms. Hui Wing Man Rebecca
Ms. HUI Wing Man Rebecca (許穎雯)	28	January 2013	24 March 2017	Executive Director and chief operating officer	Responsible for overseeing and monitoring internal control policies, the overall corporate management and business development strategies of our Group	Daughter of Mr. Hui and Ms. Tong and sister of Mr. Eric Hui
Mr. KONG Man Ho (江文豪)	33	January 2013	23 June 2017	Executive Director and marketing director	Responsible for overseeing the sales and marketing strategies of our Group	None
Non-executive Director						
Mr. ONG Chor Wei (王祖偉)	48	June 2017	23 June 2017	Non-executive Director	Responsible for rendering advice on overall corporate financial matters, capital management, investor relations and strategic planning of our Group	None

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Date of joining our Group	Date of appointment as Director	Current position/title	Principal responsibilities	Relationship with other Directors and senior management
Independent non-executive Directors						
Mr. LAM Kwong Siu (林廣兆)	83	January 2018	16 January 2018	Independent Non-executive Director and members of the audit committee and nomination committee	Responsible for Board oversight and providing independent judgment	None
Mr. TSE Yung Hoi (謝湧海)	65	January 2018	16 January 2018	Independent Non-executive Director and members of the audit committee and remuneration committee	Responsible for Board oversight and providing independent judgment	None
Mr. WONG Hei Chiu (黃禧超)	50	January 2018	16 January 2018	Independent Non-executive Director, chairman of audit committee and remuneration committee and member of nomination committee	Responsible for Board oversight and providing independent judgment	None

SENIOR MANAGEMENT

Our senior management, together with our executive Directors, are responsible for the day-to-day management of our business. The table below sets forth certain information in respect of the senior management of our Group other than those who are our executive Directors:

Name	Age	Date of joining our Group	Current position/title	Principal responsibilities	Relationship with other Directors and senior management
Ms. WONG Kit Yi (黃潔儀)	56	February 2002	Accountant	Responsible for overseeing accounting activities and our Group's overall financial reporting	None
Ms. LEE Choi Ping (李彩屏)	38	November 2014	Operation manager	Responsible for the general operation of our Group's fleet card, diesel and lubricant oil business	None

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS

Executive Directors

Mr. HUI Pui Sing (許沛盛), aged 62, was appointed as our Director on 24 March 2017 and was re-designated as executive Director on 23 June 2017. Mr. Hui is the founder of our Group, the chairman of our Board and the nomination committee, a director of Carmen Logistics, Grand Wealthy, Yee Sing Hong and Yee Sing Logistics and the general manager of Yee Sing Hong. Mr. Hui is one of our Controlling Shareholders. He is primarily responsible for corporate strategic planning, overall business development, management, decision making and business development strategies of our Group. From 1977, he worked as an assistant in a company the principal business of which is the selling of liquefied petroleum gas and kerosene. In 1977, he established a company the principal business of which is the sale of hydrocarbon oils and in 2002, he established Yee Sing Hong. He has over 47 years of experience in the sales and distribution of diesel, lubricant oil and other petrochemical products and over 14 years of experience in the processing and distribution of self-branded lubricant oil and other petrochemical products and the promotion of fleet cards.

He is the spouse of Ms. Tong, and the father of Mr. Eric Hui and Ms. Hui Wing Man Rebecca. Details of Ms. Tong, Mr. Eric Hui and Ms. Hui Wing Man Rebecca are set out in this section.

Ms. TONG Man Wah (湯敏華), aged 56, was appointed as our Director on 24 March 2017 and was re-designated as executive Director on 23 June 2017. Ms. Tong is a director of Billion Faith, Carmen Logistics, Grand Wealthy, Tien Fung Hong and Yee Sing Hong and the administration manager of Yee Sing Hong and Yee Sing Logistics. Ms. Tong is one of our Controlling Shareholders. She is primarily responsible for overseeing the administration and developing strategies in relation to distribution, brand building and supplier relationships of our Group. She has over 33 years of experience in the sales and distribution of diesel, lubricant oil and other petrochemical products. She worked in a company established by Mr. Hui whose principal business is the sale of hydrocarbon oils since 1985, responsible for the operations of the sale and distribution of petrochemical products and thereafter continued to assist Mr. Hui in the sale and distribution of diesel and other petrochemical products of the Group.

She graduated from St. Marino Secondary School in 1980. She is the spouse of Mr. Hui, and the mother of Mr. Eric Hui and Ms. Hui Wing Man Rebecca. Details of Mr. Hui, Mr. Eric Hui and Ms. Hui Wing Man Rebecca are set out in this section.

Mr. HUI Yip Ho Eric (許業豪), aged 26, was appointed as our Director on 24 March 2017 and was re-designated as executive Director on 23 June 2017. Mr. Eric Hui is a director of Tien Fung Hong, Yee Sing Hong and Yee Sing Logistics and the general manager of Carmen Logistics, Yee Sing Logistics, Yee Sing Hong, Grand Wealthy, Billion Faith and Tien Fung Hong. Mr. Eric Hui is one of our Controlling Shareholders, our chief executive officer and a member of the remuneration committee. He is primarily responsible for overseeing the operation of our fleet cards business in Hong Kong and our Group's overall corporate management and business development strategies. He joined our Group in 2013 and has 4 years of experience in the promotion of fleet cards and the sales and distribution of diesel, lubricant oil and other petrochemical products.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

He received a bachelor of business administration (finance) degree from the Southern Methodist University in August 2013 and a master degree of finance from the Polytechnic University of Hong Kong in March 2017. He is the holder of the Estate Agent Licence granted by the Estate Agents Authority in February 2017. He is the son of Mr. Hui and Ms. Tong, and the brother of Ms. Hui Wing Man Rebecca. Details of Mr. Hui, Ms. Tong and Ms. Hui Wing Man Rebecca are set out in this section.

Ms. HUI Wing Man Rebecca (許穎雯), aged 28, was appointed as our Director on 24 March 2017 and was re-designated as executive Director on 23 June 2017. Ms. Hui is a director of Tien Fung Hong, Yee Sing Hong and Yee Sing Logistics and the administration manager of Tien Fung Hong, Billion Faith, Grand Wealthy and Carmen Logistics. She is our chief operating officer and the administration manager and primarily responsible for overseeing and monitoring internal control policies, the overall corporate management and business development strategies of our Group. She has 2 years of experience in business administration. From April 2013 to August 2015, she worked as a consultant, then promoted to senior consultant and subsequently promoted to wealth management advisor of Convoy Financial Services Limited. She received from the Southern Methodist University in December 2012 a bachelor of science (economics with finance application) degree and a bachelor of arts (psychology) degree. She is the holder of the Estate Agent Licence granted by the Estate Agents Authority in August 2014. She is the daughter of Mr. Hui and Ms. Tong, and the sister of Mr. Eric Hui. Details of Mr. Hui, Ms. Tong and Mr. Eric Hui are set out in this section.

Mr. KONG Man Ho (江文豪), aged 33, was appointed as executive Director on 23 June 2017. Mr. Kong is the marketing manager of Carmen Logistics, Yee Sing Logistics, Yee Sing Hong, Grand Wealthy, Billion Faith and Tien Fung Hong and the marketing director of our Group. He is primarily responsible for overseeing the sales and marketing strategies of our Group. Mr. Kong obtained a bachelor of commerce degree from McMaster University in June 2008. Before joining our Group in January 2013, Mr. Kong worked as a consultant, then promoted to senior consultant and subsequently promoted to wealth management advisor and senior wealth management advisor of Convoy Financial Services Limited, where he was responsible for the promotion of financial services and products. He has 4 years of experience in sales and marketing and the promotion of fleet cards. From 2013 to June 2017, he was the holder of the Technical Representatives licence granted by the Professional Insurance Brokers Association, the Registered MPF Subsidiary Intermediary granted by the Mandatory Provident Schemes Authority and a representative licensed to carry out type 1 (dealing in securities) regulated activities under the SFO.

Non-executive Director

Mr. ONG Chor Wei (王祖偉), aged 48, was appointed as non-executive Director on 23 June 2017. Mr. Ong has extensive experience in finance and accounting. Mr. Ong has been serving a director of the following listed companies in the last three years preceding the Latest Practicable Date:

- a non-executive director of Joyas International Holdings Limited, the shares of which are listed on the Singapore Stock Exchange (stock code: E9L) since December 2007;
- an executive director and chief executive officer of Net Pacific Financial Holdings Limited, the shares of which are listed on the Singapore Stock Exchange (stock code: 5QY) since February 2010;
- an executive director of Zibao Metals Recycling Holdings Plc, the shares of which are listed on the London Exchange (Stock: BO) since March 2014;

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

- a non-executive director of Man Wah Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 1999) from March 2010 to May 2012 and was re-designated as an independent non-executive director since May 2012;
- an independent non-executive director of O-Net Technologies (Group) Limited, the shares of which are listed on the Stock Exchange (stock code: 877) since April 2010;
- an independent non-executive director of Denox Environmental & Technology Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 1452) since October 2015;
- an independent non-executive director of Nameson Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 1982) since January 2016;
- a non-executive director of Prosperous Printing Company Limited, the shares of which are listed on the Stock Exchange (stock code: 8385) since December 2017; and
- an independent non-executive director of Smart Globe Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 8485) since December 2017.

He has previously served as a non-executive director of Jets Technics International Holdings Limited, the shares of which are listed on the Singapore Exchange Securities Trading Limited, until October 2013 and Hong Wei (Asia) Holdings Company Limited, the shares of which listed on the Stock Exchange (stock code: 8191) from November 2012 to October 2016.

Mr. Ong received a bachelor of laws degree from The London School of Economics and Political Science in August 1990. He also received a distance learning degree in master of business administration which was jointly awarded by the University of Wales and the University of Manchester, United Kingdom in March 2000. He has been an associate of The Institute of Chartered Accountants in England and Wales and an associate of the Hong Kong Society of Accountants since December 1993 and October 1995, respectively.

Independent non-executive Directors

Mr. LAM Kwong Siu (林廣兆) SBS and GBS, aged 83, was appointed as independent non-executive Director on 16 January 2018 and a member of our audit committee and nomination committee.

Mr. Lam has been a non-executive director of Bank of China International Limited (formerly known as BOCI Capital Limited) since July 2002 and the vice chairman of BOC International Holdings Limited, a wholly-owned subsidiary of the Bank of China Ltd since October 2001.

Mr. Lam has been serving the following companies which are listed on the Stock Exchange in the capacity of:

- an independent non-executive director of Fujian Holdings Ltd., (stock code: 181) since December 2003;
- an independent non-executive director of China Overseas Land & Investment Ltd. (stock code: 688) since September 2003;

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

- an independent non-executive director of Xinyi Glass Holdings Limited (stock code: 868) since August 2004;
- an independent non-executive director of Yuzhou Properties Company Limited (stock code: 1628) since October 2009; and
- an executive director of Far East Consortium International Limited (stock code: 35) since September 2011.

Mr. Lam was awarded the Silver Bauhinia Star in 2003 and Gold Bauhinia Star in 2016 by the government of Hong Kong. He was a delegate of the 10th National People's Congress. He currently serves as the honorary chairman of the Hong Kong Federation of Fujian Associations, life honorary chairman of the Hong Kong Fukien Chamber of Commerce, vice chairman of the Fujian Hong Kong Economic Co-operation, life honorary chairman of the Chinese General Chamber of Commerce, adviser of the Hong Kong Chinese Enterprises Association and the honorary president of the Chinese Bankers Club of Hong Kong.

Mr. TSE Yung Hoi (謝湧海), aged 65, was appointed as independent non-executive Director on 16 January 2018 and a member of our audit committee and remuneration committee.

Mr. Tse graduated from English studies from the Department of Foreign Languages and Literatures of Fudan University in July 1975. He was awarded the Bronze Bauhinia Star (BBS) by the government of Hong Kong in 2013.

Mr. Tse is currently the chairman and non-executive director of BOCI Prudential Asset Management Limited. He was the deputy chief executive officer of BOC International Holding Limited from December 2002 to December 2012, and the deputy general manager of investment management and treasury of Bank of China in Beijing from October 1998 to December 2002. Mr. Tse currently serves as the council member of HKSAR Financial Services Development Council (FSDC), standing committee member of the Chinese General Chamber of Commerce and life honorary president of Hong Kong Chinese Securities Association.

Mr. Tse has been serving the following companies which are listed on the Stock Exchange in the capacity of:

- an independent non-executive director of BOCOM International Holdings Company Limited (stock code: 3329) since June 2014;
- an independent non-executive director of HJ Capital (International) Holdings Company Limited (stock code: 982) since July 2014;
- a non-executive director of DTXS Silk Road Investment Holdings Company Limited (stock code: 620) since December 2015; and
- an independent non-executive director of Guoan International Limited (stock code: 143) since March 2016.

Mr. Tse also served as an independent non-executive director of Shenzhen Qianhai Financial Holdings Company Ltd since July 2014. He was as an independent non-executive director of Huarong International Financial Holdings Limited (a company listed on the Stock Exchange, stock code: 993) from October 2015 to June 2016.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. WONG Hei Chiu (黃禧超), aged 50, was appointed as independent non-executive Director on 16 January 2018 and a chairman of our audit committee and remuneration committee and a member of the nomination committee.

Mr. Wong received an Executive Master's degree in business administration from the Chinese University of Hong Kong in November 2016 and a Bachelor's degree in business administration from Lingnan College (now known as Lingnan University) in Hong Kong in November 1996. He is a Certified Public Accountant (Practising), a fellow member of The Association of Chartered Certified Accountants in the United Kingdom since September 1999, a fellow member of The Institute of Chartered Accountants in England and Wales since January 2018 and an associate member of Hong Kong Institute of Certified Public Accountants since October 1994. Mr. Wong is also a fellow member of the Hong Kong Institute of Directors since August 2015.

Mr. Wong has over 26 years of corporate finance and financial management experience in Hong Kong and the People's Republic of China. Mr. Wong is the chief financial officer since July 2008 and an executive director and company secretary of Kingmaker Footwear Holdings Limited, a company listed on the Stock Exchange (stock code: 1170) since March 2009 and an independent non-executive director of Prosperous Printing Company Limited, whose shares are listed on the Stock Exchange (stock code: 8385). He was an independent non-executive director of Hong Wei (Asia) Holdings Company Limited, whose shares are listed on the Stock Exchange (stock code: 8191) from December 2013 to June 2016. Mr. Wong was the group financial controller and company secretary of Karce International Holdings Company Limited, a company listed on the Stock Exchange (stock code: 1159) from June 2000 to July 2008. He was also the finance director and company secretary of Wah Lee Resources Holdings Limited (now known as Kai Yuan Holdings Limited), a company listed on the Stock Exchange (stock code: 1215) from June 1996 to December 2000.

General

Our Directors have confirmed that:

- (1) save as disclosed in the section headed "Statutory and General Information — C. Further Information about Directors and Substantial Shareholders — 1. Particulars of service contracts and letters of appointment" in Appendix V to this prospectus, none of our Directors has any existing or proposed service contract with our Company or any of its subsidiaries other than contracts expiring or determinable by the relevant member of our Group within one year without payment of compensation (other than statutory compensation);
- (2) save as disclosed in the section headed "Statutory and General Information — C. Further Information about Directors and Substantial Shareholders — 3. Interest and short positions of Directors in the Shares, underlying Shares or debentures of our Company and our associated corporations" in Appendix V to this prospectus and above, each of our Directors has no interests in the Shares within the meaning of Part XV of the SFO;
- (3) save as disclosed above, as at the Latest Practicable Date, each of our Directors has not been a director of any other publicly listed company during the three years prior to the Latest Practicable Date; and

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

- (4) save as disclosed in the paragraph headed “Directors” in this section, none of our Directors has any relationship with any other Directors, senior management of our Company or substantial shareholders of our Company or Controlling Shareholders.

Except as disclosed in this section, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries:

- (1) there is no other matter with respect to the appointment of our Directors that need to be brought to the attention to the Shareholders as at the Latest Practicable Date; and
- (2) there is no other information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Ms. WONG Kit Yi (黃潔儀), aged 56, is the accountant of our Group. She is primarily responsible for overseeing accounting activities and our Group’s overall financial reporting. She joined our Group in February 2002 and has over 34 years of experience in auditing and accounting. Before joining our Group, she worked for Wing Hing Motor & Pump Co. as its account clerk from July 1982 to December 1986. From September 1988 to March 1989, she worked for Sze Tung Weaving Factory., Ltd. as its assistant accountant. From April 1991 to February 1994, she worked for Datacard Toppan Moore Ltd. as its account clerk. She received a certificate for proficiency in the second level single subject of book-keeping and accounts from the London Chamber of Commerce and Industry in 1994, was awarded the diploma in accounting studies from the Hong Kong School of Commerce in September 2006, and completed the HKIAAT Accounting Technician Examinations Preparatory Programme Paper 6 Hong Kong Business Law course offered by The University of Hong Kong School of Professional and Continuing Education in June 2008.

Ms. LEE Choi Ping (李彩屏), aged 38, is the operation manager of our Group since November 2014 and is primarily responsible for the general operation of our Group’s fleet card, diesel and lubricant oil business. She has over 20 years of experience in retail business operation. Before joining our Group, she worked for Belle Worldwide Limited as its sales from December 1996 and was promoted to senior shop manager at the time of her resignation in June 2014. She completed her form 5 secondary school education at Beacon College in June 1996.

COMPANY SECRETARY

Ms. NGAI Kit Fong (倪潔芳), aged 52, was appointed as the company secretary of our Company on 23 June, 2017. Ms. Ngai is currently a director of Corporate Services of Tricor Services Limited (“Tricor”), a global professional services provider specializing in integrated business, corporate and investor services. The Company has engaged Tricor as an external service provider and appointed Ms. Ngai as the company secretary of our Company.

Ms. Ngai has over 25 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Ngai is a Chartered Secretary and a Fellow of both The Hong Kong Institute of Chartered Secretaries (“HKICS”) and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. Ngai is a holder of the Practitioner’s Endorsement from HKICS.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

General

Save as disclosed above, each of our senior management has confirmed that:

- (1) he/she does not hold and has not held any other positions in our Company and any other members of our Group as at the Latest Practicable Date;
- (2) he/she does not have any other relationship with any Directors, substantial shareholders of our Company, our Controlling Shareholders or other members of senior management of our Group as at the Latest Practicable Date; and
- (3) he/she does not hold and has not held any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years prior to the Latest Practicable Date and as at the Latest Practicable Date.

BOARD COMMITTEES

The Board has established the following committees: the audit committee, the remuneration committee and the nomination committee. The committees operate in accordance with respective terms of reference established by our Board.

Audit committee

The Company has established the audit committee of the Board on 16 January 2018 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of our audit committee include the review and supervision of the Group's financial reporting system, monitoring the internal control procedures and risk management, review of the Group's financial information, review of the relationship with the external auditor of the Company and performance of the corporate governance functions delegated by the Board.

Our audit committee consists of 3 independent non-executive Directors and the chairman is Mr. Wong Hei Chiu, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The members of the audit committee are:

Mr. WONG Hei Chiu (*Chairman*)

Mr. LAM Kwong Siu

Mr. TSE Yung Hoi

Remuneration committee

The Company has established the remuneration committee on 16 January 2018 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee include making recommendations to the Board on the Company's policy and structure for the remuneration of the Directors and senior management; and reviewing and approving the remuneration packages of all Directors and senior management by reference to corporate goals and objectives resolved by our Board from time to time.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Our remuneration committee consists of 3 Directors. The members of the remuneration committee are:

Mr. WONG Hei Chiu (*Chairman*)

Mr. HUI Yip Ho Eric

Mr. TSE Yung Hoi

Nomination committee

The Company has established the nomination committee on 16 January 2018 with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee include reviewing the structure, size and composition of our Board, assessing the independence of our independent non-executive Directors, identifying individuals suitably qualified to be a member of the Board and making recommendation to our Board on matters relating to the appointment or re-appointment of Directors.

Our nomination committee consists of 3 members. The members of the nomination committee are:

Mr. HUI Pui Sing (*Chairman*)

Mr. WONG Hei Chiu

Mr. LAM Kwong Siu

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation in the form of directors' fees, salaries and other benefits-in-kind, including our contribution to the pension scheme.

The aggregate amount of remuneration (including salaries, bonuses, allowances and benefits in kind, contributions to pension scheme, discretionary bonus and bonus based on performance) that was paid by our Group to our Directors for each of the three years ended 31 March 2017 was approximately HK\$3.63 million, HK\$3.34 million, and HK\$0.66 million, respectively. Please refer to the section headed "Directors and Chief Executive's Emoluments" in the Accountants' Report in Appendix I to this prospectus.

The aggregate amount of remuneration (including salaries, other benefits and contributions to pension scheme) paid to our five highest paid individuals for each of the three years ended 31 March 2017 was HK\$3.89 million, HK\$3.76 million and HK\$1.33 million, respectively.

Under the arrangements currently in force as at the Latest Practicable Date, it is estimated that an aggregate of approximately HK\$0.9 million is payable by our Group to our Directors as remuneration (including benefits in kind but excluding any discretionary bonus which may be paid to any executive Director) for the financial year ending 31 March 2018.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

During the Track Record Period, (i) no remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining our Group; (ii) no compensation was paid to, or receivable by, our Directors or past Directors or the five highest paid individuals for the loss of office as director of any member of our Group or any other office in connection with the management of the affairs of any member of our Group; and (iii) none of our Directors waived any emoluments. Further information about the service contracts and letters of appointments entered into between our Company and our Directors is set out in the section headed “Statutory and General Information — C. Further Information about Directors and Substantial Shareholders — 1. Particulars of service contracts and letters of appointment” in Appendix V to this prospectus.

Our Directors’ remuneration is determined with reference to the relevant Director’s experience and qualifications, level of responsibility, performance and the time devoted to our business, and the prevailing market conditions.

Except as disclosed in this prospectus, no Director has been paid in cash or shares or otherwise by any person either to induce him to become, or to qualify him as a Director, or otherwise for service rendered by him in connection with the promotion or formation of us.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on 16 January 2018. For further details of the Share Option Scheme, please see “Statutory General Information — D. Share Option Scheme” in Appendix V to this prospectus.

COMPLIANCE ADVISER

The Company has appointed Kingsway Capital Limited as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules. In compliance with Rule 3A.23 of the Listing Rules, the Company must consult with and, if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction or constitute price sensitive information of our Company, is contemplated including share issues and share repurchases;
- where we propose to apply the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of us in respect of unusual price movement and trading volume or other issues under Rule 13.10 of the Listing Rules.

The terms of appointment of the compliance adviser will commence on the Listing Date and end on the date on which the Company distributes its annual report in respect of its financial results for the first full financial year commencing after the Listing Date.

SHARE CAPITAL

SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option and any option which may be granted under the Share Option Scheme):

HK\$

Authorised share capital

10,000,000,000	Shares of par value of HK\$0.01 each	100,000,000
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Shares issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option and any option which may be granted under the Share Option Scheme):

1,000	Shares in issue at the date of this prospectus ^(Note)	10.00
749,999,000	Shares to be issued pursuant to the Capitalisation Issue	7,499,990.00
<u>250,000,000</u>	Shares to be issued pursuant to the Share Offer	<u>2,500,000.00</u>

Total

<u>1,000,000,000</u>	Shares	<u>10,000,000.00</u>
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Note: On 16 January 2018, our Company agreed to the capitalisation of a loan in the principal amount of approximately HK\$27.7 million owed by our Company to Mr. Hui and to allot and issue 250 Shares, credited as fully paid, to Mr. Hui (or such person as he directs). At the direction of Mr. Hui, 240 Shares will be allotted and issued to Max Fortune and 10 Shares will be allotted and issued to the Pre-IPO Investor on 30 January 2018. Immediately before and after this capitalisation, our Company's Shares were owned by Max Fortune and the Pre-IPO Investor as to 96% and 4% respectively.

SHARE CAPITAL

Assuming the Offer Size Adjustment Option is exercised in full, and without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme, our issued share capital immediately following the Share Offer will be as follows:

HK\$

Authorised share capital

<u>10,000,000,000</u>	Shares of par value of HK\$0.01 each	<u>100,000,000.00</u>
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Shares issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares to be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme):

1,000	Shares in issue as at the date of this prospectus ^(Note)	10.00
749,999,000	Shares to be issued pursuant to the Capitalisation Issue	7,499,990.00
250,000,000	Shares to be issued pursuant to the Share Offer	2,500,000.00
37,500,000	Shares to be issued upon exercise of the Offer Size Adjustment Option in full	375,000.00
<hr/>		<hr/>
Total		
<u>1,037,500,000</u>		<u>10,375,000.00</u>

Note: On 16 January 2018, our Company agreed to the capitalisation of a loan in the principal amount of approximately HK\$27.7 million owed by our Company to Mr. Hui and to allot and issue 250 Shares, credited as fully paid, to Mr. Hui (or such person as he directs). At the direction of Mr. Hui, 240 Shares will be allotted and issued to Max Fortune and 10 Shares will be allotted and issued to the Pre-IPO Investor on 30 January 2018. Immediately before and after this capitalisation, our Company's Shares were owned by Max Fortune and the Pre-IPO Investor as to 96% and 4% respectively.

MINIMUM PUBLIC FLOAT

At least 25% of the total issued share capital of our Company must at all times be held by the public. The 250,000,000 Offer Shares represent 25% of the issued share capital of our Company upon Listing.

RANKING

The Offer Shares will carry the same rights as all Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of Listing other than participation in the Capitalisation Issue.

SHARE CAPITAL

CAPITALISATION ISSUE

Pursuant to the resolutions of our Shareholders passed on 16 January 2018, subject to the share premium account of our Company being credited as a result of the Share Offer, our Directors are authorised to allot and issue a total of 719,999,040 Shares and 29,999,960 Shares credited as fully paid at par to Max Fortune and the Pre-IPO Investor by way of capitalisation of the sum of HK\$7,499,990 standing to the credit of the share premium account of our Company, and our Shares to be allotted and issued pursuant to this resolution shall carry the same rights as the existing issued Shares.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general mandate to allot, issue and deal with Shares in the share capital of our Company with a total nominal value of not more than the sum of:

- (a) 20% of the total number of Shares in issue immediately following completion of the Share Offer (excluding our Shares to be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme) and the Capitalisation Issue; and
- (b) the total number of Shares repurchased by our Company (if any) repurchased pursuant to the general mandate to repurchase Shares granted to our Directors referred to below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to any scrip dividend scheme or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or any option which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company; or
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For details of this general mandate, please refer to the paragraphs headed “Statutory and General Information — A. Further information about our Company and our Group — 3. Resolutions in writing of our Shareholders passed on 16 January 2018” in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares with a total nominal amount of not more than 10% of the total number of Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer (excluding our Shares to be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme).

SHARE CAPITAL

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraphs headed “Statutory and General Information — A. Further information about our Company and our Group — 7. Repurchase by our Company of its own securities” in Appendix V to this prospectus.

This general mandate to repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company; or
- (b) the expiration of the period within which the next annual general meeting is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For details of this general mandate, please refer to the paragraphs headed “Statutory and General Information — A. Further information about our Company and our Group — 3. Resolutions in writing of our Shareholders passed on 16 January 2018” and “Statutory and General Information — A. Further information about our Company and our Group — 7. Repurchase by our Company of its own securities” in Appendix V to this prospectus.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarised in the paragraphs headed “Statutory and General Information — D. Share Option Scheme” in Appendix V to this prospectus.

Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at the Latest Practicable Date.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which carries the same rights as the other shares.

As a matter of the Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, we will hold general meetings as prescribed for under our Articles, a summary of which is set out in Appendix IV to this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors as of the Latest Practicable Date, immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares that may be issued upon the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme), the following persons (other than our Directors and chief executives of our Company)⁽²⁾ will have or be deemed or taken to have an interest and/or a short position in our Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the number of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Nature of interest	Shares held immediately following the completion of the Capitalisation Issue and Share Offer ⁽¹⁾	
		<i>Number</i>	<i>Percentage (approx.)⁽³⁾</i>
Max Fortune ⁽⁴⁾	Beneficial owner	720,000,000 (L)	72

Notes:

- (1) The Letter (L) denotes the person's long position in the Shares.
- (2) For interests of our Directors in the Shares, please refer to the paragraph headed "C. Further Information about our Directors and Substantial Shareholders — 3. Interests and short positions of Directors in the Shares, underlying shares or debentures of our Company and our associated corporations" in Appendix IV to this prospectus.
- (3) The relevant percentages have been calculated by reference only to the aggregate number of Shares expected to be in issue on the Listing Date. It is therefore assumed that 1,000,000,000 Shares will be in issue on the Listing Date (without taking into account any Shares that may be issued upon the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme).
- (4) Max Fortune is owned by Mr. Hui, Ms. Tong and Mr. Eric Hui as to 35%, 35% and 30%, respectively

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

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our consolidated financial statements and the notes thereto set forth in the accountants' report set out in the Appendix I to this prospectus (the "Accountants' Report"). The consolidated financial statements have been prepared in accordance with HKFRSs as adopted by the HKICPA. You should read the whole of the Accountants' Report included in the Appendix I to this prospectus and not merely rely on the information contained in this section.

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

OVERVIEW

We are principally engaged in the distribution of third-party branded petrochemicals and the sales of our self-branded lubricant oil mainly in Hong Kong. We are also an authorised reseller of fleet card issued by Oil Company Y. According to the Frost & Sullivan Report, we were ranked as the second largest diesel distributor in Hong Kong, with a market share of approximately 19.8% in terms of the estimated distribution value of diesel in Hong Kong in the year ended 31 March 2017. As at 31 July 2017, we operated a total number of 31,410 fleet card accounts, with which we were ranked as the second largest fleet card reseller in terms of the total estimated revenue (on gross basis) in the Hong Kong fleet card market in the year ended 31 March 2017, according to the Frost & Sullivan Report. During the Track Record Period and up to the Latest Practicable Date, our principal operation sites were Shum Shui Po Outlet and Yuen Long Site, while we have a self-owned office site in Hong Kong as our head office. We have been conducting our business since 1970s and have become an established distributor in Hong Kong with a diverse portfolio of petrochemicals serving industrial, commercial and individual customers.

Despite the decline in our revenue during the three years ended 31 March 2017, which was mainly due to the volatile crude oil price on the international market, we enjoyed growth in our profitability. For the years ended 31 March 2015, 2016 and 2017, our gross profit was approximately HK\$25.5 million, HK\$41.9 million, and HK\$41.4 million respectively, representing a growth of approximately 62.4% over the three years. For the same periods, our net profit was approximately HK\$9.6 million, HK\$22.4 million and HK\$21.0 million respectively, representing an increase of approximately 118.2% over the three years.

For the four months ended 31 July 2016 and 2017, our gross profit was approximately HK\$14.7 million and HK\$16.4 million, respectively, representing a growth of approximately 11.7% over the periods. For the same periods, our net profit was approximately HK\$8.7 million and HK\$1.2 million respectively, representing a decrease of approximately 85.7% over the periods. The decrease was primarily due to the one-off listing expenses of approximately HK\$8.7 million incurred for the four months ended 31 July 2017.

FINANCIAL INFORMATION

BASIS OF PRESENTATION AND REORGANISATION

Our Company was incorporated in the Cayman Island as an exempted company with limited liabilities on 24 March 2017 and became the ultimate holding company of our Group on 12 April 2017 subsequent to our Reorganisation in the preparation for the Listing. Please refer to the section headed “History, Reorganisation and Corporate Structure — Reorganisation” to this prospectus for further information about the Reorganisation.

The Reorganisation involved a number of entities in the listing business that were under common control by the Controlling Shareholders, the equity transfer of these companies (except for the 10% of equity interest in Yee Sing Logistics on 29 March 2017) have been accounted for as a business combination involving entities under common control using the principles of merger accounting in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” (“AG5”) issued by the HKICPA as if the transfers had been completed on 1 April 2014. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period have been prepared to present the results and cash flows of the companies now comprising our Group, as if the current group structure upon the completion of Reorganisation had been in existence throughout the Track Record Period. The consolidated statements of financial position of the Group as at 31 March 2015, 2016 and 2017 and 31 July 2017 have been prepared to present the assets and liabilities of the companies now comprising our Group as if the current group structure has been in existence as at those dates, taken into account the respective dates of incorporation.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Level of construction activities in Hong Kong

During the Track Record Period, a significant portion of our revenue was derived from the sale of petrochemicals and related products to downstream distributors whose end customers are mainly in the construction, civil engineering and transportation sectors in Hong Kong. We also directly supplied to end customers in the abovementioned sectors. Our Directors consider that our Group’s results are highly related to the continued availability of construction projects in both public and private sectors in Hong Kong. In addition, considering the recent state of political environment in Hong Kong, any protests or occupation activity in Hong Kong may also delay the construction works to be carried out in a particular area. Since our operations are primarily located in Hong Kong, any change of such political arrangements or environment may halt construction activities, thereby directly and negatively affecting the demand of petrochemical products for constructions projects. Accordingly, if the level of construction activities decreases or the work schedule of construction projects delays in Hong Kong, our business, results of operations and financial performance may be materially and adversely affected.

Our ability to maintain our reputation and market presence

We are principally engaged in the distribution of third-party branded petrochemicals and the sales of our self-branded lubricant oil mainly in Hong Kong. We mainly carry out the business of distributing wide spectrum of petrochemical and reselling fleet cards issued by Oil Company Y. According to the Frost & Sullivan Report, in 2016, we were ranked second largest diesel distributor in Hong Kong, in terms of estimated distribution value of diesel in Hong Kong, and second in terms of revenue from the provision of fleet card services on gross basis in Hong Kong. We believe we have established our reputation for our ability to deliver petrochemicals and related products to our customers and have thereby granted customers’ confidence and strengthened our customers’ loyalty.

FINANCIAL INFORMATION

Moreover, we believe our market position, industry reputation and strong relationship with our major oil suppliers and customers provide us with a favourable position to capture the overall growth trend in the market. Our ability to maintain our market position and industry reputation thus affects our ability to generate revenue.

Cost of diesel, lubricant oil and other petrochemicals

During the Track Record Period, our revenue was mainly derived from the sale of diesel, lubricant oil and other products. During the years ended 31 March 2015, 2016 and 2017 and four months ended 31 July 2016 and 2017, our revenue derived from the sales of diesel, lubricant oil and other products accounted for approximately 99.2%, 97.9%, 97.0%, 96.8% and 96.2% of our total revenue respectively. In addition, our fleet card customers use our fleet cards primarily for the purchase of diesel and petrol at Network Gas Stations. Accordingly, our operating results are affected by the fluctuation of oil prices. The average selling price and purchase costs are subject to significant volatility and fluctuated during the Track Record Period.

Our Directors consider that the selling price and purchase cost for each delivery of oil products vary according to a combination of factors, including but not limited to our bargaining power, the current crude oil price level, demand and supply for oil and gas, market expectations regarding supply and demand, political conditions, governmental regulations and general worldwide economic conditions. Some of the factors are beyond the control of our customers, suppliers and us. Therefore, we may have different selling prices and purchase costs for the same product sold under the same period of time. Any upward or downward fluctuations in prices of oil products may have impact on our business operations and financial results.

Market competition

Competition in the petrochemicals and related products markets in Hong Kong significantly affects our results of operations. Our success depends on the quality of products we provide, our market experience and knowledge in the industry, relationship with customers and suppliers and possession of strong fleet of diesel tank wagons. Some of our competitors may have longer track records, larger operational scale, greater financial and marketing resources and more established market reputation than we do. We may also face competition from new entrants. There is no assurance that our Group will continue to compete successfully in the future, and if our Group fails to do so, our business, financial condition and results of operations may be materially and adversely affected.

CRITICAL ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

Our Directors have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. In the preparation of our consolidated financial statements, our management is required to make judgements, estimates and assumptions that affect the application of policies and the amounts reported in our consolidated financial statements. We have not changed these estimates and judgments during the Track Record Period and are not likely to change materially in the future in light of our current business operations and future plans. The significant accounting policies, judgements and estimates, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Note 4 and Note 5 to the accountants' report in Appendix I to this prospectus.

FINANCIAL INFORMATION

RESULTS OF OPERATIONS

The following table sets forth our consolidated statements of profit or loss for the years ended 31 March 2015, 2016 and 2017 and four months ended 31 July 2016 and 2017, as derived from the Accountants' Report set out in Appendix I to this prospectus.

	For the year ended 31 March			For the four months ended 31 July	
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i>
Revenue	894,725	730,471	671,805	209,647	219,954
Cost of sales	<u>(869,260)</u>	<u>(688,591)</u>	<u>(630,454)</u>	<u>(194,946)</u>	<u>(203,534)</u>
Gross profit	25,465	41,880	41,351	14,701	16,420
Other income, gains and losses	1,370	805	316	29	17
Selling and distribution expenses	(4,065)	(4,084)	(4,127)	(1,253)	(1,273)
Administrative expenses	(9,388)	(9,850)	(7,651)	(2,448)	(2,617)
Listing expenses	—	—	(2,394)	—	(8,711)
Other operating expenses	(1,250)	(1,299)	(1,249)	(427)	(371)
Finance costs	<u>(762)</u>	<u>(737)</u>	<u>(589)</u>	<u>(214)</u>	<u>(169)</u>
Profit before taxation	11,370	26,715	25,657	10,388	3,296
Income tax expense	<u>(1,734)</u>	<u>(4,358)</u>	<u>(4,628)</u>	<u>(1,706)</u>	<u>(2,055)</u>
Profit and total comprehensive income for the year/period	<u><u>9,636</u></u>	<u><u>22,357</u></u>	<u><u>21,029</u></u>	<u><u>8,682</u></u>	<u><u>1,241</u></u>

DESCRIPTION OF SELECTED ITEMS FOR THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

During the Track Record Period, we generated revenue principally from distribution of four categories of petrochemicals related business, including (i) sales of diesel; (ii) sales of lubricant oil; (iii) provision of fleet cards service; and (iv) other products. Our revenue from the sales of goods is recognised when the goods are delivered and titles have passed and our income from the provision of fleet card services is recognised based on difference between gross proceeds received and receivables from fleet card holders and gross amounts paid and payable to Oil Company Y when fleet card holders purchase petroleum from Network Gas Stations. Our revenue was HK\$894.7 million, HK\$730.5 million, HK\$671.8 million, HK\$209.6 million and HK\$220.0 million for the years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2016 and 2017, respectively.

FINANCIAL INFORMATION

The following table sets forth our revenue from external customers by region for the periods indicated:

	For the year ended 31 March						For the four months ended 31 July			
	2015		2016		2017		2016		2017	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000 (unaudited)	% of revenue	HK\$'000	% of revenue
Hong Kong	892,997	99.8%	728,871	99.8%	669,956	99.7%	208,962	99.7%	219,542	99.8%
Macau	1,728	0.2%	1,600	0.2%	1,849	0.3%	686	0.3%	412	0.2%
Total	894,725	100.0%	730,471	100.0%	671,805	100.0%	209,648	100.0%	219,954	100%

For the years ended 31 March 2015, 2016, 2017 and four months ended 31 July 2016 and 2017, substantially all of our revenue was generated in Hong Kong, amounted to approximately 99.8%, 99.8%, 99.7%, 99.7% and 99.8% respectively. We also sold a small portion of lubricant oil to a customer located in Macau.

The following table sets forth a breakdown of our revenue in each business segment indicated:

	For the year ended 31 March						For the four months ended 31 July			
	2015		2016		2017		2016		2017	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000 (unaudited)	% of revenue	HK\$'000	% of revenue
Sales of diesel	814,889	91.1%	652,752	89.4%	598,279	89.1%	183,555	87.6%	194,064	88.2%
Sales of lubricant oil	64,270	7.2%	57,019	7.8%	49,109	7.3%	18,018	8.6%	16,220	7.4%
Provision of fleet cards service ^(Note 1)	6,727	0.8%	15,064	2.1%	20,350	3.0%	6,711	3.2%	8,400	3.8%
Sales of others ^(Note 2)	8,839	0.9%	5,636	0.7%	4,067	0.6%	1,363	0.6%	1,270	0.6%
Total	894,725	100.0%	730,471	100.0%	671,805	100.0%	209,647	100.0%	219,954	100.0%

Notes:

- Income from provision of fleet cards service is recognised based on the difference between gross proceeds received and receivable from fleet cards holders and gross amounts paid and payable to Oil Company Y. Please also refer to the sub-section headed “Business — Sales and marketing — Pricing policy — Pricing policy for fleet card products” and Note 4 to the Accountants’ Report in Appendix I to this prospectus for further details.
- “Others” mainly include bitumen and kerosene. We have ceased sale of kerosene as at 31 December 2017 which only contributed approximately HK\$0.29 million, HK\$0.44 million and HK\$0.15 million for the three years ended 31 March 2017, respectively.

FINANCIAL INFORMATION

To the best of our knowledge and belief, we sold most of our petrochemicals to logistics company, downstream distributor of petrochemicals and commercial end users during the Track Record Period. Breakdown of our top five customers are set out as follows.

	For the year ended 31 March						For the four months ended 31 July			
	2015		2016		2017		2016		2017	
	Revenue (HK\$'000)	% of total revenue	Revenue (HK\$'000)	% of total revenue	Revenue (HK\$'000)	% of total revenue	Revenue (HK\$'000)	% of total revenue	Revenue (HK\$'000)	% of total revenue
Top five customers — Logistics companies	273,763	30.6%	324,103	44.4%	262,469	39.1%	85,852	41.0%	91,260	41.5%
Top five customers — Downstream distributors of petrochemicals	350,120	39.1%	232,540	31.8%	233,785	34.8%	65,373	31.2%	75,210	34.2%
Customers other than top five customers (including commercial end users)	<u>270,842</u>	<u>30.3%</u>	<u>173,828</u>	<u>23.8%</u>	<u>175,551</u>	<u>26.1%</u>	<u>58,422</u>	<u>27.8%</u>	<u>53,484</u>	<u>24.3%</u>
Total	<u>894,725</u>	<u>100.0%</u>	<u>730,471</u>	<u>100.0%</u>	<u>671,805</u>	<u>100.0%</u>	<u>209,647</u>	<u>100%</u>	<u>219,954</u>	<u>100%</u>

Sales of diesel

Our revenue from diesel represents the sales of our diesel products, which mainly include automotive diesel and industrial diesel. For the years ended 31 March 2015, 2016 and 2017 and four months ended 31 July 2016 and 2017, our revenue generated from the sales of diesel amounted to approximately HK\$814.9 million, HK\$652.8 million, HK\$598.3 million, HK\$183.6 million and HK\$194.1 million respectively. Our revenue from the sales of diesel accounted for the major portion of our total revenue during the Track Record Period, being approximately 91.1%, 89.4%, 89.1%, 87.6% and 88.2% for the years ended 31 March 2015, 2016, 2017 and four months ended 31 July 2016 and 2017 respectively. During the same periods, our sales quantity of diesel amounted to approximately 151.4 million litres, 190.5 million litres, 186.3 million litres, 61.1 million litres and 59.2 million litres respectively.

FINANCIAL INFORMATION

The decrease in our revenue from diesel during the three years ended 31 March 2017 was mainly attributable to the decrease in the average selling price of our diesel products. The average selling price of our diesel products is generally correlated with the prevailing market price with reference to various benchmark indicators such as Europe Brent spot crude price. Europe Brent spot crude price serves as a major benchmark price for purchase of oil worldwide. According to the Frost & Sullivan Report, Europe Brent spot crude price experienced significant decrease from approximately US\$111.8 per barrel in June 2014 to approximately US\$30.7 per barrel in January 2016, which was mainly due to the turmoil in the Middle-East, weak economies in emerging countries and increased U.S. shale oil production. The Europe Brent spot crude price gently increased after that and bounced back to approximately US\$51.6 per barrel in March 2017. Under the similar trend, according to the Frost & Sullivan Report, the imported price of diesel in Hong Kong dropped from HK\$5.8 per litre in August 2014 to the lowest level at HK\$1.9 per litre in February 2016 and subsequently increased and bounced back to approximately HK\$3.1 per litre in March 2017. However, the decrease was partially offset by the overall increase in the sales quantity of diesel from approximately 151.4 million litre for the year ended 31 March 2015 to 186.3 million litre for the year ended 31 March 2017, representing an increase of approximately 23.1% mainly as a result of (i) the increase of the orders from one of our major customers, a logistics company which is also engaged in the distribution of diesel in Hong Kong as a downstream distributor; (ii) increase in our Group's customer base as a result of our Group's reputation and marketing efforts.

The increase in our revenue from diesel for the four months ended 31 July 2017 was primarily due to the increase in average selling price from HK\$3.0 per litre for the four months ended 31 July 2016 to HK\$3.3 per litre for the four months ended 31 July 2017, which was following the similar trend of increase in imported crude oil price from 2016 to 2017.

FINANCIAL INFORMATION

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

	For the year ended 31 March				For the four months ended 31 July													
	2016		2017		2016		2017											
	Average selling price HK\$/ Litre	Sales quantity '000	Average selling price HK\$/ Litre	Sales quantity '000	Average selling price HK\$/ Litre	Sales quantity '000	Average selling price HK\$/ Litre	Sales quantity '000										
Automotive diesel ^(Note 1)	5.4	89.0%	602,903	176,197	3.4	92.4%	554,129	172,613	3.2	92.6%	167,853	55,984	3.0	91.5%	184,604	56,618	3.3	95.1%
Industrial diesel ^(Note 2)	5.7	11.0%	49,849	14,324	3.5	7.6%	44,150	13,704	3.2	7.4%	15,703	5,155	3.0	8.5%	9,460	2,783	3.4	4.9%
Total	5.4	100.0%	652,752	190,521	3.4	100.0%	598,279	186,317	3.2	100.0%	183,556	61,139	3.0	100.0%	194,064	59,401	3.3	100.0%

Notes:

1. The average selling price of our automotive diesel for the Track Record Period is for illustrative purpose. It is calculated based on the total revenue from automotive diesel divided by the total sales quantity of automotive diesel.
2. The average selling price of our industrial diesel for the Track Record Period is for illustrative purpose. It is calculated based on the total revenue from industrial diesel divided by the total sales quantity industrial diesel.

FINANCIAL INFORMATION

Sales of lubricant oil

Our revenue from lubricant oil mainly represents the sales of lubricant oil, which mainly include (i) the sales of our self-branded lubricant oil, including “AMERICO”, “Dr. Lubricant” and “U-LUBRICANT”; and (ii) the sales of third-party branded lubricant oil. For the years ended 31 March 2015, 2016, 2017 and four months ended 31 July 2016 and 2017, our revenue from the sales of lubricant oil amounted to approximately HK\$64.3 million, HK\$57.0 million, HK\$49.1 million, 18.0 million and 16.2 million respectively. During the same periods, our sales quantity of lubricant oil amounted to approximately 3.7 million litres, 3.3 million litres, 2.8 million litres, 1.0 million litres and 0.9 million litres respectively. The decrease in our revenue from lubricant oil was mainly attributable to the decrease in the sales quantity of lubricant oil as a result of the decrease in the demand for lubricant oil for public and public related projects. Such decrease was mainly attributable to the slow down of public construction projects as a result of the delay in passing of public works funding proposals by committees of the Legislative Council of Hong Kong in recent years.

During the Track Record Period, the selling price of our lubricant oil maintained relatively stable. According to Frost & Sullivan, while the price of lubricant oil is affected by the fluctuation of crude oil prices as most of the lubricant oil is extracted from crude oil, it is also affected by various factors such as logistics costs, rent of distribution outlets, costs of additives, labour costs and cost of storage facilities. In general, the selling price of our self-branded lubricant oil is lower than the third-party branded lubricant oil. This is primarily due to the in-house blending process allows us to save costs and expenses associated with the handling and transportation of such lubricant oil from overseas suppliers.

FINANCIAL INFORMATION

The following table sets forth a breakdown of revenue from lubricant oil by product types for the periods indicated:

	For the year ended 31 March				For the four months ended 31 July			
	2015		2016		2016		2017	
	Sales quantity	Average selling price HK\$/ Litre	Sales quantity	Average selling price HK\$/ Litre	Sales amount	Average selling price HK\$/ Litre	Sales quantity	Average selling price HK\$/ Litre
Self-branded lubricant oil (Note 1)	2,201	13.7	27,001	13.4	8,404	13.5	603	14.1
Third-party branded lubricant oil (Note 2)	1,482	23.0	30,018	23.6	8,487	24.1	325	23.8
		46.9%	23,415	47.4%	8,487	47.7%	603	52.3%
		53.1%	25,694	52.6%	9,614	52.3%	325	46.6%
			49,109	100.0%	18,018	100.0%	928	100.0%
Total	3,683	17.5	57,019	17.3	16,220	17.6	928	17.5

(unaudited)

Notes:

1. The average selling price of self-branded lubricant oil for the Track Record Period is for illustrative purpose. It is calculated based on the total revenue from self-branded lubricant oil divided by the total sales quantity of self-branded lubricant oil.
2. The average selling price of third-party branded lubricant oil for the Track Record Period is for illustrative purpose. It is calculated based on the total revenue from third-party branded lubricant oil divided by the total sales quantity of third-party branded lubricant oil.

FINANCIAL INFORMATION

Provision of fleet cards service

Our income from provision of fleet cards service is recognised on a net basis, based on the difference between (a) gross proceeds received and receivables from fleet card holders and (b) gross amounts paid and payable to Oil Company Y. The gross proceeds received and receivables from fleet card holders present the Pump Price less the Fleet Card Discount offered by our Group to fleet card holders. The gross amounts paid and payable to Oil Company Y represent the Pump Price less the Oil Company Discount and volume rebate offered by Oil Company Y to our Group. Our fleet card customers used our fleet cards primarily from the purchase of diesel and petrol at Network Gas Stations. For the years ended 31 March 2015, 2016, 2017 and four months ended 31 July 2016 and 2017, our income from our provision of fleet cards services amounted to approximately HK\$6.7 million, HK\$15.1 million, HK\$20.4 million, HK\$6.7 million and HK\$8.4 million respectively. The increase in our income during the Track Record from our provision of fleet cards services was mainly due to (i) our Group allocated more resources on expanding our fleet card business; (ii) the increase in our fleet card accounts as a result of the additional marketing and advertising effort conducted by our Group in reselling fleet cards, which led to the increase in the quantity of diesel and petrol consumed by our fleet card customers at Network Gas Stations; and (iii) we negotiated better terms and generally obtained higher fuel discounts and rebates from Oil Company Y. For further details of our fuel discounts and volume rebates, please refer to the sub-section headed “Business — Sales and marketing — Pricing policy — Pricing policy for fleet card products” in this prospectus.

For the years ended 31 March 2015, 2016 and 2017 and four months ended 31 July 2016 and 2017, the gross proceeds received and receivable for our provision of fleet cards service amounted to approximately HK\$132.2 million, HK\$184.4 million, HK\$199.1 million, HK\$62.8 million and HK\$76.5 million respectively.

Sales of others

Our revenue from other products mainly represents the sales of bitumen and kerosene. For the years ended 31 March 2015, 2016 and 2017 and four months ended 31 July 2016 and 2017, our revenue from the sales of other products amounted to approximately HK\$8.8 million, HK\$5.6 million, HK\$4.1 million, HK\$1.4 million and HK\$1.3 million respectively. As this segment contributed to a relatively small portion of our revenue during the Track Record Period, we allocated more resources in promoting our other three major segments for future development. In addition, our Directors also consider that the demand for other petrochemicals will continue to decrease in the future as other petrochemicals, such as kerosene, is no longer the major fuel in daily life nowadays.

Cost of sales

Our cost of sales primarily consists of diesel costs, lubricant oil costs, other petrochemicals costs and sales commissions. Our cost of sales for the years ended 31 March 2015, 2016 and 2017 and four months ended 31 July 2016 and 2017 was HK\$869.3 million, HK\$688.6 million, HK\$630.5 million, HK\$194.9 million and HK\$203.5 million respectively. Our purchase cost for diesel and third-party lubricant oil depends on the domestic purchase price offered by our oil suppliers, with reference to the price index such as Europe Brent spot crude price. The trend of movement of our cost of sales during the Track Record Period was generally in line with the revenue during the same periods.

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The following table sets forth the components of our costs of sales by nature for the periods indicated:

	For the year ended 31 March						For the four months ended 31 July			
	2015		2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Diesel costs	805,373	92.7%	638,009	92.7%	586,796	93.1%	179,745	92.2%	190,217	93.4%
Lubricant oil costs	53,300	6.1%	40,654	5.9%	33,440	5.3%	11,967	6.1%	10,330	5.1%
Others costs	7,772	0.9%	4,168	0.6%	2,840	0.4%	981	0.5%	997	0.5%
Sales commissions	2,815	0.3%	5,760	0.8%	7,378	1.2%	2,253	1.2%	1,990	1.0%
Total	869,260	100.0%	688,591	100.0%	630,454	100.0%	194,946	100%	203,354	100%

Diesel costs represent our purchase cost of diesel from our suppliers on a back-to-back basis after our customers' orders are confirmed. Our diesel costs was the largest component of our costs of sales during the Track Record Period, which amounted to approximately HK\$805.4 million, HK\$638.0 million, HK\$586.8 million, HK\$179.7 million and HK\$190.2 million, representing approximately 92.7%, 92.7%, 93.1%, 92.2% and 93.4% of our total costs of sales for the years ended 31 March 2015, 2016 and 2017 and four months ended 31 July 2016 and 2017 respectively. For the three years ended 31 March 2017, the overall decrease in our diesel costs was mainly due to the decrease in crude oil price, which was generally in line with the trend of decrease in our revenue from diesel. For the four months ended 31 July 2017 as compared to the four months ended 31 July 2016, the increase in diesel cost was mainly due to the increase in crude oil price which gently increased and bounced back from first half of 2016 to first half of 2017.

Lubricant oil costs represent our purchase cost of third-party branded lubricant oil, semi-finished lubricant oil and additives used for our in-house blending lubricant oil from our suppliers and packing costs. For the years ended 31 March 2015, 2016, 2017 and four months ended 31 July 2016 and 2017, our lubricant oil costs were approximately HK\$53.3 million, HK\$40.7 million, HK\$33.4 million, HK\$12.0 million and HK\$10.3 million, representing approximately 6.1%, 5.9%, 5.3%, 6.1% and 5.1% of our total cost of sales respectively. For the three years ended 31 March 2017, the decrease was mainly due to the decrease in the crude oil price, which resulting in the decrease in the semi-finished lubricant oil we used for our in-house blending lubricant oil. For the four months ended 31 July 2017, the decrease in lubricant oil cost was primarily due to the decrease in the sales quantity by approximately 0.1 million litres or 8.4% compared with the four months ended 31 July 2016. Such decrease was mainly a result of increase in numbers of public holidays within the four months ended 31 July 2017 which resulted in decrease in demand of industrial lubricant oil in construction industry market.

Others costs represent our purchase cost of other products, which mainly comprise of bitumen and kerosene from our suppliers. For the years ended 31 March 2015, 2016, 2017 and four months ended 31 July 2016 and 2017, our other products costs were approximately HK\$7.8 million, HK\$4.2 million, HK\$2.8 million, HK\$1.0 million and HK\$1.0 million, representing approximately 0.9%, 0.6%, 0.4%, 0.5% and 0.5% of our total cost of sales respectively.

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Sales commissions mainly represent the sales commissions we paid to our sales agents in relation to our fleet card business. For the years ended 31 March 2015, 2016 and 2017, our sales commissions amounted to approximately HK\$2.8 million, HK\$5.8 million and HK\$7.4 million respectively, representing approximately 0.3%, 0.8% and 1.2% of our total cost of sales, respectively. The increase in the sales commissions during the three years ended 31 March 2017 was in line with the increase in revenue of our fleet card business. Since April 2017, our sales agency agreement with one of our major third-party sales agents was amended with mutual consent, pursuant to which the said third-party sales agent could only receive the full amount of sales commissions if it fulfills a mutually agreed monthly sales target, otherwise its sales commissions shall be subject to a discount ranging from 20% to 40%. Given that the said third-party sales agent did not fulfill the sales targets in the four months ended 31 July 2017, our sales commissions paid to the said third-party sales agents for the promotion of fleet cards decreased from approximately HK\$2.3 million in the four months ended 31 July 2016 to approximately HK\$2.0 million for the four months ended 31 July 2017.

Gross profit and gross profit margin

Our gross profit represented revenue less cost of sales. For the years ended 31 March 2015, 2016, 2017 and four months ended 31 July 2016 and 2017, our gross profit was approximately HK\$25.5 million, HK\$41.9 million, HK\$41.4 million, HK\$14.7 million and HK\$16.4 million respectively and our gross profit margin was approximately 2.8%, 5.7%, 6.2%, 7.0% and 7.5% respectively. The table below sets forth a breakdown of our gross profit and gross profit margin in each business segment for the periods indicated:

	For the year ended 31 March						For the four months ended 31 July			
	2015		2016		2017		2016		2017	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Sales of diesel	9,516	1.2%	14,743	2.3%	11,483	1.9%	3,810	2.1%	3,847	2.0%
Sales of lubricant oil	10,970	17.1%	16,365	28.7%	15,669	31.9%	6,051	33.6%	5,890	36.3%
Provision of fleet cards service	3,912	58.2%	9,304	61.8%	12,972	63.7%	4,458	66.4%	6,410	76.3%
Sales of others	<u>1,067</u>	12.1%	<u>1,468</u>	26.0%	<u>1,227</u>	30.2%	<u>382</u>	28.1%	<u>273</u>	21.6%
Total gross profit/gross profit margin	<u>25,465</u>	2.8%	<u>41,880</u>	5.7%	<u>41,351</u>	6.2%	<u>14,701</u>	7.0%	<u>16,420</u>	7.5%

Our gross profit and gross profit margin both experienced an overall growth trend during the Track Record Period. Such increase was mainly due to a combined result of (i) the increase in our income from the provision of fleet cards services, of which the gross profit margin was generally higher than the other three segments as the only direct cost is sales commissions which accounted for a relatively small portion compared to the respective revenue; (ii) the increase in the price spread between the purchase price and selling price of our diesel products as a result of the drop in oil price. For details, please refer to the section head "Effect of oil price on purchase costs" below; and (iii) the increase in the gross profit and gross profit margin of our lubricant oil primarily due to the decrease in the costs of semi-finished lubricant oil we used for our self-branded lubricant oil as a result of the decrease in crude oil price, while the selling price remained relatively stable.

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Effect of oil price on purchase costs

According to the Frost & Sullivan Report, in general, low oil price increases the price spread between the purchase price and selling price of diesel products, thus enhancing the profitability of the diesel distributors in Hong Kong. The selling price of diesel products in Hong Kong are influenced by various factors such as international oil prices (import costs), duty, commercial practices, operating costs, discounts offered, etc. According to Frost & Sullivan, retail price of diesel in Hong Kong are generally in line with the international oil price, such as Europe Brent spot crude price.

Although the retail price of diesel in Hong Kong and our average selling price are broadly in line with the movement of oil price, they do not fluctuate exactly the same level as a result of the time lags and customers' moderate price sensitivity regarding oil products. For example, Brent spot crude oil price dropped by 52.1% from US\$64.1 per barrel in May 2015 to US\$30.7 per barrel in January 2016; whilst the retail diesel price in Hong Kong dropped by 13.5% from HK\$11.41 per liter in May 2015 to HK\$9.87 per liter in January 2016. According to Frost & Sullivan, most of the diesel and lubricant oil distributors in Hong Kong (such as our Group) enjoy a better profit margin when oil price maintained at a relatively low level. Although the oil price slightly rebounded since January 2016, it remains a relatively low level as compared to the peak point in March 2012. As such, according to Frost & Sullivan, diesel and lubricant oil distributors in Hong Kong are expected to maintain their profit margin at relatively high level due to a relatively low price level of crude oil. However, customers' moderate price sensitivity regarding oil products as a result of the drop in oil price is only a seasonal customer behavior, in respect of which we do not have any assurance. There is no assurance that we are always able to achieve higher profitability as diesel distributor when the Europe Brent spot crude price plunges. For details, please refer to "Risk Factors — There is no assurance that we will achieve higher profitability as diesel distributor in Hong Kong when the Europe Brent spot crude price plunges" in this prospectus.

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Other income, gains and losses

Our other income, gains and losses mainly consists of gain on disposal of property plant and equipment, government grant, interest income from bank deposits and interest income from loan to a related company. Our other losses mainly include allowance for doubtful debts. The table below sets forth a breakdown of our other income, gains and losses during the Track Record Period:

	For the year ended 31 March			For the four months ended 31 July	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Gain on disposal of property, plant and equipment	910	722	237	—	—
Interest income of bank deposits	49	1	—	—	—
Interest income of loan to a related company	86	71	57	16	16
Government grant	225	—	—	—	—
Allowance for doubtful debts	(2)	(67)	—	—	—
Others	102	78	22	13	1
	<u>1,370</u>	<u>805</u>	<u>316</u>	<u>29</u>	<u>17</u>

The property, plant and equipment disposed of during the Track Record Period were mainly small and medium goods vehicle of the Group. During the Track Record Period, the number of disposal of vehicles was five, four, one, nil and nil in the year ended 31 March 2015, 2016 and 2017 and four months ended 31 July 2016 and 2017, respectively. As confirmed by our Directors, the aforesaid vehicles were all used in the Group's ordinary and usual course of business.

The Group has disposed of and purchased wagons according to its needs in the ordinary course of business during the Track Record Period and as of the Latest Practicable Date, and the fleet number has maintained stable throughout the Track Record Period and as of the Latest Practicable Date:

	As of 31 March 2015	As of 31 March 2016	As of 31 March 2017	As of 31 July 2017	As of Latest Practicable Date
Number of fleet	15	13	15	15	15

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Selling and distribution expenses

Our selling and distribution mainly consists of truck drivers' costs and benefits and depreciation. For the years ended 31 March 2015, 2016, 2017 and four months ended 31 July 2016 and 2017, our selling and distribution expenses were approximately HK\$4.1 million, HK\$4.1 million, HK\$4.1 million, HK\$1.3 million and HK\$1.3 million respectively. Our selling and distribution expenses remained relatively stable during the Track Record Period. The table below sets forth a breakdown of our selling and distribution expenses during the Track Record Period:

	For the year ended 31 March						For the four months ended 31 July			
	2015		2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Advertising	36	0.9%	31	0.8%	118	2.9%	14	1.1%	3	0.2%
Depreciation of property, plant and equipment	910	22.4%	927	22.7%	1,095	26.5%	350	27.9%	285	22.4%
Truck drivers costs and benefits	2,721	66.9%	2,744	67.1%	2,630	63.7%	809	64.6%	891	70.0%
Transportation costs	398	9.8%	382	9.4%	284	6.9%	80	6.4%	94	7.4%
	<u>4,065</u>	<u>100.0%</u>	<u>4,084</u>	<u>100.0%</u>	<u>4,127</u>	<u>100.0%</u>	<u>1,253</u>	<u>100.0%</u>	<u>1,273</u>	<u>100.0%</u>

According to our Directors, prior to our Track Record Period, our marketing and advertising expenses were kept at a low level; therefore, our advertising expenses remained at a relative low level despite our increase of revenue during the Track Record Period, since most of our costs for promotion activities (including sales commissions) are not directly accounted as "advertising expenses".

During the Track Record Period, our marketing, advertising and promotion activities principally included the following:

- (a) **Printed promotion materials** — We distributed our printed promotion materials (such as pamphlets) through mail to existing customers, the cost of which was the principal contributor to our advertising expenses during the Track Record Period;
- (b) **Cross-marketing activities** — We teamed up with third-party partners who offer vehicle-related services (such as car repair, maintenance and car beauty) on cross-marketing activities. The co-operation model of such cross-marketing activities is to display each other's promotion material at its operation site and/or app. The costs of printing and distribution has been covered in paragraph (a) above while neither of us nor the third-party providers imposed additional charges upon each other for the aforesaid cross-marketing activities;
- (c) **Social network platform** — We also used social network platform in promoting our products and overall branding image, the costs of which were largely remuneration of sales and marketing staff who were responsible for updating our social network platform, and such remuneration has been reflected in our "staff costs and benefits" instead of "advertising costs".

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- (d) **Our self-developed “TFH” app** — We have been promoting our products and services via our self-developed “TFH” app. The cost for developing the “TFH” app amounted to approximately HK\$25,310, HK\$222,120, HK\$nil and HK\$16,900 for the year ended 31 March 2016, 2017 and four months ended 31 July 2016 and 2017, respectively, which has been recorded as “furniture and equipment” in the Group’s financial statements. The on-going expenditure for such self-developed “TFH” app is mainly the costs associated with our engagement of a third party service provider for the maintenance and improvement of the app and such cost was immaterial.
- (e) **Sales agents** — With respect to our business of reselling fleet card, we engaged third-party sales agents on success-commission basis instead of salary basis to promote our fleet card business in Hong Kong, and the sales commissions paid to such third-party sales agents were recorded as our “cost of sales” instead of “advertising expenses”. For the year ended 31 March 2015, 2016 and 2017, our sales commissions paid to third-party sales agents for the promotion of fleet cards amounted to approximately HK\$2.8 million, HK\$5.8 million and HK\$7.4 million, respectively, which corresponded to the increase of our revenue from reselling fleet card, being approximately HK\$6.7 million, HK\$15.1 million and HK\$20.4 million, respectively during the corresponding period. Since April 2017, our sales agency agreement with one of our major third-party sales agents was amended with mutual consent, pursuant to which the said third-party sales agent could only receive the full amount of sales commissions if it fulfills a mutually agreed monthly sales target, otherwise its sales commissions shall be subject to a discount ranging from 20% to 40%. Given that the said third-party sales agent did not fulfill the sales targets in the four months ended 31 July 2017, our sales commissions paid to the said third-party sales agents for the promotion of fleet cards decreased from approximately HK\$2.3 million in the four months ended 31 July 2016 to approximately HK\$2.0 million for the four months ended 31 July 2017. As at 31 March 2015, 2016, 2017 and 31 July 2017, we engaged a total number of approximately 21, 20, 20 and 20 sales agents in Hong Kong for promotion of fleet cards and lubricant oil. Below is a breakdown of our sales commissions paid to third-party sales agents during the Track Record Period:

	Year ended 31 March			For the four months ended	
	2015	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Lubricant oil					
— sales commission	226	219	162	50	50
Fleet card					
— sales commission	<u>2,815</u>	<u>5,760</u>	<u>7,378</u>	<u>2,253</u>	<u>1,991</u>
Total:	<u><u>3,041</u></u>	<u><u>5,979</u></u>	<u><u>7,540</u></u>	<u><u>2,303</u></u>	<u><u>2,041</u></u>

FINANCIAL INFORMATION

Analysis of commission paid and payable to the third-party sales agents during the Track Record Period

1. Sales commission increased during the Track Record Period

In line with our expansion in the fleet card business segment, we recorded increase in the sales commission paid to third-party sales agents not only on the basis of both the total amount of commission paid and the average commission amount paid per individual third-party sales agent generally, but also in terms of the “commission-to-gross-revenue-ratio” during the Track Record Period, as set forth in the table below:

	For the year ended 31 March			For the four months ended
	2015	2016	2017	31 July 2017
Total amount of commission paid to third-party sales agent	HK\$2.8 million	HK\$5.8 million	HK\$7.4 million	HK\$2.0 million
Number of sales agents as at year/period end	21	20	20	20
<i>Average commission per sales agent</i>	<i>HK\$0.13 million</i>	<i>HK\$0.29 million</i>	<i>HK\$0.37 million</i>	<i>HK\$0.3 million</i> <i>(Note 1)</i>
Gross fleet card revenue procured by third-party sales agents ^(Note 2)	HK\$75.8 million	HK\$113.6 million	HK\$138.0 million	HK\$44.2 million
Commission-to-gross-revenue-ratio	3.7%	5.1%	5.4%	4.5% <i>(Note 3)</i>

Note 1: Representing the annualized amount based on 12 months for the financial year ending 31 March 2018.

Note 2: Representing the portion of gross proceeds received and receivable for our provision of fleet card services procured by the third-party sales agents. The gross revenue attributable to the third-party sales agents was based on the best estimate of our Directors given that (a) the Group’s revenue is recognized on the basis of difference between gross proceeds received and receivable from fleet card holders and gross amounts paid and payable to Oil Company Y; and (b) in the Group’s ordinary course of business it has not specifically analysed the revenue attributable to third-party sales agents, as our commissions are paid to sales agents either by fixed amount or with reference to the volume of fuel purchased by fleet card holders, rather than on the sole basis of either gross proceeds received and receivable from fleet card holders or gross amounts paid and payable to Oil Company Y.

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Note 3: Since April 2017, the Group's sales agency agreement with one of the major third-party sales agents was amended with mutual consent, pursuant to which the sales agent could only receive the full amount of sales commissions if it fulfils a mutually agreed monthly sales target, otherwise its sales commissions shall be subject to a discount ranging from 20% to 40%. Given that the said third-party sales agent did not fulfil the sales targets in the four months ended 31 July 2017, the sales commissions paid to the third-party sales agents for the promotion of fleet cards decreased from approximately HK\$2.3 million in the four months ended 31 July 2016 to approximately HK\$2.0 million for the four months ended 31 July 2017.

- Our Directors are of the view, with which the Sole Sponsor concurs, that the sales commission offered by our Group to the third-party sales agents are largely on increasing trend which is in line with our fleet card revenue growth during the Track Record Period.

Administrative expenses

Our administrative expenses mainly include Directors' emoluments, staff costs and benefits, depreciation and rental and rates. For the years ended 31 March 2015, 2016 and 2017 and four months ended 31 July 2016 and 2017, our administrative expenses were approximately HK\$9.4 million, HK\$9.9 million, HK\$7.7 million, HK\$2.4 million and HK\$2.6 million respectively. The table below sets forth a breakdown of our administrative expenses during the Track Record Period:

	For the year ended 31 March						For the four months ended 31 July			
	2015		2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Staff costs and benefits	1,396	14.9%	1,661	16.9%	1,780	23.3%	502	20.5%	626	23.9%
Directors' remuneration	3,630	38.7%	3,337	33.9%	662	8.7%	214	8.8%	215	8.2%
Rental and rates	1,539	16.4%	1,585	16.1%	1,582	20.7%	517	21.1%	554	21.2%
Legal and professional fees	89	0.9%	88	0.9%	820	10.7%	260	10.6%	362	13.8%
Office expenses	532	5.7%	535	5.4%	666	8.7%	139	5.7%	152	5.8%
Depreciation of property, plant and equipment	1,609	17.1%	1,741	17.7%	1,552	20.3%	608	24.8%	534	20.4%
Others	593	6.3%	903	9.1%	589	7.6%	208	8.5%	174	6.7%
	<u>9,388</u>	<u>100.0%</u>	<u>9,850</u>	<u>100.0%</u>	<u>7,651</u>	<u>100.0%</u>	<u>2,448</u>	<u>100.0%</u>	<u>2,617</u>	<u>100.0%</u>

The decrease in our administrative expenses in 31 March 2017 was mainly due to the decrease in the directors' emoluments. Such decrease was mainly attributable to the decrease in the directors' fees of our Directors in the financial year ended 31 March 2017. Our Directors consider the reduction of the remuneration package of our Directors going forward will allow more financial resources for our Group's operations and future expansion which will benefit our Shareholders as a whole after Listing.

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In preparation for the Listing, our Directors have reviewed the rules and guidance on remuneration of directors, including the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, which provides, among others, that (a) as a principle in determining remuneration of directors, “remuneration levels should be sufficient to attract and retain directors to run the company successfully without paying more than necessary”; and (b) as recommended best practices, “a significant proportion of executive directors’ remuneration should link rewards to corporate and individual performance”. On this basis, our Directors also reviewed the remuneration structure of comparable companies within the same industry whose shares are publicly traded on the Stock Exchange (the “**Comparable Companies**”), and considered that our executive Directors’ compensation shall align with such market comparable companies with reference to the ratio of the executive directors’ total emolument over the company’s net profit (“**Remuneration to Profit Ratio**”).

The table below sets forth a comparison of the Remuneration to Profit Ratio among the Group and certain Comparable Companies:

	For the most recent audited financial period immediately before listing	For the first full financial year immediately after listing	For the most recent full financial year
Comparable Company A ⁽¹⁾	15.1% ⁽⁴⁾	14.5% ⁽⁵⁾	14.5% ⁽⁵⁾
Comparable Company B ⁽²⁾	N/A ⁽⁶⁾	N/A ⁽⁶⁾	1.7% ⁽⁷⁾
Comparable Company C ⁽³⁾	0.5% ⁽⁸⁾	0.4% ⁽⁹⁾	Nil ⁽¹⁰⁾
<i>Average</i>	<i>7.8%⁽¹¹⁾</i>	<i>7.5%⁽¹²⁾</i>	<i>5.40%⁽¹³⁾</i>
Our Group	17.3% ⁽¹⁴⁾	N/A ⁽¹⁵⁾	3.1% ⁽¹⁶⁾

Notes:

- (1) Comparable Company A is listed on the Growth Enterprise Market of the Stock Exchange. It is principally engaged in the business of the sales of diesel and related products such as (i) diesel; (ii) marine diesel; and (iii) lubricant oil to customers engaged in logistic and construction business in Hong Kong. The comparable periods refer to its most recent three financial year ended 31 March 2017 and its Remuneration to Profit Ratio was based on its audited financial information disclosed in its prospectus and annual report.
- (2) Comparable Company B is listed on the Main Board of the Stock Exchange. It is principally engaged in the international trading and marine bunkering business (including the trading of related petroleum products), marine transportation business, natural gas and crude oil development and production, provision of oil storage and terminal facilities, proprietary trading in securities and derivatives, property holding and investment holding. The comparable periods refer to its most recent three financial year ended 30 June 2016 and its Remuneration to Profit Ratio was based on its audited financial information disclosed in its annual reports.
- (3) Comparable Company C is listed on the Main Board of the Stock Exchange. It is principally engaged in the trading of crude oil, petroleum products and petrochemicals in Hong Kong, Macau and the PRC. Its products include crude oil, petroleum products and petrochemicals. The comparable periods refer to its most recent three financial year ended 31 December 2016 and its Remuneration to Profit Ratio was based on its audited financial information disclosed in its annual reports.

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- (4) Based on Comparable Company A's net profit of approximately HK\$2.9 million for the six months ended 30 September 2016 and the executive directors' remuneration of approximately HK\$0.4 million for the same period.
- (5) Based on Comparable Company A's net profit of approximately HK\$7.3 million for the year ended 31 March 2017 and the executive directors' remuneration of approximately HK\$1.1 million for the same period.
- (6) Such information was not available from public sources.
- (7) Based on Comparable Company B's net profit of approximately HK\$844.0 million for the year ended 30 June 2016 and the executive directors' remuneration of approximately HK\$14.2 million for the same period.
- (8) Based on Comparable Company C's net profit of approximately HK\$110.6 million for the seven months ended 31 October 2008 and the remuneration of one executive director in the amount of approximately HK\$0.5 million for the same period. Comparable Company C had the other two executive directors who received nil emoluments for the same period.
- (9) Based on the net profit of approximately HK\$329.5 million for the year ended 31 March 2009 and the executive directors' remuneration of approximately HK\$1.2 million for the same period.
- (10) The remuneration of Comparable Company C's executive directors for the year ended 31 December 2016 was nil, and the total remuneration of independent non-executive directors for the same period was approximately HK\$0.4 million.
- (11) Refers to the average of Remuneration to Profit Ratio of Comparable Company A and Comparable Company C for their respective most recent period immediately before their listing.
- (12) Refers to the average of Remuneration to Profit Ratio of Comparable Company A and Comparable Company C for their respective most recent period immediately after their listing.
- (13) Refers to the average of Remuneration to Profit Ratio of Comparable Company A, Comparable Company B and Comparable Company C for their respective most recent period immediately after their listing.
- (14) Based on our net profit of approximately HK\$1.2 million for the four months ended 31 July 2017 and the executive directors' remuneration of approximately HK\$0.2 million for the same period.
- (15) Our Directors also confirmed that for the next two financial years ending 31 March 2019, the directors' emolument of Mr. Hui, Ms. Tong and Mr. Eric Hui, all being our executive Directors, shall remain the same as that for the year ended 31 March 2017.
- (16) Based on our net profit of approximately HK\$21.0 million for the year ended 31 March 2017 and the executive directors' remuneration of approximately HK\$0.7 million for the same period.

Our Directors also confirmed that for the next two financial years ending 31 March 2019, the directors' emolument of Mr. Hui, Ms. Tong and Mr. Eric Hui, all being our executive Directors, shall remain the same as that for the year ended 31 March 2017. Upon Listing, the Company's remuneration committee will also review the Company's policy and structure for the remuneration of the Directors, make recommendations as to Directors' remuneration, and review and approve the remuneration packages of all Directors by reference to corporate goals and objectives resolved by our Board from time to time. For further details of the Company's remuneration committee, please refer to the sub-section headed "Directors, Senior Management and Employees — Board committees — Remuneration committee" in this prospectus.

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Based on the above, our Directors confirmed, to which the Sole Sponsor concurred, that the decrease in the directors' remuneration of the Company during the Track Record Period was due to the Group's genuine purpose to align the remuneration structure with Comparable Companies as well as to allow more financial resources for our Group's operations and future expansion.

Our staff costs and benefits primarily represented salaries and other benefits, including wages, bonuses, retirement benefits and other allowances and benefits payable to our staff. As at 31 March 2015, 2016, 2017 and 31 July 2017, we had 11, 12, 12 and 19 administrative staff respectively, whose costs are charged to administrative expenses. During the Track Record Period, our staff costs and benefits were HK\$1.4 million, HK\$1.7 million, HK\$1.8 million, HK\$0.5 million and HK\$0.6 million for the years ended 31 March 2015, 2016 and 2017 and four months ended 31 July 2016 and 2017, respectively.

Other operating expenses

Our other operating expenses mainly include motor vehicle expenses, repair and maintenance, insurance and license fee. For the years ended 31 March 2015, 2016, 2017 and four months ended 31 July 2016 and 2017, our other operating expenses were approximately HK\$1.3 million, HK\$1.3 million, HK\$1.2 million, HK\$0.4 million and HK\$0.4 million respectively. Our other operating expenses remained relatively stable during the Track Record Period. The table below sets forth a breakdown of our other operating expenses during the Track Record Period:

	For the year ended 31 March						For the four months ended 31 July					
	2015		2016		2017		2016		2017			
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%		
Motor vehicle expenses	445	35.6%	456	35.1%	507	40.7%	166	38.9%	163	43.9%		
Repair and maintenance	397	31.8%	387	29.8%	335	26.8%	105	24.6%	68	18.3%		
Insurance	371	29.7%	339	26.1%	299	23.9%	109	25.5%	90	24.3%		
License fee	37	2.9%	117	9.0%	108	8.6%	47	11.0%	50	13.5%		
	<u>1,250</u>	<u>100.0%</u>	<u>1,299</u>	<u>100.0%</u>	<u>1,249</u>	<u>100.0%</u>	<u>427</u>	<u>100.0%</u>	<u>371</u>	<u>100.0%</u>		

Finance costs

Our finance costs mainly consist of the interest on our interest-bearing bank borrowings and finance lease. For the years ended 31 March 2015, 2016 and 2017 and four months ended 31 July 2016 and 2017, our finance costs were approximately HK\$0.8 million, HK\$0.7 million, HK\$0.6 million, HK\$0.2 million and HK\$0.2 million respectively.

The table below sets forth a breakdown of our finance costs incurred during the Track Record Period:

	For the year ended 31 March						For the four months ended 31 July					
	2015		2016		2017		2016		2017			
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%		
Interest expenses on:												
Bank borrowings	658	86.4%	670	90.9%	553	93.9%	199	93.0%	161	95.3%		
Obligations under finance leases	104	13.6%	67	9.1%	36	6.1%	15	7.0%	8	4.7%		
	<u>762</u>	<u>100.0%</u>	<u>737</u>	<u>100.0%</u>	<u>589</u>	<u>100.0%</u>	<u>214</u>	<u>100.0%</u>	<u>169</u>	<u>100.0%</u>		

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Income tax expense

Our Group is subject to Hong Kong Profits Tax at 16.5% of the estimated assessable profit during the Track Record Period. For the years ended 31 March 2015, 2016 and 2017 and four months ended 31 July 2016 and 2017, our income tax expenses was approximately HK\$1.7 million, HK\$4.4 million, HK\$4.6 million, HK\$1.7 million and HK\$2.1 million, respectively, and our effective tax rate was 15.3%, 16.3%, 18.0%, 16.4% and 62.3%, respectively. The higher effective tax rate for the year ended 31 March 2017 and four months ended 31 July 2017 was mainly due to the increase of tax effect of non-deductible expenses as we incurred more listing expenses which were non-deductible for tax purpose. The table below sets forth our Group's income tax expense during each of the Track Record Period:

	For the year ended 31 March			For the four months ended 31 July	
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i>
Hong Kong Profits Tax:					
Current tax	1,558	4,414	4,660	1,683	2,041
Overprovision in prior years/periods	<u>(3)</u>	<u>(3)</u>	<u>—</u>	<u>—</u>	<u>—</u>
	1,555	4,411	4,660	1,683	2,041
Deferred tax	<u>179</u>	<u>(53)</u>	<u>(32)</u>	<u>23</u>	<u>14</u>
Income tax expense for the year/period	<u><u>1,734</u></u>	<u><u>4,358</u></u>	<u><u>4,628</u></u>	<u><u>1,706</u></u>	<u><u>2,055</u></u>

Profit and total comprehensive income for the year/period

As a result of the foregoing, we recorded net profit of approximately HK\$9.6 million, HK\$22.4 million, HK\$21.0 million, HK\$8.7 million and HK\$1.2 million for the years ended 31 March 2015, 2016 and 2017 and four months ended 31 July 2016 and 2017 respectively.

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PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Four months ended 31 July 2017 compared to four months ended 31 July 2016

Revenue

Our revenue increased by approximately HK\$10.4 million or 5.0% from approximately HK\$209.6 million for the four months ended 31 July 2016 to approximately HK\$220.0 million for the four months ended 31 July 2017, which was mainly driven by the increase in the selling price of our diesel products and revenue generated from our provision of fleet cards services. Such increase was partially offset by the slightly decrease in the revenue generated from sales of lubricant oil.

Diesel

Our revenue from the sales of diesel increased by approximately HK\$10.5 million or 5.7% from approximately HK\$183.6 million for the four months ended 31 July 2016 to approximately HK\$194.1 million for the four months ended 31 July 2017. The increase was mainly due to the increase in average selling price from HK\$3.0 per litre for the four months ended 31 July 2016 to HK\$3.3 per litre for the four months ended 31 July 2017, which was in line with the trend of increase in imported crude oil price from 2016 to 2017.

Lubricant oil

Our revenue from the sales of our lubricant oil decrease by approximately HK\$1.8 million or 10.0% from approximately HK\$18.0 million for the four months ended 31 July 2016 to approximately HK\$16.2 million for the four months ended 31 July 2017. The decrease was primarily due to the decrease in the sales quantity by approximately 0.1 million litres or 8.4% compared with the four months ended 31 July 2016. Such decrease was mainly a result of increase in numbers of public holidays within the four months ended 31 July 2017 which resulted in the decrease in consumption of industrial lubricant oil in construction industry market.

Provision of fleet cards services

Our income from our provision of fleet cards service significantly increased by approximately HK\$1.7 million or 25.2% from approximately HK\$6.7 million for the four months ended 31 July 2016 to approximately HK\$8.4 million for the four months ended 31 July 2017. The increase was primarily attributable to the increase in our fleet card accounts from approximately 21,463 as at 31 July 2016 to approximately 31,410 as at 31 July 2017 as a result of the additional marketing and promotion efforts conducted by our Group in reselling fleet cards, which led to the increase in the quantity of diesel and petrol consumed by our fleet card customers at Network Gas Stations.

Other petrochemicals

Our revenue from the sales of our other petrochemicals decreased by approximately HK\$0.1 million or 6.9% from approximately HK\$1.4 million for the four months ended 31 July 2016 to approximately HK\$1.3 million for the four months ended 31 July 2017, which was primarily as a result of the slightly drop in demand of other petrochemicals products, such as kerosene and bitumen.

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Cost of sales

Our cost of sales increased by approximately HK\$8.6 million or approximately 4.4% from approximately HK\$194.9 million for the four months ended 31 July 2016 to approximately HK\$203.5 million for four months ended 31 July 2017. Such increase was in line with our increase in revenue for the corresponding period.

Gross profit and gross profit margin

Our gross profit margin increased by approximately HK\$1.7 million or approximately 11.7% from approximately HK\$14.7 million for the four months ended 31 July 2016 to approximately HK\$16.4 million for the four months ended 31 July 2017. The increase in our gross profit margin was primarily due to the increase in our income from the provision of fleet cards service of approximately HK\$1.7 million, of which the gross profit margin was generally higher than the other three segments as the only direct cost is sales commissions which accounted for a relatively small portion compared to the respective revenue.

Other operating expenses

Our other operating expenses slightly decreased by approximately HK\$56,000 or approximately 13.1% from approximately HK\$0.4 million for the four months ended 31 July 2016 to approximately HK\$0.4 million for the four months ended 31 July 2017. Our other operating expenses remained relatively stable during the periods.

Selling and distribution expenses

Our selling and distribution expenses slightly increased by approximately HK\$20,000 or approximately 1.6% from approximately HK\$1,253,000 for the four months ended 31 July 2016 to approximately HK\$1,273,000 for the four months ended 31 July 2017. Our other operating expenses remained relatively stable during the periods.

Administrative expenses

Our administrative expenses increased by approximately HK\$0.2 million or 6.9% from approximately HK\$2.4 million for the four months ended 31 July 2016 to approximately HK\$2.6 million for the four months ended 31 July 2017, primarily due to increase in staff cost in relation to the increase in number of employee.

Finance costs

Our finance costs decreased from approximately HK\$214,000 for the four months ended 31 July 2016 to approximately HK\$169,000 for the four months ended 31 July 2017. Such decrease was mainly due to the decrease of our bank borrowings during the periods.

Income tax

Our income tax expense was approximately HK\$1.7 million and HK\$2.1 million for the four months ended 31 July 2016 and 31 July 2017 respectively. The corresponding effective tax rate was 16.4% and 62.3% respectively for the same periods. The increase in our effective tax rate was a result of the increase in non-deductible listing expenses incurred during the four months ended 31 July 2017.

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Profit for the period

As a result of the foregoing, our profit for the period decreased by approximately HK\$7.4 million or 85.7% from approximately HK\$8.7 million for the four months ended 31 July 2016 to approximately HK\$1.2 million for the four months ended 31 July 2017, and our net profit margin decreased from approximately 4.1% to 0.6% during the same periods. The significant decrease in our profit was mainly attributable to the increase in one-off listing expenses incurred during the four months ended 31 July 2017.

Year ended 31 March 2017 compared to year ended 31 March 2016

Revenue

Our revenue decreased by approximately HK\$58.7 million or 8.0% from approximately HK\$730.5 million for the year ended 31 March 2016 to approximately HK\$671.8 million for the year ended 31 March 2017, which was mainly due to the decrease in the revenue from the sales of diesel products. Such decrease was partially offset by the increase in the income generated by our provision of fleet cards service.

Sales of Diesel

Our revenue from the sales of diesel decreased by approximately HK\$54.5 million or 8.3% from approximately HK\$652.8 million for the year ended 31 March 2016 to approximately HK\$598.3 million for the year ended 31 March 2017. The decrease was mainly due to the decrease in the average selling price from approximately HK\$3.4 per litre for the year ended 31 March 2016 to approximately HK\$3.2 per litre for the year ended 31 March 2017.

Sales of Lubricant oil

Our revenue from the sales of lubricant oil decrease by approximately HK\$7.9 million or 13.9% from approximately HK\$57.0 million for the year ended 31 March 2016 to approximately HK\$49.1 million for the year ended 31 March 2017. The decrease was primarily due to the decrease in the sales quantity by approximately 0.5 million litres or 15.0% compared with the year ended 31 March 2016. Such decrease was mainly a result of the decrease in demand of industrial lubricant oil, resulting from the slow down of public construction projects, which was mainly due to the delay in passing of public works funding proposals by the committees of the Legislative Council of Hong Kong in recent years.

Provision of fleet cards service

Our income from our provision of fleet cards service significantly increased by approximately HK\$5.3 million or 35.1% from approximately HK\$15.1 million for the year ended 31 March 2016 to approximately HK\$20.4 million for the year ended 31 March 2017. The increase was primarily attributable to the (i) the increase in our fleet card accounts from approximately 17,807 as at 31 March 2016 to approximately 28,921 as at 31 March 2017 as a result of the additional marketing and advertising effort conducted by our Group in reselling fleet cards, which led to the increase in the quantity of diesel and petrol consumed by our fleet card customers at Network Gas Stations; and (ii) the increase in the volume rebates provided by Oil Company Y, as a result of the Group's ability in negotiating better terms with Oil Company Y.

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Sales of others

Our revenue from the sales of other products decreased by approximately HK\$1.6 million or 27.8% from approximately HK\$5.6 million for the year ended 31 March 2016 to approximately HK\$4.1 million for the year ended 31 March 2017. As this segment contributed to a relatively small portion of our revenue during the Track Record Period, we allocated more resources in promoting our other three major segments for future development. In addition, our Directors also consider that the demand for other petrochemicals will continue to decrease in the future as other petrochemicals, such as kerosene, are no longer the major fuel in daily life nowadays.

Cost of sales

Our cost of sales decreased by approximately HK\$58.1 million or 8.4% from approximately HK\$688.6 million for the year ended 31 March 2016 to approximately HK\$630.5 million for the year ended 31 March 2017. Such decrease was in line with our decrease in revenue for the corresponding year and was primarily due to the decrease in the sales quantity of our products.

Gross profit and gross profit margin

Our gross profit margin increased by approximately 0.5% from approximately 5.7% for the year ended 31 March 2016 to approximately 6.2% for the year ended 31 March 2017, while our gross profit slightly decreased by approximately HK\$0.5 million or 1.3% for the same periods. The increase in our gross profit margin was primarily due to (i) the increase in our revenue from the provision of fleet cards service of approximately HK\$5.3 million, of which the gross profit margin was generally higher than the other three segments as the only direct cost is sales commissions which accounted for a relatively small portion compared to the respective revenue; and (ii) the lower costs of semi-finished lubricant oil we used for our in-house blending self-branded lubricant oil.

Other income, gains and losses

Our other income, gains and losses decreased from approximately HK\$0.8 million for the year ended 31 March 2016 to approximately HK\$0.3 million for the year ended 31 March 2017, primarily due to decrease in gain on disposal of property, plant and equipment.

Other operating expenses

Our other operating expenses slightly decreased by approximately HK\$50,000 or 3.8% from approximately HK\$1.3 million for the year ended 31 March 2016 to approximately HK\$1.2 million for the year ended 31 March 2017. Our other operating expenses remained relatively stable during the periods.

Selling and distribution expenses

Our selling and distribution expenses slightly increased by approximately HK\$43,000 or 1.1% from approximately HK\$4,084,000 for the year ended 31 March 2016 to approximately HK\$4,127,000 for the year ended 31 March 2017. Our other operating expenses remained relatively stable during the periods.

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Administrative expenses

Our administrative expenses decreased by approximately HK\$2.2 million or 22.3% from approximately HK\$9.9 million for the year ended 31 March 2016 to approximately HK\$7.7 million for the year ended 31 March 2017, primarily due to the decrease in Directors' remuneration. Such decrease was mainly attributable to the decrease in the Directors' fees our Directors. Our Directors consider the reduction of the remuneration package of our Directors going forward will allow more financial resources in our Group's operations which will benefit our Shareholders as a whole.

Finance costs

Our finance costs decreased from approximately HK\$0.7 million for the year ended 31 March 2016 to approximately HK\$0.6 million for the year ended 31 March 2017. Such decrease was mainly due to the decrease of our bank borrowings during the year.

Income tax expense

Our income tax expense was approximately HK\$4.4 million and HK\$4.6 million for the year ended 31 March 2016 and 31 March 2017 respectively. The corresponding effective tax rate was 16.3% and 18.0% respectively for the same periods. The increase in our effective tax rate was a result of the increase in non-deductible listing expenses incurred during the year ended 31 March 2017.

Profit and total comprehensive income for the year

As a result of the foregoing, our profit and total comprehensive income for the year decreased by approximately HK\$1.3 million or 5.9% from approximately HK\$22.4 million for the year ended 31 March 2016 to approximately HK\$21.0 million for the year ended 31 March 2017, and our net profit margin remained relatively stable at 3.1% for both periods.

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

Revenue

Our revenue decreased by approximately HK\$164.3 million or 18.4% from approximately HK\$894.7 million for the year ended 31 March 2015, to approximately HK\$730.5 million for the year ended 31 March 2016. Such decrease was mainly due to the decrease in the selling price of our diesel products, which was partially offset by (i) the increase in our sales quantity of our diesel; and (ii) the increase our income generated from our provision of fleet cards service.

Sales of Diesel

Our revenue from the sales of diesel decreased by approximately HK\$162.1 million or 19.9% from approximately HK\$814.9 million for the year ended 31 March 2015 to approximately HK\$652.8 million for the year ended 31 March 2016. The decrease was mainly due to the decrease in the selling price of our diesel.

Our selling price of diesel products is generally correlated with the prevailing market price with reference to various benchmark indicators such as Europe Brent spot crude price, which serves as a major benchmark price for oil purchase of oil worldwide. According to the Frost & Sullivan Report, Europe Brent spot crude price experienced significant decrease from approximately US\$111.8 per barrel in June 2014 to approximately US\$30.7 per barrel in January 2016, which was mainly due to

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the turmoil in the Middle-East and weak economies in emerging countries and increased U.S. shale oil production. As a result, our average selling price of diesel decreased by approximately 36.4% from approximately HK\$5.4 per litre for the year ended 31 March 2015 to approximately HK\$3.4 per litre for the year ended 31 March 2016.

During the same periods, our sales quantity of diesel increased by approximately 39.2 million litres or 25.9% from approximately 151.4 million litres for the year ended 31 March 2015 to approximately 190.5 million litres for the year ended 31 March 2016, primarily due to the increase of the sales quantity of our automotive diesel. Such increase was primarily as a result of (i) the increase of orders from one of our major customers, a logistics company which is also engaged in the distribution of diesel in Hong Kong as a downstream distributor; and (ii) the increase in our Group's customer base as a result of our Group's reputation and marketing efforts.

Sales of Lubricant Oil

Our revenue from the sales of lubricant oil decrease by approximately HK\$7.3 million or 11.3% from approximately HK\$64.3 million for the year ended 31 March 2015 to approximately HK\$57.0 million for the year ended 31 March 2016. The decrease was primarily due to the decrease in our sales quantity of lubricant oil.

During the same periods, our sales quantity of lubricant oil slightly decreased by approximately 0.4 million litres from approximately 3.7 million litres for the year ended 31 March 2015 to approximately 3.3 million litres for the year ended 31 March 2016, primarily due to slow down of public construction projects, which was mainly due to the delay in passing of public works funding proposals by the committees of the Legislative Council of Hong Kong in recent years.

Provision of fleet cards service

Our income from provision of fleet cards service significantly increased by approximately HK\$8.3 million or 123.9% from approximately HK\$6.7 million for the year ended 31 March 2015 to approximately HK\$15.1 million for the year ended 31 March 2016. The increase was primarily attributable to (i) the significant increase in our fleet card accounts from approximately 8,104 as at 31 March 2015 to approximately 17,807 as at 31 March 2016 as a result of our Group allocated more resources on expanding our fleet card business and the additional marketing and advertising effort conducted by our Group in reselling fleet cards, which led to the increase in the quantity of diesel and petrol consumed by our fleet card customers at Network Gas Stations; and (ii) the increase in fuel discounts and rebates from Oil Company Y during the period as a result of our Group's ability in negotiating better terms. For further details of our fuel discounts and volume rebates, please refer to the sub-section headed "Business — Sales and marketing — Pricing policy — Pricing policy for fleet card products" in this prospectus.

Sales of Others

Our revenue from the sales of our other products decreased by approximately HK\$3.2 million or 36.2% from approximately HK\$8.8 million for the year ended 31 March 2015 to approximately HK\$5.6 million for the year ended 31 March 2016. As this segment contributed to a relatively small portion of our revenue during the Track Record Period, we allocated more resources in promoting our other three major segments for future development. In addition, our Directors also consider that the demand for other petrochemicals will continue to decrease in the future as other petrochemicals, such as kerosene, are no longer the major fuel in daily life nowadays.

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Cost of sales

Our cost of sales decreased by approximately HK\$180.7 million or 20.8% from approximately HK\$869.3 million for the year ended 31 March 2015 to approximately HK\$688.6 million for the year ended 31 March 2016. The decrease was primarily attributable to the decrease in our purchase costs of our diesel as a result of the decrease in crude oil price, which accounted for approximately 92.7% and 92.7% of cost of sales for the two years ended 31 March 2016. The purchase cost of our diesel was adjusted correspondingly in response to the changing macro consumer market and was generally correlated to the Europe Brent spot crude price. Under the decreasing trend of the Europe Brent spot crude price from August 2014 to January 2016, our purchase costs of diesel also decreased accordingly.

Gross profit and gross profit margin

Although our revenue decreased by approximately HK\$164.3 million for the year ended 31 March 2016, our gross profit increased by approximately HK\$16.4 million or 64.5% from approximately HK\$25.5 million for the year ended 31 March 2015 to approximately HK\$41.9 million for the year ended 31 March 2016. Our gross profit margin also increased by approximately 2.9% from approximately 2.8% for the year ended 31 March 2015 to approximately 5.7% for the year ended 31 March 2016. Such increase was primarily due to the (i) the increase in our income from the provision of fleet cards service, of which the gross profit margin was generally higher than the other three segments as the only direct cost is sales commissions, which accounted for a relatively small portion compared with the respective revenue; (ii) the increase in the price spread between the purchase price and selling price of our diesel products as a result of the drop in oil price. For details, please refer to “Description of Selected Items for the Consolidated Statements of Profit or Loss — Gross Profit and Gross Profit Margin” in this section of this prospectus for details; and (iii) the increase in the gross profit and gross profit margin of our lubricant oil primarily due to the decrease in the costs of semi-finished lubricant oil we used for our self-branded lubricant oil as a result of the decrease in crude oil price, while the selling price remained relatively stable.

Other income, gains and losses

Our other income, gains and losses decreased from approximately HK\$1.4 million for the year ended 31 March 2015 to approximately HK\$0.8 million for the year ended 31 March 2016, primarily due to decrease of gain on disposal of property, plant and equipment as well as no government grant was granted in the year ended 31 March 2016 as none of our diesel tank wagons retired during the year which entitled to the ex-gratia payment.

Other operating expenses

Our other operating expenses slightly increased by approximately HK\$49,000 or 3.9% from approximately HK\$1,250,000 for the year ended 31 March 2015 to approximately HK\$1,299,000 for the year ended 31 March 2016. Our other operating expenses remained relatively stable during the periods.

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Selling and distribution expenses

Our selling and distribution expenses slightly increased by approximately HK\$19,000 or 0.5% from approximately HK\$4,065,000 for the year ended 31 March 2015 to approximately HK\$4,084,000 for the year ended 31 March 2016. Our other operating expenses remained relatively stable during the periods.

Administrative expenses

Our administrative expenses slightly increased by approximately HK\$0.5 million or 4.9% from approximately HK\$9.4 million for the year ended 31 March 2015 to approximately HK\$9.9 million for the year ended 31 March 2016, primarily due to the increase in staff costs and benefits as a result of increase in number of staff.

Finance costs

Our finance costs decreased from approximately HK\$762,000 for the year ended 31 March 2015 to approximately HK\$737,000 for the year ended 31 March 2016. Our finance costs remained relatively stable during the periods.

Income tax expense

Our income tax expense was approximately HK\$1.7 million and HK\$4.4 million for the year ended 31 March 2015 and 31 March 2016 respectively. The corresponding effective tax rate was 15.3% and 16.3% respectively for the same periods. The increase in our income tax expenses was a result of the increase in our net profit.

Profit and total comprehensive income for the year

As a result of the foregoing, our profit and total comprehensive income for the year increased by approximately HK\$12.8 million or 132.0% from approximately HK\$9.6 million for the year ended 31 March 2015 to approximately HK\$22.4 million for the year ended 31 March 2016, and our net profit margin increased from approximately 1.1% to 3.1% during the same periods.

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DISCUSSION OF SELECTION ITEMS OF THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 March			As at
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	31 July 2017 HK\$'000
Non-current assets				
Property, Plant and equipment	25,183	24,224	22,560	21,792
Loan to a related company	2,284	1,758	—	—
	<u>27,467</u>	<u>25,982</u>	<u>22,560</u>	<u>21,792</u>
Current assets				
Inventories	5,444	5,871	5,953	6,996
Trade and other receivables	29,770	43,067	56,302	58,768
Amount due from ultimate holding company	—	—	8	8
Loan to a related company	597	597	1,814	1,581
Taxation recoverable	159	44	269	244
Time deposits	—	—	1,000	1,000
Bank balances and cash	6,718	15,248	15,542	14,403
	<u>42,688</u>	<u>64,827</u>	<u>80,888</u>	<u>83,000</u>
Current liabilities				
Trade and other payables	3,424	2,133	2,970	5,561
Amounts due to directors	19,237	29,978	33,173	29,903
Obligations under finance leases	1,112	667	307	312
Taxation payable	1,329	2,891	1,189	3,205
Bank borrowings	26,605	25,000	19,971	18,832
	<u>51,707</u>	<u>60,669</u>	<u>57,610</u>	<u>57,813</u>
Net current (liabilities) assets	<u>(9,019)</u>	<u>4,158</u>	<u>23,278</u>	<u>25,187</u>
Total assets less current liabilities	<u>18,448</u>	<u>30,140</u>	<u>45,838</u>	<u>46,979</u>
Non-current liabilities				
Obligations under finance leases	996	564	257	143
Deferred tax liabilities	351	298	266	280
	<u>1,347</u>	<u>862</u>	<u>523</u>	<u>423</u>
	<u>17,101</u>	<u>29,278</u>	<u>45,315</u>	<u>46,556</u>
Capital and Reserves				
Share capital	49	79	86	—*
Reserves	16,727	28,736	45,229	46,556
Equity attributable to shareholders of the Company	<u>16,776</u>	<u>28,815</u>	<u>45,315</u>	<u>46,556</u>
Non-controlling interests	325	463	—	—
Total equity	<u>17,101</u>	<u>29,278</u>	<u>45,315</u>	<u>46,556</u>

* Less than HK\$1,000

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Property, plant and equipment

Our property, plant and equipment comprise leasehold land and building, leasehold improvements, furniture and equipment and motor vehicles during the Track Record Period. Our property, plant and equipment amounted to approximately HK\$25.2 million, HK\$24.2 million, HK\$22.6 million and HK\$21.8 million as at 31 March 2015, 2016, 2017 and 31 July 2017 respectively. A majority of the fixed assets of our Group are leasehold land and buildings, which accounted for approximately 74.1%, 74.5%, 77.4% and 79.3% as at 31 March 2015, 2016, 2017 and 31 July 2017 respectively. The leasehold land and buildings represented our principal office in Cheung Sha Wan, Hong Kong. The following table sets forth a breakdown of our property, plant and equipment as of the dates indicated:

	As at 31 March			As at
	2015	2016	2017	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2017</i> <i>HK\$'000</i>
Leasehold land and building	18,656	18,055	17,472	17,277
Leasehold improvements	1,948	1,884	1,797	1,776
Furniture, fixtures and equipment	460	506	736	673
Motor vehicles	<u>4,119</u>	<u>3,779</u>	<u>2,555</u>	<u>2,066</u>
	<u>25,183</u>	<u>24,224</u>	<u>22,560</u>	<u>21,792</u>

Inventories

Our inventories mainly comprise raw materials and finished goods. The following table sets forth our inventory balances as of the dates indicated:

	As at 31 March			As at
	2015	2016	2017	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2017</i> <i>HK\$'000</i>
Raw materials	2,626	1,143	192	361
Finished goods	<u>2,818</u>	<u>4,728</u>	<u>5,761</u>	<u>6,635</u>
	<u>5,444</u>	<u>5,871</u>	<u>5,953</u>	<u>6,996</u>

For diesel, we normally place orders with our suppliers upon confirmation of orders from clients on a back-to-back basis, which gives us flexibility in our sales strategies and minimises our risk exposure to obsolete stock and reduces our working capital requirement. For finished petrochemicals as well as raw materials for our in-house blending process for our self-branded lubricant oil, we keep a minimal level of inventories to ensure that we maintain a healthy level of stock in line with our business needs.

During the Track Record Period, our inventory balance remained relatively stable at HK\$5.4 million, HK\$5.9 million, HK\$6.0 million and HK\$7.0 million respectively.

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The following table sets forth our average inventory turnover days for the periods indicated:

	For the year ended 31 March			For the four months ended
	2015	2016	2017	31 July
	<i>days</i>	<i>days</i>	<i>days</i>	<i>days</i>
Inventory turnover days ⁽¹⁾	<u>2.5</u>	<u>3.0</u>	<u>3.4</u>	<u>3.9</u>

Note:

1. Inventory turnover days equals average balance of inventory divided by costs of sales for the relevant year multiplied by the number of days in the relevant year. Average balance is calculated as the sum of the beginning balance and ending balance for the relevant year and divided by two.

Our inventory turnover days was 2.5 days, 3.0 days, 3.4 days and 3.9 days for the years ended 31 March 2015, 2016, 2017 and four months ended 31 July 2017 respectively. Our inventory turnover days was relatively stable during the Track Record Period.

Our raw materials amounted to HK\$0.4 million as of 31 July 2017, of which HK\$0.3 million, representing approximately 95.6%, was subsequently sold as at the Latest Practicable Date.

Our finished goods amounted to HK\$6.6 million as of 31 July 2017, of which HK\$6.3 million, representing approximately 94.3%, was subsequently sold as at the Latest Practicable Date.

Trade and other receivables

Our trade and other receivables primarily comprise (i) trade receivables; and (ii) trade deposits paid. The following table sets out the breakdown of traded and other receivables as at the dates indicated:

	As at 31 March			As at
	2015	2016	2017	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	20,755	23,847	27,736	31,395
Trade deposits paid	8,680	17,639	21,656	22,805
Deposits and prepayments	335	269	4,676	3,649
Receivables due from suppliers	—	<u>1,312</u>	<u>2,234</u>	<u>919</u>
	<u>29,770</u>	<u>43,067</u>	<u>56,302</u>	<u>58,768</u>

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Trade receivables

During the Track Record Period, our trade receivables represented the outstanding amount receivables from our customers who have been granted with credit periods. The following table sets forth our balance of trade receivables as of the dates indicated:

	As at 31 March			As at
	2015	2016	2017	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	<u>20,755</u>	<u>23,847</u>	<u>27,736</u>	<u>31,395</u>

The balance increased from approximately HK\$20.8 million as at 31 March 2015 to approximately HK\$23.8 million as at 31 March 2016, approximately HK\$27.7 million as at 31 March 2017, and to approximately HK\$31.4 million as at 31 July 2017, primarily due to the increase in the revenue from our Group's fleet card business and fluctuation of the amounts settled by different customers to us as at the respective reporting dates due to the different settlement practices of different customers as well as the different credit periods granted by us.

The following table below sets forth the ageing analysis of trade receivables as of the dates indicated, net of allowance for doubtful debts:

	As at 31 March			As at
	2015	2016	2017	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	18,424	19,040	25,156	28,125
31–60 days	1,435	1,698	1,921	2,495
61–90 days	530	1,552	630	741
Over 90 days	<u>366</u>	<u>1,557</u>	<u>29</u>	<u>34</u>
	<u>20,755</u>	<u>23,847</u>	<u>27,736</u>	<u>31,395</u>

The following table sets forth the ageing analysis of trade receivables of our Group which were overdue but not impaired as of the dates indicated:

	As at 31 March			As at
	2015	2016	2017	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Overdue for:				
0–30 days	1,435	1,698	1,921	2,495
31–60 days	530	1,552	630	741
61–90 days	—	768	29	18
Over 90 days	<u>366</u>	<u>789</u>	<u>—</u>	<u>16</u>
	<u>2,331</u>	<u>4,807</u>	<u>2,580</u>	<u>3,270</u>

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The following table sets forth the movements of the allowance for doubtful debts as of the dates indicated:

	As at 31 March			As at
	2015	2016	2017	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at the beginning of the year/period	—	—	—	—
Impairment loss recognised on receivables	2	67	—	—
Amounts written-off as uncollectible	(2)	(67)	—	—
Balance at the end of the year/period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

We generally offer credit period ranged from 15 to 30 days to our customers. Before offering any credit to a customer, we typically assess the prospective customer's credit history and reputation and determine the credit period granted to such customer accordingly.

In determining impairment losses, our Group conducts regular reviews of aging analysis and evaluates collectability of our trade receivables. Provisions are applied to the receivables when there are events or changes in circumstances indicate that the trade receivables may not be collectible. The management closely reviews the trade receivables balances and overdue balances on an ongoing basis. Trade receivables that were past due but not impaired relate to a number of independent customers. In assessing the collectability of the overdue balances, our management would consider the actual situations such as (i) the reasons for the delay in settlement; (ii) the payment history of the customers; (iii) the commercial relationship with the customers; (iv) collection experience with the customers in similar sales transactions. During the Track Record Period, we did not experience material written-off of our trade receivables.

As at Latest Practicable Date, approximately HK\$30.9 million, representing approximately 98.3% of our trade receivables as at 31 July 2017, have been settled.

The following table sets forth the debtors' turnover days as at 31 March 2015, 31 March 2016, 31 March 2017 and 31 July 2017, respectively:

	For the year ended 31 March			For the four
	2015	2016	2017	months ended
	<i>days</i>	<i>days</i>	<i>days</i>	31 July
				2017
				<i>days</i>
Trade receivables turnover days ⁽¹⁾	<u>9.1</u>	<u>11.1</u>	<u>14.0</u>	<u>16.4</u>

FINANCIAL INFORMATION

Note:

- Trade receivables turnover days equals average balance of trade receivables divided by revenue for the relevant year/period multiplied by the number of days in the relevant year/period. Average balance is calculated as the sum of the beginning balance and ending balance for the relevant year/period and divided by two.

Our trade receivables turnover days was 9.1 days, 11.1 days, 14.0 days and 16.4 days for the years ended 31 March 2015, 2016, 2017 and four months ended 31 July 2017 respectively. Our trade receivables turnover days was generally in line with the credit terms offered to our customers.

Deposits, other receivables and prepayments

	As at 31 March			As at
	2015	2016	2017	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2017</i>
				<i>HK\$'000</i>
Trade deposits paid	8,680	17,639	21,656	22,805
Deposits and prepayments	335	269	4,676	3,649
Receivables due from suppliers	—	1,312	2,234	919
	<u>9,015</u>	<u>19,220</u>	<u>28,566</u>	<u>27,373</u>

Our deposits mainly consisted of trade deposits for purchase of diesel, third-party branded lubricant oil and other products as well as our deposits to Oil Company Y in relation to our fleet card business, and other deposit for office rental and utilities. Our receivables due from suppliers represented the rebate we were entitled to receive from Oil Company Y.

As at 31 March 2015, 2016, 2017 and 31 July 2017, our deposits, other receivables and prepayments amounted to approximately HK\$9.0 million, HK\$19.2 million, HK\$28.6 million and HK\$27.4 million respectively. The overall increase was mainly due to (i) the increase in our balance of trade deposit paid to Oil Company X mainly for sourcing diesel in the amount of approximately HK\$8.2 million, HK\$9.4 million, HK\$15.1 million and HK\$12.9 million as at 31 March 2015, 2016, 2017 and 31 July 2017, respectively; and (ii) the increase in our balance of trade deposit paid as costs on account for settling fleet card bills with Oil Company Y in the amount of approximately nil, HK\$7.9 million, HK\$6.6 million and HK\$9.7 million as at 31 March 2015, 2016, 2017 and 31 July 2017, respectively; and (iii) the increase in deposits and prepayments of approximately HK\$4.4 million and HK\$3.2 million as at 31 March 2017 and 31 July 2017 respectively, which was mainly as a result of the increase in prepaid Listing expenses of approximately HK\$4.4 million and utilisation of those balances during the four months ended 31 July 2017.

Our trade deposits are paid to Oil Company X and Oil Company Y as our cost on account for the sourcing of diesel (with respect to Oil Company X) and settle payments made by our fleet card customers (with respect to Oil Company Y):

- In our sourcing of diesel from Oil Company X, we are required to settle the purchase price before collection of diesel from Oil Company X's depot. Given that we normally place back-to-back orders to Oil Company X after receiving orders from our customers, we must maintain a streamlined payment process with Oil Company X so that we or our customers are able to collect diesel from Oil Company X's depot in a timely fashion.

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Hence, our Directors consider it more efficient from the perspective of operations management to arrange for sufficient costs on account with Oil Company X, so as to avoid the time-consuming model by making payments on order-by-order basis. During the Track Record Period, the increase in our balance of trade deposit paid to Oil Company X aligned with the increase of our purchase of diesel from Oil Company X.

- In our fleet card business, we are granted a credit term of 15 days following the date of each monthly invoice from Oil Company Y, and we are also required to provide an unconditional and irrevocable guarantee on all payments and liabilities under our fleet card agreement with Oil Company Y. Our balance of trade deposit paid to Oil Company Y increased from nil in the year ended 31 March 2015 to approximately HK\$7.9 million in the year ended 31 March 2016, because our fleet card business achieved significant growth, where the revenue increased by approximately 1.2 times from approximately HK\$6.7 million to approximately HK\$15.1 million during the period. Our Directors considered that the arrangement for costs on account with Oil Company Y not only ensures that we set aside sufficient financial resources to support the growing customers base (and their total fleet card spending) of our fleet card business segment, but also further bolsters Oil Company Y's confidence in our ability to operate and expand our fleet card business. Our balance of trade deposit paid to Oil Company Y decreased from approximately HK\$7.9 million in the year ended 31 March 2016 to approximately HK\$6.6 million in the year ended 31 March 2017, because our bank guarantee provided to Oil Company Y increased from approximately HK\$6.2 million as at 31 March 2016 to approximately HK\$8.2 million as at 31 March 2017.

Loan to a related company

The following table sets forth the loan to a related company as of the dates indicated:

	As at 31 March			As at
	2015	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Evertex Holdings Limited	<u>2,881</u>	<u>2,355</u>	<u>1,814</u>	<u>1,581</u>

During the Track Record Period, Evertex Holdings Limited was held as to 25% by each Mr. Hui and Ms. Tong, and 50% as to two independent third parties. The amount is unsecured, bearing interest of 2.75% per annum and repayable by monthly installments till 30 April 2020. In addition, the amount is guaranteed by Mr. Hui and Mr. Chu Kwai Sang, an independent third party.

In accordance to terms and conditions of the loan agreement entered into between the Group and Evertex, the Group has an unconditional right to call the loans at any time. Such loan was fully settled on 11 August 2017. Therefore, the balance as at 31 July 2017 of HK\$1,581,000 was classified as current assets.

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Amount due from ultimate holding company and amounts due to Directors

During the Track Record Period, we entered into various transactions with our ultimate holding company and Directors. The following table sets forth a breakdown of our amounts due from ultimate holding company/to Directors as of the dates indicated:

Amount due from ultimate holding company

	As at 31 March			As at
	2015	2016	2017	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2017</i> <i>HK\$'000</i>
Amount due from ultimate holding company	<u>—</u>	<u>—</u>	<u>8</u>	<u>8</u>

Amounts due to directors

	As at 31 March			As at
	2015	2016	2017	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2017</i> <i>HK\$'000</i>
Mr. Hui	18,784	27,814	29,688	29,903
Ms. Tong	453	2,164	3,285	—
Mr. Eric Hui	<u>—</u>	<u>—</u>	<u>200</u>	<u>—</u>
	<u>19,237</u>	<u>29,978</u>	<u>33,173</u>	<u>29,903</u>

All the amounts due to directors have been capitalized and/or settled as at 30 January 2018.

During the Track Record Period, the amount due from ultimate holding company and the amounts due to Directors are non-trade in nature, unsecured, interest-free and repayable on demand. The amount due from ultimate holding company and the amounts due to Directors will be settled upon Listing. For further details, please refer to note 19 set out in the Accountants' Report in Appendix I to this prospectus.

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Trade and other payables

Our trade and other payables primarily comprise (i) traded payables; (ii) trade deposits received; and (iii) other payables and accruals. The following table sets out the breakdown of traded and other payables as at the dates indicated:

	As at 31 March			As at
	2015	2016	2017	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2017</i>
Trade payables	1,790	1,043	645	465
Trade deposits received	1,547	608	582	602
Other payables and accruals	<u>87</u>	<u>482</u>	<u>1,743</u>	<u>4,494</u>
	<u><u>3,424</u></u>	<u><u>2,133</u></u>	<u><u>2,970</u></u>	<u><u>5,561</u></u>

Trade payables

Our trade payables decreased from approximately HK\$1.8 million as of 31 March 2015 to approximately HK\$1.0 million as of 31 March 2016 and HK\$0.6 million as of 31 March 2017 mainly due to the increase of our Group's trade deposits paid to Oil Company Y which in turn lowered the payable balance.

The following is an ageing analysis of our trade payables based on the invoice date as at the dates indicated:

	As at 31 March			As at
	2015	2016	2017	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2017</i>
0-30 days	<u>1,790</u>	<u>1,043</u>	<u>645</u>	<u>465</u>

As at the Latest Practicable Date, we had subsequently settled approximately HK\$465,000 of our outstanding trade payables as at 31 July 2017.

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Our suppliers generally grant us credit period in the range of 30 to 60 days, except that we are generally required to settle payment on or before delivery or collection of diesel and lubricant from Oil Company X as well as petrochemicals from overseas suppliers. The table below sets out the trade payables turnover days of our trade payables as at the dates indicated:

	For the year ended 31 March			For the four months ended
	2015	2016	2017	31 July 2017
	<i>days</i>	<i>days</i>	<i>days</i>	<i>days</i>
Trade payables turnover days ⁽¹⁾	<u>0.6</u>	<u>0.8</u>	<u>0.5</u>	<u>0.3</u>

Note:

1. Trade payables turnover days equals average balance of trade payables divided by cost of sales for the relevant year/period multiplied by the number of days in the relevant year/period. Average balance is calculated as the sum of the beginning balance and ending balance for the relevant year/period and divided by two.

Our trade payables turnover days during the Track Record Period were generally in line with the credit terms offered to us by our suppliers.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

During the Track Record Period, our Group financed our operations primarily through a combination of internally generated cash flows and bank borrowings. As at 31 March 2015, 2016, 2017 and 31 July 2017, we had cash and cash equivalents of approximately HK\$6.7 million, HK\$15.2 million, HK\$15.5 million and HK\$14.4 million respectively.

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

	For the year ended 31 March			For the four months ended 31 July	
	2015	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash from operating activities	17,837	11,576	9,532	8,028	3,349
Net cash (used in)/generated from investing activities	(15,317)	(88)	(1,148)	(316)	199
Net cash used in financing activities	(2,290)	(2,958)	(8,090)	(5,187)	(4,687)
Net increase/(decrease) in cash and cash equivalents	230	8,530	294	2,525	(1,139)
Cash and cash equivalents at the beginning of the year/period	6,488	6,718	15,248	15,248	15,542
Cash and cash equivalents at the end of the year/period	6,718	15,248	15,542	17,773	14,403

Net cash from operating activities

During the Track Record Period, our net cash flow from operating activities mainly represented our profits before taxation, being adjusted for non-cash items such as depreciation of property, plant and equipment, gain on disposal of property, plant and equipment, reversal of allowance for inventories and the effects of changes in working capital items.

For the four months ended 31 July 2017, we had net cash from operating activities amounted to approximately HK\$3.3 million. Such amount reflected our operating cash flow before movements in working capital of approximately HK\$4.0 million, adjusted for net working capital outflow of approximately HK\$0.6 million. Movements in working capital primarily represented the decrease in trade and other receivables of HK\$2.5 million and an increase in inventories of approximately HK\$0.7 million, which was partially offset by an increase in trade and other payables of approximately HK\$2.6 million.

For the year ended 31 March 2017, we had net cash from operating activities amounted to approximately HK\$9.5 million. Such amount reflected our operating cash flow before movements in working capital of approximately HK\$28.1 million, adjusted for net working capital outflow of approximately HK\$12.0 million and tax paid of approximately HK\$6.6 million. Movements in working capital primarily represented the increase in trade and other receivables of HK\$13.2 million, which was partially offset by an increase in trade and other payables of approximately HK\$0.8 million and decrease in inventories of approximately HK\$0.4 million.

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For the year ended 31 March 2016, we had net cash from operating activities amounted to approximately HK\$11.6 million. Such amount reflected our operating cash flow before movements in working capital of approximately HK\$29.6 million, adjusted for net working capital outflow of approximately HK\$15.3 million and tax paid of approximately HK\$2.7 million. Movements in working capital primarily represented the increase in trade and other receivables of approximately HK\$13.4 million and the decrease in trade and other payables of approximately HK\$1.3 million.

For the year ended 31 March 2015, we had net cash from operating activities amounted to approximately HK\$17.8 million. Such amount reflected our operating cash flow before movements in working capital of approximately HK\$13.3 million, adjusted for net working capital inflow of approximately HK\$5.0 million and tax paid of approximately HK\$0.5 million. Movements in working capital primarily represented the decrease in trade and other receivables by HK\$3.5 million and decrease in inventories of approximately HK\$1.4 million.

Net cash used in investing activities

During the Track Record Period, our cash inflow from investing activities mainly represented withdrawal of pledged bank deposits, proceeds from disposal of property, plant and equipment and repayment of loan to a related company. Our cash used in investing activities mainly included payment for purchase of property, plant and equipment and placement of time deposits.

For the four months ended 31 July 2017, we had net cash generated from investing activities amounted to approximately HK\$0.2 million. Our net cash inflow for investing activities mainly consisted of repayment of loan to a related company, which was partially offset by consideration for purchase of property, plant and equipment of approximately HK\$50,000.

For the year ended 31 March 2017, we had net cash used in investing activities amounted to approximately HK\$1.1 million. Our net cash outflow for investing activities consisted of payment for purchase of property, plant and equipment of HK\$1.1 million and placement of time deposits of approximately HK\$1.0 million, which was partially offset by repayment of loan to a related company of HK\$0.5 million and proceeds from disposal of property, plant and equipment of approximately HK\$0.4 million.

For the year ended 31 March 2016, we had net cash used in investing activities amounted to approximately HK\$88,000. Our net cash outflow for investing activities consisted of payment for purchase of property, plant and equipment of approximately HK\$1.4 million, which was partially offset by repayment of loan to a related company of approximately HK\$0.5 million and proceeds from disposal of property, plant and equipment of approximately HK\$0.7 million.

For the year ended 31 March 2015, we had net cash used in investing activities amounted to approximately HK\$15.3 million. Our net cash outflow for investing activities consisted of payment for purchase of property, plant and equipment of approximately HK\$22.0 million, which was partially offset by withdraw of pledged bank deposits of approximately HK\$5.2 million, repayment of loan to a related company of approximately HK\$0.5 million and proceeds from disposal of property, plant and equipment of approximately HK\$0.9 million.

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Net cash used in financing activities

During the Track Record Period, our net cash from financing activities mainly represented advances from directors and new bank borrowing raised. Our cash used in financing activities mainly included repayment of advances from directors, repayment of bank borrowings and repayment of obligation under finance leases.

For the four months ended 31 July 2017, we had net cash used in financing activities amounted to approximately HK\$4.7 million, which was mainly due to the net repayment of advances from directors of HK\$3.3 million, repayment of bank borrowing of HK\$1.1 million, repayment of obligation under finance leases of HK\$0.1 million and interest paid of HK\$0.2 million.

For the year ended 31 March 2017, we had net cash used in financing activities amounted to approximately HK\$8.1 million, which was mainly due to the repayment of bank borrowing of HK\$5.0 million, repayment of obligation under finance leases of HK\$0.7 million, interest paid of HK\$0.6 million and net repayment of advances from directors of HK\$1.8 million.

For the year ended 31 March 2016, we had net cash used in financing activities amounted to approximately HK\$3.0 million, which was mainly due to the net repayment of bank borrowing of HK\$1.6 million, repayment of obligation under finance leases of HK\$1.2 million, interest paid of HK\$0.7 million, and net repayment of advance from directors of HK\$11.8 million, which was offset by the net advances from related companies of HK\$12.3 million.

For the year ended 31 March 2015, we had net cash used in financing activities amounted to approximately HK\$2.3 million, which was mainly due to the net repayment of advances from directors of HK\$3.9 million, repayment of obligation under finance leases of HK\$1.1 million, interest paid of HK\$0.8 million and net repayment of advances from related companies of HK\$0.4 million, which was offset by new bank borrowings raised of HK\$7.2 million and repayment of bank borrowings of HK\$3.2 million.

Working capital sufficiency

Our Directors are of the opinion that, taking into consideration the internal resources and available facilities presently available to our Group, and the estimated net proceeds of the Share Offer, our Group has sufficient working capital for our Group's present requirements for at least the next 12 months commencing on the date of this prospectus.

FINANCIAL INFORMATION

NET CURRENT ASSETS AND LIABILITIES

The following table sets forth the breakdown of our Group's current assets and current liabilities as at 31 March 2015, 2016, 2017, 31 July 2017 and 30 November 2017 respectively:

	As at 31 March			As at 31 July 2017	As at 30 November 2017
	2015	2016	2017	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					(unaudited)
Current assets					
Inventories	5,444	5,871	5,953	6,996	6,204
Trade and other receivables	29,770	43,067	56,302	58,768	55,759
Amount due from ultimate holding company	—	—	8	8	8
Loan to a related company	597	597	1,814	1,581	—
Taxation recoverable	159	44	269	244	226
Time deposits	—	—	1,000	1,000	1,007
Bank balances and cash	<u>6,718</u>	<u>15,248</u>	<u>15,542</u>	<u>14,403</u>	<u>27,957</u>
	<u>42,688</u>	<u>64,827</u>	<u>80,888</u>	<u>83,000</u>	<u>91,161</u>
Current liabilities					
Trade and other payables	3,424	2,133	2,970	5,561	5,861
Amounts due to directors	19,237	29,978	33,173	29,903	27,676
Obligations under finance leases	1,112	667	307	312	316
Taxation payable	1,329	2,891	1,189	3,205	4,765
Bank borrowings	<u>26,605</u>	<u>25,000</u>	<u>19,971</u>	<u>18,832</u>	<u>17,686</u>
	<u>51,707</u>	<u>60,669</u>	<u>57,610</u>	<u>57,813</u>	<u>56,304</u>
Net current (liabilities)/ assets	<u>(9,019)</u>	<u>4,158</u>	<u>23,278</u>	<u>25,187</u>	<u>34,857</u>

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As at 31 March 2016 and 2017, 31 July 2017 and 30 November 2017 we recorded net current assets of approximately HK\$4.2 million, HK\$23.3 million, HK\$25.2 million and HK\$34.9 million respectively. As at 31 March 2015, we recorded net current liabilities of approximately HK\$9.0 million. During the Track Record Period, our current assets primarily consisted of trade and other receivables, bank balances and cash and inventories. Our current liabilities during the Track Record Period primarily included bank borrowings, amounts due to directors, trade and other payables and taxation payable.

Our current financial position turned from net current liabilities of approximately HK\$9.0 million as at 31 March 2015 to net current assets of approximately HK\$4.2 million as at 31 March 2016. Such improvement was mainly due to the contribution of our profit and total comprehensive income for the year ended 31 March 2016 of approximately HK\$22.4 million resulting in the increase in our trade and other receivables from approximately HK\$29.8 million as at 31 March 2015 to approximately HK\$43.1 million as at 31 March 2016 as well as the improvement in our bank balances and cash to approximately HK\$15.2 million as at 31 March 2016, partially offset by the increase in the amounts due to directors to approximately HK\$30.0 million as at 31 March 2016.

Our net current assets further increased by approximately HK\$19.1 million or 4.6 times from approximately HK\$4.2 million as at 31 March 2016 to approximately HK\$23.3 million as at 31 March 2017. The increase was mainly due to the decrease in bank borrowings of approximately HK\$5.0 million and the increase in trade and other receivables of approximately HK\$13.2 million, partially offset by the increase in amounts due to directors of approximately HK\$3.2 million.

Our net current assets further increased by approximately HK\$1.9 million from approximately HK\$23.3 million as at 31 March 2017 to approximately HK\$25.2 million as at 31 July 2017. The increase was mainly due to the increase in inventories of approximately HK\$1.0 million, increase in trade and other receivables of approximately HK\$2.5 million, decrease in amounts due to directors of approximately HK\$3.3 million and decrease in bank borrowings of approximately HK\$1.1 million, partially offset by the increase in trade and other payables of approximately HK\$2.6 million, increase in taxation payable of approximately HK\$2.0 million and decrease in bank balances and cash of approximately HK\$1.1 million.

As at 30 November 2017, we had net current assets of approximately HK\$34.9 million, representing an increase of approximately 38.5% as compared to approximately HK\$25.2 million as at 31 July 2017. The increase was mainly due to the increase in bank balances and cash of approximately HK\$13.6 million and decrease in amounts due to directors of approximately HK\$2.2 million, partially offset by decrease in trade and other receivables of approximately HK\$3.0 million and decrease in loan to a related company of approximately HK\$1.6 million.

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CAPITAL EXPENDITURES

Our capital expenditure primarily comprised of purchase of property, plant and equipment such as leasehold land and building and diesel tank wagons and vans. The following sets forth our Group's capital expenditure for the periods indicated:

	For the year ended 31 March			For the four months ended	
	2015	2016	2017	31 July	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Leasehold land and building	19,239	—	—	—	—
Leasehold improvements	1,049	—	—	—	—
Furniture, fixtures and equipment	456	211	425	116	17
Motor vehicles	<u>2,152</u>	<u>1,497</u>	<u>681</u>	<u>400</u>	<u>33</u>
	<u>22,896</u>	<u>1,708</u>	<u>1,106</u>	<u>516</u>	<u>50</u>

We anticipate that our future capital expenditures will increase as we plan to develop our new blending site with storage facility as well as the purchase of nine new vehicles. Our projected capital expenditures for our expansion plans for the two years ending 31 March 2019 are expected to approximately nil and HK\$58.8 million respectively. We expect that our planned capital expenditures for the two years ending 31 March 2019 will be primarily used for the acquisition and/or construction of a new site with a GFA of approximately 15,000–25,000 sq.ft. in Hong Kong and the renovation of this new site.

We expect our projected capital expenditures for the aforesaid expansion plan will be funded by the net proceeds from the Share Offer. From 1 April 2017 to the Latest Practicable Date, we did not incur any capital expenditures for the aforementioned expansion plan. See section headed “Business — Strategies” to this prospectus for a detailed description of our expansion plans. We did not have any capital commitment as at 31 July 2017.

Our planned capital expenditures are projections only and are based on our current expectations and assumptions regarding our business, the economy and other future conditions. We may make necessary adjustments depending on the existing market conditions and status of the various expansion plans.

We expect to meet our future capital expenditure requirements primarily through our available bank balance and cash, cash generated from our operations and bank borrowings, as well as net proceeds from the Share Offer.

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COMMITMENTS

Operating lease commitments

During the Track Record Period, our operating lease arrangements represented rentals payable by our Group for car parks, office premises and operation sites. The table below sets forth our commitments for future minimum lease payments under non-cancellable operating leases as of the dates indicated:

	As at 31 March			As at 31 July
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	1,464	687	1,562	1,623
In the second year to fifth year inclusive	<u>610</u>	<u>26</u>	<u>640</u>	<u>214</u>
	<u><u>2,074</u></u>	<u><u>713</u></u>	<u><u>2,202</u></u>	<u><u>1,837</u></u>

The above lease commitment included the lease commitment with related parties and Mr. Hui, of which the operating lease payments represent the rentals payables by our Group for certain of our car parks, office premise and operation sites which fall due as set forth in the table below. Leases are for a term of 2 years and rentals are fixed for an average of 2 years.

	As at 31 March			As at 31 July
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	1,464	610	1,536	1,536
In the second year to fifth year inclusive	<u>610</u>	<u>—</u>	<u>640</u>	<u>128</u>
	<u><u>2,074</u></u>	<u><u>610</u></u>	<u><u>2,176</u></u>	<u><u>1,664</u></u>

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CONTINGENT LIABILITIES

During the Track Record Period, our Group provided corporate guarantees to banks in respect of banking facilities granted to our related companies, whose controlling shareholders are Mr. Hui and/or Ms. Tong. Such guarantees were mainly related to the mortgage loans from the related companies. Such corporate guarantees by our Group have been released in October 2017. The table below sets forth the breakdown of the corporate guarantees as at the periods indicated:

	As at 31 March			As at	As at
	2015	2016	2017	31 July	30 November
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Corporate guarantees given to banks in respect of banking facilities granted to our related companies					
— Evertex Holdings Limited	3,800	3,800	3,800	3,800	—
— Hui's Property & Investment Limited	2,000	—	—	—	—
— Tech Famous International Limited	—	3,680	3,680	—	—
	<u>5,800</u>	<u>7,480</u>	<u>7,480</u>	<u>3,800</u>	<u>—</u>
Utilised amount of banking facilities by the related companies	<u>2,831</u>	<u>5,824</u>	<u>4,792</u>	<u>1,581</u>	<u>—</u>

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In addition, during the Track Record Period, our Group issued letters of guarantees through granted banking facilities to certain suppliers for securing the business relationships with Oil Company X and Oil Company Y. The respective facilities are secured by charges either over leasehold land and building of the Group or certain properties held by related parties, of which Mr. Hui/Ms. Tong are the controlling shareholders. The facilities are also guaranteed either by Mr. Hui and Ms. Tong or related companies, of which Mr. Hui/Ms. Tong are the controlling shareholders. All pledge of properties held by the related parties and guarantees from Mr. Hui, Ms. Tong and related companies will be released and replaced by corporate guarantee to be provided by our Group upon Listing. The table below sets forth the breakdown of the guarantee as at the periods indicated:

	As at 31 March			As at	As at
	2015	2016	2017	31 July	30 November
	HK\$'000	HK\$'000	HK\$'000	2017	2017
				HK\$'000	HK\$'000
					(unaudited)
Corporate guarantees given to banks in respect of banking facilities granted to our suppliers					
— Oil Company Y	6,500	7,700	8,200	8,200	5,000
— Oil Company X	1,300	1,300	1,300	1,300	300
	<u>7,800</u>	<u>9,000</u>	<u>9,500</u>	<u>9,500</u>	<u>5,300</u>

INDEBTEDNESS

We have financed our operations primarily through cash flows from operations and bank borrowings. We obtain bank borrowings primarily for expanding our business and meeting working capital requirements.

The following table sets forth our indebtedness as at the dates indicated:

	As at 31 March			As at	As at
	2015	2016	2017	31 July	30 November
	HK\$'000	HK\$'000	HK\$'000	2017	2017
				HK\$'000	HK\$'000
					(unaudited)
Current liabilities					
Bank borrowings	26,605	25,000	19,971	18,832	17,686
Amounts due to directors	19,237	29,978	33,173	29,903	27,676
Obligations under finance leases	1,112	667	307	312	316
	<u>46,954</u>	<u>55,645</u>	<u>53,451</u>	<u>49,047</u>	<u>45,678</u>
Non-current liabilities					
Obligations under finance leases	996	564	257	143	45
	<u>47,950</u>	<u>56,209</u>	<u>53,708</u>	<u>49,190</u>	<u>45,723</u>

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All amounts due to directors are non-trade related, unguaranteed, unsecured, interest-free and repayable on demand. All the amounts due to directors will be settled upon Listing.

Bank borrowings

As at 31 March 2015, 2016, 2017, 31 July 2017 and 30 November 2017, our bank borrowings represented secured and guaranteed bank loans of approximately HK\$26.6 million, HK\$25.0 million, HK\$20.0 million, HK\$18.8 million and HK\$17.7 million, respectively, which were denominated in Hong Kong dollars. As at 30 November 2017, our Group had unutilised banking facilities of approximately HK\$25.2 million.

All banking facilities granted to our Group contain a clause that gives banks the unconditional rights to call back our bank loans at any time (“repayment on demand clause”). The bank loans containing such clause were classified as current liabilities in our consolidated statements of financial position as at 31 March 2015, 2016 and 2017, 31 July 2017 and 30 November 2017. Our Directors expect that our bank borrowings as of the dates indicated below are to be repaid based on the specific repayment date set out in the loan agreements:

	As at 31 March			As at 31 July	As at 30 November
	2015	2016	2017	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					(unaudited)
The carrying amounts of bank loans that contain a repayment on demand clause (show under current liabilities) but repayable:					
Within one year	3,275	5,030	3,444	3,295	2,966
Within a period of more than one year but not exceeding two years	3,360	3,444	2,635	2,478	2,500
Within a period of more than two years but not exceeding five years	8,597	7,736	7,749	9,308	7,879
Within a period of more than five years	11,373	8,790	6,143	3,751	4,341
	<u>26,605</u>	<u>25,000</u>	<u>19,971</u>	<u>18,832</u>	<u>17,686</u>

The secured and guaranteed bank loans were interest-bearing with a variable interest rate ranging from Hong Kong Prime Rate (“**HK Prime Rate**”) less 0.25% to 2.75% per annum. The effective interest rates of the bank loans as at 31 March 2015, 2016, 2017, 31 July 2017 and 30 November 2017 were 2.1% to 2.7% per annum, 2.2% to 2.7% per annum, 2.1% to 2.7% per annum, 2.1% to 2.7% per annum and 2.4% to 2.5% per annum, respectively.

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Our bank loans as at 31 March 2015, 2016, 2017, 31 July 2017 and 30 November 2017 were secured by charges either over leasehold land and building of the Group or certain properties held by related parties, of which Mr. Hui/Ms. Tong are the controlling shareholders. In addition, these borrowings are also guaranteed either by Mr. Hui and Ms. Tong or related companies, of which Mr. Hui/Ms. Tong are the controlling shareholders. The pledge of properties held by the related companies, the guarantees provided by Mr. Hui, Ms. Tong and the related companies will be released and replaced by corporate guarantee to be provided by our Group upon Listing.

Our Group's banking facilities are subject to the fulfilment of covenants based on the financial information of our Group and certain of our subsidiaries, which are commonly found in lending arrangements with local banks and financial institutions. During the Track Record Period, we complied with all the covenants of our bank loans, did not default in any payment of our bank loans, and did not experience any difficulties in obtaining bank loans. In addition, there were no material covenants which limited our ability to undertake additional debt or equity financing during the Track Record Period.

We generally apply for bank loans on a case-by-case basis, and when approved by the lending banks, we draw down the loans amount that we deemed appropriate and in accordance with the drawdown period specified in the relevant facility letter. Our Directors are of the view that we will unlikely have difficulties in the drawdown of such banking facilities.

Our Directors confirmed that we had not defaulted or delayed in any payment or breached any of the material covenants pertaining to our bank overdrafts or bank borrowings during the Track Record Period and up to the Latest Practicable Date.

Obligations under finance leases

As at 31 March 2015, 2016, 2017, 31 July 2017 and 30 November 2017, 8, 6, 2, 2 and 2 motor vehicles of our Group were pledged under finance lease arrangements. The outstanding principal amount as at 31 March 2015, 2016, 2017, 31 July 2017 and 30 November 2017 was approximately HK\$2.1 million, HK\$1.2 million, HK\$0.6 million, HK\$0.5 million and HK\$0.4 million, respectively. The decrease in our obligation under finance lease was mainly due to our repayment on the capital elements of the finance lease.

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The table below sets out our obligations under finance leases as at the dates indicated:

	Minimum lease payments					Present value of minimum lease payments					
	As at 31 March		As at 31 July		As at November	As at 31 March			As at 31 July		As at November
	2015	2016	2017	2017	2017	2015	2016	2017	2017	2017	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Amounts payable under finance leases:											
Within one year	1,176	703	326	326	325	1,112	667	307	312	316	
In more than one year but not more than two years	654	326	262	145	45	629	307	257	143	45	
In more than two years but not more than five years	382	262	—	—	—	367	257	—	—	—	
	<u>2,212</u>	<u>1,291</u>	<u>588</u>	<u>471</u>	<u>370</u>	<u>2,108</u>	<u>1,231</u>	<u>564</u>	<u>455</u>	<u>361</u>	
Less: future finance charges	<u>(104)</u>	<u>(60)</u>	<u>(24)</u>	<u>(16)</u>	<u>(9)</u>						
Present value of lease obligations	<u>2,108</u>	<u>1,231</u>	<u>564</u>	<u>455</u>	<u>361</u>						
Less: Amount due to settlement within twelve months (shown under current liabilities)						<u>(1,112)</u>	<u>(667)</u>	<u>(307)</u>	<u>(312)</u>	<u>(316)</u>	
Amount due for settlement after twelve months						<u>996</u>	<u>564</u>	<u>257</u>	<u>143</u>	<u>45</u>	

Our obligations under finance leases were denominated in Hong Kong Dollars and the lease terms are ranging from 3 to 5 years. The interest rate underlying all obligations under finance leases are fixed at respective contract dates ranging from 1.80% to 3.68% per annum during the Track Record Period. Our obligations under finance leases were unguaranteed and secured by the title to the underlying assets as the rights to the leased assets would be reverted to the lessors in the event of default of repayment by our Group.

Save as disclosed in the paragraphs headed “Indebtedness” and “Contingent liabilities” in this section, as of 30 November 2017, apart from intra-group liabilities and normal trade bills, the Group did not have any other outstanding mortgages or charges, borrowings or indebtedness including bank overdrafts, loans or debentures, loan capital, debt securities or other similar indebtedness, finance leases or hire purchase commitments, debt securities authorised or otherwise created but unissued, liabilities under acceptances or acceptance credits or any guarantees outstanding or other material contingent liabilities.

DISCLOSURE ABOUT MARKET RISKS

Our Group’s major financial instruments include trade and other receivables, amount due from ultimate holding company, loan to a related company, time deposits, bank balances and cash, trade and other payables, amounts due to directors and bank borrowings. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The management of our Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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For further details, please refer to note 34b set out in the Accountants' Report in Appendix I to this prospectus.

SENSITIVITY ANALYSIS

Gross profit

For each of the three years ended 31 March 2017 and four months ended 31 July 2017, our gross profit amounted to approximately HK\$25.5 million, HK\$41.9 million, HK\$41.4 million and HK\$16.4 million respectively. Fluctuation in the gross profit could affect our operating profits. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our gross profit on profit for the year/period, assuming all other factors affecting our profit margin unchanged. Fluctuations are assumed to be 10%, 40% and 60% during each of the three years ended 31 March 2017 and the four months ended 31 July 2017, which correspond to the range of historical fluctuations of our gross profit during each of the three years ended 31 March 2017 and the four months ended 31 July 2017.

	For the year ended 31 March						For the four months ended 31 July	
	2015		2016		2017		2017	
	Change in gross profit HK\$'000	Change in net profit %	Change in gross profit HK\$'000	Change in net profit %	Change in gross profit HK\$'000	Change in net profit %	Change in gross profit HK\$'000	Change in net profit %
60%	15,279	158.6%	25,128	112.4%	24,810	118.0%	9,852	793.9%
40%	10,186	105.7%	16,752	74.9%	16,540	78.7%	6,568	529.3%
10%	2,547	26.4%	4,188	18.7%	4,135	19.7%	1,642	132.3%
0	—	0.0%	—	0.0%	—	0.0%	—	0.0%
-10%	(2,547)	-26.4%	(4,188)	-18.7%	(4,135)	-19.7%	(1,642)	-132.3%
-40%	(10,186)	-105.7%	(16,752)	-74.9%	(16,540)	-78.7%	(6,568)	-529.3%
-60%	(15,279)	-158.6%	(25,128)	-112.4%	(24,810)	-118.0%	(9,852)	-793.9%

Diesel price

A sensitivity analysis on fluctuations in our selling price of diesel during the Track Record Period is set forth below, which illustrates the hypothetical effects on our net profit with 5%, 10% and 15% increase or decrease in the price of diesel.

	Changes in our net profit for change in the price of diesel		
	+/-5% HK\$'000	+/-10% HK\$'000	+/-15% HK\$'000
Year ended 31 March 2015	40,744	81,489	122,233
Year ended 31 March 2016	32,638	65,275	97,913
Year ended 31 March 2017	29,914	59,828	89,742
Four months ended 31 July 2017	9,703	19,406	29,110

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Based on the following, our Directors are of the view that, while the above sensitivity analysis illustrates the impact of hypothetical fluctuations in diesel price on the Group's net profit for the respective year during the Track Record Period, assuming all other factors affecting our profit remain unchanged, it is unlikely that our Group's net profit will be dramatically affected by the fluctuation of the diesel price, whether downward or upward:

- (1) as concurred by Frost & Sullivan, (a) the diesel price offered by oil companies to major distributors (who directly source diesel from oil companies, like our Group); and (b) the diesel price offered by major distributors (like our Group) to downstream distributors and other customers are broadly in line with the same trend of movement correlating to the Brent spot crude price.
- (2) our Group has no commitment to purchase minimum amount of diesel from any of our suppliers. As set out in the sub-sections headed "Business — Business model — Distribution of diesel" and "Business — Sales and marketing — Pricing policy" in this prospectus, we normally place back-to-back order for diesel to our suppliers when receiving orders from our customers, and we adopt the approach of cost-plus with mark-up margin in determining our pricing policy for the sales of diesel. As such, it is unlikely for us to enter into loss-making transactions in the purchase and sale of diesel.

MAJOR FINANCIAL RATIOS

	For the year ended 31 March			For the four months ended 31 July	
	2015	2016	2017	2016 (unaudited)	2017
Profitability ratios					
Gross profit margin ⁽¹⁾	2.8%	5.7%	6.2%	7.0%	7.5%
Net profit margin ⁽²⁾	1.1%	3.1%	3.1%	4.1%	0.6%
Return on equity ⁽³⁾	56.3%	76.4%	46.4%	22.9%	2.7%
Return on total assets ⁽⁴⁾	13.7%	24.6%	20.3%	9.0%	1.2%
	As at 31 March			As of 31 July	
	2015	2016	2017	2016	2017
	<i>times</i>	<i>times</i>	<i>times</i>	<i>times</i>	<i>times</i>
	(unaudited)				
Liquidity ratios					
Current ratio ⁽⁵⁾	0.8	1.1	1.4	1.3	1.4
Quick ratio ⁽⁶⁾	0.7	1.0	1.3	1.2	1.3
Capital adequacy ratios					
Interest coverage ⁽⁷⁾	15.9	37.2	44.6	49.4	20.5
Gearing ratio ⁽⁸⁾	1.7	0.9	0.5	0.6	0.4

Notes:

1. The calculation of gross profit margin is based on gross profit divided by revenue and multiplied by 100%.

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2. The calculation of net profit margin is based on profit for the year/(period) divided by revenue and multiplied by 100%.
3. The calculation of return on equity is based on profit for the year/(period) divided by total equity and multiplied by 100%.
4. The calculation of return on total assets is based on profit for the year/(period) divided by total assets and multiplied by 100%.
5. The calculation of current ratio is based on current assets divided by current liabilities.
6. The calculation of quick ratio is based on current assets less inventories and divided by current liabilities.
7. The calculation of interest coverage is based on profit before finance cost and tax divided by finance costs for the period.
8. The calculation of gearing ratio is based on the interest-bearing liabilities divided by total equity.

Gross profit margin and net profit margin

Please refer to the section headed “Financial Information — Period to Period Comparison of Results of Operations” in this prospectus for a discussion of the factors affecting our gross profit margin and net profit margin during the Track Record Period.

Return on equity

Our return on equity increased from approximately 56.3% for the year ended 31 March 2015 to approximately 76.4% for the year ended 31 March 2016, which was primarily due to the increase in net profit for the year by approximately 132.0% which overwhelmed the increase in dividend distribution for the year by 6.5%.

Our return on equity decreased from approximately 76.4% for the year ended 31 March 2016 to approximately 46.4% for the year ended 31 March 2017, which was primarily due to the decrease in net profit for the year by 5.9% and the decrease in dividend distribution for the year by 51.0% compared with the prior year.

Our return on equity decreased from approximately 22.9% for the four months ended 31 July 2016 to approximately 2.7% for four months ended 31 July 2017, which was primarily due to the decrease in our net profit for the period by 85.7% which was mainly attributable to the one off listing expense of approximately HK\$8.7 million for the four months ended 31 July 2017.

Return on total assets

Our return on total assets increased from approximately 13.7% for the year ended 31 March 2015 to approximately 24.6% for the year ended 31 March 2016 primarily due to the increase in our net profit by approximately 132.0% while our total assets increased by approximately 29.4% as a result of the increase in our bank balances and cash, as well as the increase in trade and other receivables.

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Our return on total assets decreased from approximately 24.6% for the year ended 31 March 2016 to approximately 20.3% for the year ended 31 March 2017. The decrease was mainly due to the decrease in our net profit by approximately 5.9% while our total assets increased by approximately 13.9% as a result of the increase in trade and other receivables.

Our return on total assets decreased from approximately 9.0% for the four months ended 31 July 2016 to approximately 1.2% for the four months ended 31 July 2017. The decrease was mainly due to the decrease in our net profit for the period by 85.7% which was mainly attributable to the one off listing expense of approximately HK\$8.7 million for the four months ended 31 July 2017.

Current ratio

Our current ratio increased from approximately 0.8 times as at 31 March 2015 to approximately 1.1 times as at 31 March 2016. Such increase was primarily due to (i) the increase in our trade and other receivables of approximately HK\$13.3 million; and (ii) the increase in our bank balance and cash of approximately HK\$8.5 million.

Our current ratio further increased from approximately 1.1 times as at 31 March 2016 to approximately 1.4 times as at 31 March 2017 and 31 July 2017 primarily due to (i) the repayment of bank borrowings which lowered our bank borrowing balance by approximately HK\$5.0 million; and (ii) the increase in trade and other receivables by approximately HK\$13.2 million.

Quick ratio

Our quick ratio increased from approximately 0.7 times as at 31 March 2015 to approximately 1.0 times as at 31 March 2016. Such increase was primarily due to (i) the increase in our trade and other receivables of approximately HK\$13.3 million; and (ii) the increase in our bank balance and cash of approximately HK\$8.5 million.

Our quick ratio further increased from approximately 1.0 times as at 31 March 2016 to approximately 1.3 times as at 31 March 2017 and 31 July 2017 primarily due to (i) the repayment of bank borrowings which lowered our bank borrowing balance by approximately HK\$5.0 million; and (ii) the increase in our trade and other receivables of approximately HK\$13.2 million.

Interest coverage

Our interest coverage increased from approximately 15.9 times for the year ended 31 March 2015 to 37.2 times for the year ended 31 March 2016, and from approximately 37.2 times for the year ended 31 March 2016 to approximately 44.6 times for the year ended 31 March 2017. The increase was primarily due to the decrease in our finance costs.

Our interest coverage decreased from approximately 49.4 times for the four months ended 31 July 2016 to 20.5 times for the four months ended 31 July 2017. The decrease was primarily due to the decrease in profit before finance cost and taxes our net profit for the period by 67.3%, which was mainly attributable to the one off listing expense of approximately HK\$8.7 million for the four months ended 31 July 2017.

FINANCIAL INFORMATION

Gearing ratio

Our gearing ratio decreased from approximately 1.7 times as at 31 March 2015 to approximately 0.9 time as at 31 March 2016 and further decreased to 0.5 times at 31 March 2017 and 0.4 times at 31 July 2017, primarily due to the decrease in our bank borrowings and obligations under finance lease, as well as the increase in our total equity.

RELATED PARTY TRANSACTIONS

Our Directors confirm that all transactions with related parties set out in note 31 of the Accountants' Report in Appendix I to this prospectus were conducted on normal commercial terms and such terms were no less favorable to our Group than terms available to independent third parties and were fair, reasonable and in the interest of our Shareholders as a whole.

Please refer to the section headed "Connected Transactions" and note 31 of the Accountants' Report in Appendix I to this prospectus for further details.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, we had not entered into any material off-balance sheet commitments and arrangements.

FINANCIAL INSTRUMENTS

As at the Latest Practicable Date, we had not entered into any financial instruments for hedging purpose.

PROPERTY INTEREST AND VALUATION OF PROPERTIES

Our Property Valuer, Greater China Appraisal Limited, has valued our Group's property interest as at 30 November 2017 at approximately HK\$23.2 million. Details of the valuation are summarized in Appendix III to this prospectus.

The following table sets out a reconciliation of the fair value of our Group's property interest as at 30 November 2017 to their net book value as at 31 July 2017, details of which is set out I note 16 of the Accountants' Report in Appendix I to this prospectus for further details:

	<i>HK\$'000</i>
Valuation as at 30 November 2017 as set out in the Property Valuation in Appendix III	23,200
Less: net book value of our Group's property interest as at 31 July 2017	(17,277)
Add: depreciation for the period from 1 August 2017 to 30 November 2017 (unaudited)	<u>195</u>
Valuation surplus	<u><u>6,118</u></u>

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Please refer to the section headed "Appendix II — Unaudited Pro Forma Financial Information" in this prospectus for further details.

FINANCIAL INFORMATION

DISTRIBUTABLE RESERVES

Our Company was incorporated in Cayman Islands and is an investment holding company. As at 31 March 2017, there were no distributable reserves of our Company available for distribution to our Shareholders.

DIVIDEND

For each of the years ended 31 March 2015, 2016, 2017 and four months ended 31 July 2017, we declared and distributed dividends of HK\$9.6 million, HK\$10.2 million, HK\$5.0 million and HK\$nil respectively to our then shareholders.

Our Company currently does not have a fixed dividend policy. The declaration of dividends is subject to our constitutional documents and the Companies Law, including the approval of our Shareholders. Subject to the Companies Law and the Articles of Association, our Directors may under certain circumstances, recommend at its own discretion a payment of dividends in the future after taking into account, including but not limited to our operations and financial performance, capital requirements, general economic condition, contractual restrictions and other factors that the Board may deem relevant. Any dividends declared will be in Hong Kong dollars with respect to our Shares on a per share basis, and our Company will pay such dividends in Hong Kong dollars. Any future declarations and payments of dividends may or may not reflect the historical declarations. We do not have any predetermined dividend payout ratio.

LISTING EXPENSES

Assuming the Offer Price of HK\$0.4 per Offer Share, being the mid-point of the indicative Offer Price, the total expenses in relation to the Listing are estimated to be approximately HK\$32.5 million, of which approximately nil, nil, HK\$2.4 million and HK\$8.7 million was recognised in our consolidated statements of profit or loss during the years ended 31 March 2015, 2016 and 2017 and four months ended 31 July 2017 respectively. We expect to incur additional listing expenses of approximately HK\$7.3 million which is expected to be recognised in profit or loss for the year ending 31 March 2018. The balance of approximately HK\$14.1 million is expected to be recognized as a deduction in equity upon Listing.

In view of the above, our Directors are of the view that the one-off listing expenses will have a material adverse impact on the financial results of our Group for the year ending 31 March 2018. We wish to emphasize that the aforesaid amount of listing expenses is a current estimate for reference only and the final amount to be recognized in our consolidated statement of profit and loss for the year ending 31 March 2018 will be subject to adjustments based on audit and changes in variables and assumptions.

RECENT DEVELOPMENT

Our fleet card accounts have increased from 31,410 as at 31 July 2017 to 40,988 as at the Latest Practicable Date.

As at the date of this prospectus, we have renewed our diesel supply agreement with Oil Company X for an extended term from 1 July 2017 to 30 June 2019.

FINANCIAL INFORMATION

MATERIAL ADVERSE CHANGE SUBSEQUENT TO 31 MARCH 2017

Our Directors confirm that, up to the date of this prospectus and save for the one-off listing expenses which will have a material adverse impact on the financial results of our Group for the year ending 31 March 2018, there has been no material adverse change in our financial, operational or trading position since 31 July 2017, being the end of the period reported on in the Accountants' Report in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules.

UNDERWRITING

UNDERWRITERS

Public Offer Underwriters

Kingsway Financial Services Group Limited

Head & Shoulders Securities Limited

Placing Underwriters

Kingsway Financial Services Group Limited

Head & Shoulders Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, the Company is offering 25,000,000 Shares for subscription by the public in Hong Kong subject to the terms and conditions of this prospectus and the Application Forms at the Offer Price. Subject to, among other conditions, (i) the granting of the listing of and permission to deal the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee; and (ii) certain other conditions set out in the Public Offer Underwriting Agreement (including the Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) agreeing on the Offer Price and the execution and delivery of the Placing Underwriting Agreement and becoming unconditional), the Public Offer Underwriters have severally agreed to procure applications for their respective applicable proportions of the Public Offer Shares being offered or, failing which, to apply for such Public Offer Shares themselves on the terms and conditions as set out in the Public Offer Underwriting Agreement.

Grounds for termination

The Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) may in its absolute discretion terminate the Public Offer Underwriting Agreement with immediate effect by written notice to the Company at any time at or before 8:00 a.m. on the Listing Date (“**Termination Time**”) if:

- (A) there comes to the notice of the Joint Bookrunners that:
 - (i) any statement, estimate, forecast or expression of opinion, intention or expectation contained in this prospectus or any other documents issued or used by or on behalf of the Company in connection with the Public Offer and the Placing (including any supplement or amendment thereto) (the “**Offer Documents**”) considered by the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) in its sole and absolute opinion to be material, were, when they were issued, or have become, untrue, incorrect or misleading in any respect or that any forecast, expression of opinion, intention or expectation expressed in any Offer Documents

UNDERWRITING

are not, in the sole and absolute opinion of the Joint Bookrunners, in all material respects, fair and honest and based on reasonable assumptions, when taken as a whole; or

- (ii) any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission therefrom considered by the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) in its sole and absolute opinion to be material in the context of the Share Offer; or
- (iii) any of the representations and warranties given by the Company or the Controlling Shareholders or the executive Directors in the Public Offer Underwriting Agreement or the Placing Underwriting Agreement is (or would when repeated be) untrue, inaccurate or misleading or having been breached and considered by the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) in its sole and absolute opinion to be material in the context of the Share Offer; or
- (iv) any breach of any of the obligations or undertakings imposed upon any party (other than the Joint Bookrunners or the Underwriters) to any of the Underwriting Agreements; or
- (v) any material adverse change or prospective material adverse change in the conditions, business, prospects, assets and liabilities, in the financial or trading position or results of operations of any member of the Group which is considered by the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) in its sole and absolute opinion to be material in the context of the Share Offer; or
- (vi) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares is refused or not granted, other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (vii) the Company withdraws any of the Offer Documents (and any other documents used in connection with the contemplated subscription of the Offer Shares) or the Share Offer; or
- (viii) any matter, event, act or omission which gives or is likely to give rise to any material liability of the Company or the Controlling Shareholders or the executive Directors pursuant to the indemnities contained in the Public Offer Underwriting Agreement; or
- (ix) any expert (other than the Joint Bookrunners and the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to being named in the prospectus or to the issue of the prospectus; or

UNDERWRITING

- (B) there shall develop, occur, exist or come into effect:
- (i) any change or development involving a prospective change in, or any event or series of events resulting or likely to result in or representing any change or development in local, national, regional or international financial, political, military, industrial, legal, economic, currency market, fiscal or regulatory or market matters or conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States) in or affecting Hong Kong, the PRC, the Cayman Islands, the BVI, the U.S., the United Kingdom, the European Union (or any member thereof), Japan, or any other jurisdiction relevant to the Group (each a “**Relevant Jurisdiction**”); or
 - (ii) any new laws or regulation or change or development involving a prospective change in any existing laws or regulation, or any change or development in the interpretation or application thereof by any court or other competent authority in or affecting any Relevant Jurisdiction; or
 - (iii) any event or series of events beyond the reasonable control of the Public Offer Underwriters (including, without limitation, acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency, riot, public disorder, economic sanctions, outbreak of disease or epidemics (including without limitation Severe Acute Respiratory Syndrome, avian influenza A (H5N1) and swine influenza (H1N1) and such related or mutated forms or interruption or delay in transportation)), in or affecting any of the Relevant Jurisdictions; or
 - (iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions; or
 - (v) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for the United States or by the European Union (or any member thereof) on any of the Relevant Jurisdictions; or
 - (vi) (a) any suspension or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the Nasdaq National Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Tokyo Stock Exchange, or (b) a general moratorium on commercial banking activities in any of the Relevant Jurisdictions declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or
 - (vii) any material adverse change or development or event involving a prospective material adverse change in the Group’s assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position or prospects; or

UNDERWRITING

- (viii) any material adverse change or development or event involving a prospective material adverse change in taxation or exchange controls (or the implementation of any exchange control), currency exchange rates or foreign investment laws and regulations in any of the Relevant Jurisdictions or affecting an investment in the Shares; or
- (ix) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus that will likely result in a material adverse change to the operations of the Group; or
- (x) any material litigation or claim being threatened or instigated against the Company or any member of the Group or the Controlling Shareholders; or
- (xi) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (xii) the chairman or chief executive officer of the Company vacating his office in circumstances where the operations of the Group will be materially and adversely affected; or
- (xiii) the commencement by any judicial or regulatory body or organisation of any public action against a Director or an announcement by any judicial or regulatory body or organisation that it intends to take any such action; or
- (xiv) a material contravention by any member of the Group of the Companies Ordinance, the Companies (WUMP) Ordinance or any of the Listing Rules; or
- (xv) a prohibition on the Company for whatever reason from allotting or selling the Offer Shares pursuant to the terms of the Share Offer; or
- (xvi) non-compliance of this prospectus or any other documents used in connection with the subscription of the Offer Shares or any aspect of the Share Offer with the Listing Rules or any other applicable law or regulation; or
- (xvii) other than with the approval of the Joint Bookrunners, the issue or requirement to issue by the Company of a supplementary prospectus (or any other documents used in connection with the subscription of the Offer Shares) pursuant to the Companies (WUMP) Ordinance or the Listing Rules in circumstances where the matter to be disclosed is, in the opinion of the Joint Bookrunners, materially adverse to the marketing for or implementation of the Share Offer; or
- (xviii) a valid demand by any creditor for repayment or payment of any indebtedness of the Company or any member of the Group or in respect of which the Company or any member of the Group are liable prior to its stated maturity, or any loss or damage sustained by the Company or any of its subsidiaries (howsoever caused and whether or not the subject of any insurance or claim against any person) which will have a material adverse effect to the financial position of the Group; or
- (xix) a petition is presented for the winding up or liquidation of the Company or any of its subsidiaries, or the Company or any member of the Group or the Company or any member of the Group makes any compromise or arrangement with its creditors or

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enters into a scheme of arrangement or any resolution is passed for the winding-up of the Company or any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of the Company or any member of the Group or anything analogous thereto occurs in respect of the Company or any of member of the Group;

and which, in any of the above cases and in the sole and absolute opinion of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters):

- (1) is or will be or is likely to be materially adverse to, or materially and prejudicially affect, the general affairs, management, business, financial, trading or other condition or prospects of the Company or the Group or any member of the Group or on any present or prospective shareholder in his, her or its capacity as such; or
- (2) has or will have or is likely to have a material adverse effect on the success, marketability or pricing of the Share Offer or the level of applications under the Public Offer or the level of interest under the Placing and/or make it impracticable or inadvisable for any part of the Public Offer Underwriting Agreement (including underwriting), the Public Offer or the Share Offer to be performed or implemented as envisaged; or
- (3) makes or will or is likely to make it inadvisable, inexpedient or impracticable to proceed with the Public Offer and/or the Share Offer or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus, or to market the Share Offer; or
- (4) would have the effect of preventing the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company will not, any time within six months from the Listing Date, issue any Shares or other securities convertible into equity securities (whether or not of a class already listed) of our Company or enter into any agreement or arrangement to issue such shares or securities (whether or not such issue of shares or securities will be completed within six months from the Listing Date), except pursuant to the Global Offering or for the circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertaking by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders, has undertaken to the Stock Exchange, the Joint Bookrunners, the Joint Lead Managers and us that he/she/it will not, save as permitted under the Listing Rules:

- (a) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares or securities directly or indirectly beneficially owned by it; and

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- (b) during the period of six months commencing on the date on which the First Six-month Period expires (the “**Second Six-month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares or securities or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling shareholder of our Company.

In addition, in accordance to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to the Stock Exchange, the Joint Bookrunners, the Joint Lead Managers and us that, within the First Six-month Period and the Second Six-month Period, it will:

- (a) when it pledges or charges any Shares or other securities of our Company in respect of which it is the beneficial owner in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform our Company of any such pledge or charge and the number of Shares or other securities of our Company so pledged or charged; and
- (b) when it receives any indication, either verbal or written, from any such pledgee or chargee of Shares or other securities of our Company that such Shares or other securities of our Company will be disposed of, immediately inform us of any such indication.

We will also, as soon as we have been informed of the above matters (if any) by the Controlling Shareholders, inform the Stock Exchange and disclose such matters as soon as possible by way of an announcement to be published as required under the Listing Rules.

Undertakings pursuant to the Public Offer Underwriting Agreement

Undertakings by our Company

Pursuant to the Public Offer Underwriting Agreement, we have undertaken with each of the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor and the Public Offer Underwriters that, we will not, without the prior written consent of the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) and unless in compliance with the Listing Rules, at any time during the First Six-month Period:

- (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable or any interest in any of the foregoing), or deposit any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, with a depositary in connection with the issue of depositary receipts; or

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- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities of our Company or interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive or any warrants or other rights to purchase, any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable or any interest in any of the foregoing); or
- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
- (iv) offer to or agree to or announce any intention to effect any transaction specified in (i) to (iii) above,

in each case, whether any of the foregoing transactions described in sub-paragraphs (i) to (iii) above is to be settled by delivery of our Shares or such other securities, or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-month Period) provided that the foregoing restrictions shall not apply to the issue of Shares by our Company pursuant to the Share Offer or grant of options or issuance of Shares upon exercise of such options pursuant to the Share Option Scheme or any issue of debt securities by our Company or any other member of our Group or any encumbrance created over the shares or other securities of any member of our Group as security for such debt securities, provided that such debt securities are not convertible into equity securities of our Company or any member of our Group.

During the Second Six-Month Period, we shall not enter into any of the transactions specified in sub-paragraphs (i) to (iii) above or offer to or agree to or announce any intention to effect any such transaction such that any Controlling Shareholder, directly or indirectly, would cease to be our Controlling Shareholder.

In the event that, during the Second Six-month Period, we enter into any of the transactions specified in sub-paragraphs (i), (ii) or (iii) above or offer to or agree to or announce any intention to effect such transaction, we will take all reasonable steps to ensure that we will not create a disorderly or false market in the securities of our Company.

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has undertaken to us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that, except pursuant to the Share Offer or the Offer Size Adjustment Option, none of our Controlling Shareholders will, without the prior written consent of the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) and unless in compliance with the Listing Rules, at any time during the First Six-month Period:

- (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to

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receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable or any interest in any of the foregoing), or deposit any Shares or other securities of our Company with a depository in connection with the issue of depository receipts; or

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable or any interest in any of the foregoing); or
- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
- (iv) offer to or agree or announce any intention to effect any transaction described in (i) to (iii) above,

whether any such transaction described in (i), (ii) or (iii) above is to be settled by delivery of our Shares or other securities of our Company, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period).

During the Second Six-month Period, each of our Controlling Shareholders will not enter into any of the transactions in sub-paragraphs (i), (ii) or (iii) above or offer to or agree or announce any intention to enter into any such transactions if, immediately following such sale, transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholder will collectively cease to be a “controlling shareholder” (as the term is defined in the Listing Rules) of our Company.

Until the expiry of the Second Six-month Period, in the event that each of our Controlling Shareholders enters into any such transactions or offers to or agrees or announces any intention to enter into any such transactions, he or it will take all reasonable steps to ensure that he or it will not create a disorderly or false market in the securities of our Company.

At any time during the First Six-month Period and Second Six-month Period: (i) our Controlling Shareholders will, if they pledge or charge or intends to pledge or charge any Shares or other securities of our Company in respect of which they are the beneficial owner, immediately inform our Company, the Sole Sponsor, the Joint Bookrunner and the Stock Exchange of any such pledges or charges and the number of Shares or other securities of our Company so pledged or charged; and (ii) our Controlling Shareholders will, if they receive any indication, either verbal or written, from any such pledgee or chargee of Shares or other securities of our Company that such Shares or other securities of our Company will be disposed of, immediately inform our Company, the Sole Sponsor, the Joint Bookrunner and the Stock Exchange of any such indication.

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Placing

In connection with the Placing, it is expected that the Company, the executive Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Placing Underwriters and the Controlling Shareholders will enter into the Placing Underwriting Agreement with the Placing Underwriters, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below. Under the Placing Underwriting Agreement, the Placing Underwriters will severally agree to subscribe or purchase or procure subscribers or purchasers for the Placing Shares offered pursuant to the Placing.

Total commission, fee and expenses

In connection with the Share Offer, the Underwriters will receive an underwriting commission of 8.5% of the Offer Price from our Company in respect of all the Offer Shares, out of which they will pay any sub-underwriting commissions and selling concessions. For unsubscribed Public Offer Shares reallocated to the Placing, the Company will pay to the Placing Underwriters an underwriting commission in proportion to the number of Offer Shares issued or sold by each of them under the Share Offer at the rate applicable to the Placing Shares.

In connection with the Share Offer, the Sole Sponsor will receive a financial advisory (sponsorship) and documentation fee. Assuming the Offer Size Adjustment Option is not exercised at all and based on an Offer Price of HK\$0.40 being the mid-point of the Offer Price range of HK\$0.30 to HK\$0.50, the underwriting commission, financial advisory and documentation fees, listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and professional fees together with printing and advertising costs, and other expenses relating to the Share Offer are estimated to amount to about HK\$32.5 million in total.

The Company, the Controlling Shareholders and the executive Directors jointly and severally have agreed fully to indemnify the Public Offer Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Public Offer Underwriting Agreement, and any breach by the Company of the Public Offer Underwriting Agreement. Similar indemnities are expected to be given by the Company to the Placing Underwriters under the Placing Underwriting Agreement.

Underwriters' interests in the Company

Save for the obligations and the interests under the Underwriting Agreements as disclosed above, none of the Underwriters is interested legally or beneficially in any shares in any member of the Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of the Group.

Sole Sponsor's independence

The Sole Sponsor satisfies the independence criteria applicable to sponsor as regulated under Rule 3A.07 of the Listing Rules.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

The Share Offer comprises the Placing and the Public Offer and the total number of Offer Shares under the Placing and the Public Offer is 250,000,000 Shares. 225,000,000 Shares, representing approximately 90.0% of the total number of Shares initially available under the Share Offer, will initially be offered for subscription under the Placing; and 25,000,000 Shares, representing approximately 10.0% of the total number of Shares initially available under the Share Offer, will be offered under the Public Offer.

Investors may apply for Shares under the Public Offer or indicate an interest for Shares under the Placing, but may not do both. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. The Placing will involve selective marketing of the Placing Shares to professional and institutional investors and other private investors which generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

The Public Offer is fully underwritten by the Public Offer Underwriters and the Placing is fully underwritten by the Placing Underwriters, in each case, on a several basis, and each being subject to the conditions set out in the section headed “Underwriting” in this prospectus.

In particular, the Joint Bookrunners (for themselves and on behalf of the Underwriters) and the Company must agree on the Offer Price.

PRICE PAYABLE ON APPLICATION

Applicants shall have to pay on application the maximum Offer Price of HK\$0.50 per Offer Share plus 1% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee. This means that for every board lot of 8,000 Offer Shares, the amount payable by the subscriber is HK\$4,040.31. Each Application Form includes a table showing the exact amount payable for certain numbers of Offer Shares.

CONDITIONS OF THE SHARE OFFER

Acceptance of all application for the Offer Shares under the Share Offer is conditional upon the fulfilment of the following conditions:

- (a) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including any Shares which may fall to be issued upon the exercise of the Offer Size Adjustment Option, and such listing and permission not subsequently being revoked prior to the Listing;
- (b) the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date;
- (c) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional, including, if relevant, as a result of the waiver of any conditions by the Joint Bookrunners (for themselves and on behalf of the Underwriters), and not being terminated in accordance with its terms or otherwise; and

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- (d) the Offer Price having been duly determined between us and the Joint Bookrunners (for themselves and on behalf of the Underwriters),

unless and to the extent such conditions are validly waived on or before such times and dates specified in the Underwriting Agreements, and in any event not later than the date which is 30 days after the date of this prospectus.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in a accordance with their respective terms.

In the event that the Share Offer does not become unconditional, the Share Offer will lapse and a press announcement will be made by the Company as soon as possible. In that event, your application money will be returned to you as soon as possible without interest. The terms for refund of money are set out under the paragraph headed “Refund of application money” on the Application Forms. In the meantime, such application money will be held in one or more separate bank account(s) with the receiving bankers or any other licensed bank or banks in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

PRICING

The Offer Price is expected to be fixed by agreement between the Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Monday, 5 February, 2018 and, in any event, prior to Wednesday, 7 February 2018 (Hong Kong time).

The Offer Price will be not more than HK\$0.50 per Offer Share and is expected to be not less than HK\$0.30 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer. Upon the issuance of such notice, the revised number of Offer Shares and/or the revised Offer Price range will be final and conclusive. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range.

In the absence of any notice published in relation to the reduction in the Offer Price, the Offer Price, if agreed upon with the Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this prospectus and the number of Offer Shares will under no circumstances be fewer than the number as stated in this prospectus.

If, for any reason, the Offer Price is not agreed between the Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on or before Wednesday, 7 February 2018 (Hong Kong time), the Share Offer (including the Public Offer) will not proceed subject to the Underwriting Agreements.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

OFFER MECHANISM — BASIS OF ALLOCATION OF THE OFFER SHARES

The Share Offer

The Share Offer consists of the Placing and the Public Offer. The 250,000,000 Shares initially offered will comprise 225,000,000 Shares being offered under the Placing and 25,000,000 Shares being offered under the Public Offer. The 250,000,000 Shares being offered under the Share Offer will represent approximately 25% of the Company's enlarged share capital immediately after completion of the Share Offer.

Subject to possible reallocation on the basis set forth below, 25,000,000 Shares, representing approximately 10.0% of the total number of Shares initially being offered under the Share Offer, will be offered to the public in Hong Kong under the Public Offer. The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors.

Out of the total 250,000,000 Shares offered pursuant to the Share Offer, 225,000,000 Shares, representing approximately 90.0% of the total number of Shares initially being offered under the Share Offer, will be placed with professional and institutional investors in Hong Kong and elsewhere under the Placing. The Placing Shares will be offered in Hong Kong, and other jurisdictions outside the United States.

The levels of indication of interest in the Placing and the basis of allotment and the results of application under the Public Offer are expected to be available through a variety of channels, including the websites of the Stock Exchange (www.hkexnews.hk) and the Company's website at www.vicointernational.hk, as described under the paragraph headed "Publication of results" in the section headed "How to apply for Public Offer Shares" in this prospectus on Friday, 9 February, 2018.

The net proceeds of the Share Offer to be received by the Company, after deducting commissions and expenses and assuming an Offer Price of HK\$0.40 per Offer Share (being the mid-point of the stated range of the Offer Price between HK\$0.30 to HK\$0.50 per Offer Share) are estimated to be about HK\$67.5 million.

The Placing

The Placing initially comprises 225,000,000 Shares, representing in aggregate approximately 90.0% of the total number of Offer Shares initially available under the Share Offer, subject to the clawback arrangement, reallocation and the exercise of the Offer Size Adjustment Option as mentioned in the paragraph headed "Offer Size Adjustment Option" below. Investors subscribing for or purchasing the Placing Shares are also required to pay 1% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee. Kingsway Financial and Head & Shoulders are the Joint Bookrunners and the Joint Lead Managers of the Placing and the Placing is fully underwritten by the Placing Underwriters, subject to the terms and conditions of the Placing Underwriting Agreement, including the Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) agreeing on the Offer Price.

It is expected that the Placing Underwriters or selling agents nominated by them on behalf of the Company will conditionally place the Placing Shares at the Offer Price with selected professional and institutional investors in Hong Kong and certain other jurisdictions outside the U.S. The Placing Shares may also be allocated to individual investors in Hong Kong and certain other jurisdictions outside the U.S. to the extent that the relevant securities laws and requirements are

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

complied with. Allocation of the Placing Shares pursuant to the Placing is based on a number of factors, including the level of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to acquire further Shares, and/or hold or sell its Shares after the commencement of dealings in the Shares on the Main Board of the Stock Exchange. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid institutional and professional shareholders base to the benefit of the Company and its shareholders as a whole. Investors who have been allocated any Placing Shares will not be allocated any Public Offer Shares. Similarly, investors who are allocated any Public Offer Shares will not be allocated Placing Shares under the Placing.

The total number of Placing Shares may change as a result of the clawback arrangement referred to under "Offer Size Adjustment Option" below, reallocation of unsubscribed Public Offer Shares originally included in the Public Offer to the Placing as mentioned under "The Public Offer" below, and reallocation of untaken Placing Shares to the Public Offer.

The Public Offer

The Company is initially offering 25,000,000 Public Offer Shares under the Public Offer, at the Offer Price, representing approximately 10% of the total number of the Offer Shares initially available under the Share Offer, for subscription by way of a public offer in Hong Kong, subject to the clawback arrangement as mentioned under "Offer Size Adjustment Option" below. The Public Offer is lead-managed by the Joint Bookrunners and is fully underwritten by the Public Offer Underwriters subject to the terms and conditions of the Public Offer Underwriting Agreement, including the Company and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) agreeing on the Offer Price. Applicants for the Public Offer Shares are required to pay on application the Offer Price plus 1% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee.

The Public Offer is open to all members of the public in Hong Kong. Persons allotted Shares under the Public Offer cannot apply for Shares under the Placing. The Public Offer will be subject to the conditions stated under "Conditions of the Share Offer" above.

Allocation

Allocation of Public Offer Shares to investors under the Public Offer will be based on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer, and those applicants who are not successful in the ballot may not receive any Public Offer Share.

The total number of Public Offer Shares being offered for subscription under the Public Offer will be divided equally into two pools: pool A and pool B. Each of pool A and pool B will comprise 12,504,000 Public Offer Shares and 12,496,000 Shares respectively, both of which are available on a fair basis to successful applicants. All valid applications that have been received for Public Offer Shares with a total amount (excluding brokerage fee, SFC transaction levy and the Stock Exchange trading fee) of HK\$5 million or below will fall into pool A and all valid applications that have been received for Public Offer Shares with a total amount (excluding brokerage fee, SFC transaction levy and Stock Exchange trading fee) of over HK\$5 million and up to the total value of pool B, will fall into pool B.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Applicants should be aware that applications in pool A and pool B are likely to receive different allocation ratios. If Public Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from either pool A or pool B but not from both pools and may only apply for Public Offer Shares in either pool A or pool B. In addition, multiple or suspected multiple applications within either pool or between pools will be rejected. No application will be accepted from applicants for more than 12,496,000 Public Offer Shares.

If the Public Offer is not fully subscribed, the Joint Bookrunners will have the absolute discretion to reallocate all or any unsubscribed Public Offer Shares originally included in the Public Offer to the Placing in such number as they deem appropriate.

Multiple or suspected multiple applications and any application for more than 12,496,000 Public Offer Shares will be rejected. The total number of Public Offer Shares to be allotted and issued pursuant to the Public Offer may also change as a result of the clawback arrangement referred to under “Offer Size Adjustment Option” below.

Reallocation

The allocation of Offer Shares between the Public Offer and the Placing is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Public Offer to a certain percentage of the total number of Offer Shares offered under the Share Offer if certain prescribed total demand levels are reached. In the event of over-applications in the Public Offer, the Joint Bookrunners shall apply a clawback mechanism following the closing of the application lists on the following basis:

- If the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times of the number of Offer Shares initially available for subscription under the Public Offer, then 50,000,000 Offer Shares will be reallocated to the Public Offer from the Placing so that the total number of Offer Shares available under the Public Offer will be 75,000,000 Offer Shares, representing 30% of the Offer Shares initially available under the Share Offer;
- If the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times of the number of Offer Shares initially available for subscription under the Public Offer, then 75,000,000 Offer Shares will be reallocated to the Public Offer from the Placing so that the total number of Offer Shares available under the Public Offer will be 100,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Share Offer; and
- If the number of Offer Shares validly applied for under the Public Offer represents 100 times or more of the number of Offer Shares initially available for subscription under the Public Offer, then 100,000,000 Offer Shares will be reallocated to the Public Offer from the Placing so that the total number of Offer Shares available under the Public Offer will be 125,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

In each case, based on the additional Offer Shares reallocated to the Public Offer, the number of Offer Shares allocated to the Placing will be correspondingly reduced, in such manner as the Joint Bookrunners deem appropriate. In addition, the Joint Bookrunners may in their sole and absolute discretion reallocate Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer.

If the Public Offer is not fully subscribed, the Joint Bookrunners will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Public Offer Shares in such amount as the Joint Bookrunners deem appropriate.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Public Offer.

OFFER SIZE ADJUSTMENT OPTION

Our Company has granted the Offer Size Adjustment Option to the Placing Underwriters, exercisable with the consent of the Company by Kingsway Financial on behalf of the Placing Underwriters at any time before 5:00 p.m. on the business day immediately before the date of the announcement of the results of allocations and the basis of allocation of the Public Offer Shares, to require our Company to allot and issue up to an aggregate of 37,500,000 additional Placing Shares, representing 15.0% of the number of the Offer Shares initially being offered under the Share Offer, on the same terms as those applicable to the Share Offer. The Offer Size Adjustment Option will not be used for price stabilisation purposes in the secondary market after listing of the Shares on the Stock Exchange and is not subject to the Securities and Future (Price Stabilizing) Rules of the SFO. Any such additional Shares may be issued to cover any excess demand in the Placing and in the event that the Offer Size Adjustment Option is exercised with the consent of the Company, Kingsway Financial may decide to whom and proportions in which the additional Shares will be allotted. If the Offer Size Adjustment Option is exercised in full, the additional 37,500,000 Shares and the Offer Shares will represent approximately 3.6% and 27.7%, respectively of our Company's enlarged share capital immediately after completion of the Share Offer and the exercise of the Offer Size Adjustment Option.

Our Company will disclose in the announcement of the results of allocations and the basis of allocation of the Public Offer Shares whether, and to what extent, the Offer Size Adjustment Option has been exercised. In the event that the Offer Size Adjustment Option has not been exercised by Kingsway Financial on behalf of the Placing Underwriters, our Company will confirm in such announcement that the Offer Size Adjustment Option has lapsed and cannot be exercised at any future date.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. METHODS TO APPLY FOR PUBLIC OFFER SHARES

To make an application for the Public Offer Shares, you may:

- (a) use a **WHITE** or **YELLOW** Application Form;
- (b) apply online via **HK eIPO White Form** service at www.hkeipo.hk; or
- (c) electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

You may apply for Public Offer Shares under the Public Offer or indicate an interest for Placing Shares under the Placing, but may not do both.

2. WHO CAN APPLY FOR THE PUBLIC OFFER SHARES

You can apply for the Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying is an individual, and:

- are 18 years of age or above;
- have a Hong Kong address;
- are not a U.S. person (as defined in Regulation S of the U.S. Securities Act);
- are outside the U.S.; and
- are a legal or natural person of the PRC who is qualified domestic institutional investor.

If you apply online through the **HK eIPO White Form Service Provider**, in addition to the above, you must also: (i) have a valid Hong Kong identity card number; and (ii) provide a valid e-mail address and a contact phone number.

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the Application Form must be stamped with the company chop (bearing the company name) and signed by a duly authorised officer, who must state his or her representative capacity.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Save as permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you or any person(s) for whose benefit you are applying are/is:

- an existing beneficial owner of shares in the Company and/or any of its subsidiaries;
- an eligible Director or chief executive of the Company and/or any of its subsidiaries;
- a connected person (as defined in the Listing Rules) of the Company or any of its subsidiaries or a person who will become a connected person of the Company or any of its subsidiaries immediately upon completion of the Share Offer;
- a close associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for or have indicated an interest in any Placing Shares under the Placing or otherwise participate in the Placing.

The number of joint applicants must not exceed four.

3. APPLY FOR PUBLIC OFFER SHARES

Which application channel to use

- (a) Use a **WHITE** Application Form or apply through www.hkeipo.hk if you want the Public Office Shares to be issued in your own name.
- (b) For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to you or designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Prospectuses and the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 30 January 2018 until 12:00 noon on Friday, 2 February 2018 from any of the following offices of the Public Offer Underwriters:

Kingsway Financial Services Group Limited

7/F, Tower One Lippo Centre
89 Queensway
Hong Kong

Head & Shoulders Securities Limited

Room 2511, 25/F Cosco Tower
183 Queen's Road Central
Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

or any of the following branches of the receiving bank:

Bank of China (Hong Kong) Limited

District	Name	Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Shek Tong Tsui Branch	534 Queen's Road West, Shek Tong Tsui
	Johnston Road Branch	152–158 Johnston Road, Wan Chai
	Lee Chung Street Branch	29–31 Lee Chung Street, Chai Wan
Kowloon	Mei Foo Mount Sterling Mall Branch	Shop N47–49 Mount Sterling Mall, Mei Foo Sun Chuen
	194 Cheung Sha Wan Road Branch	194–196 Cheung Sha Wan Road, Sham Shui Po, Kowloon
New Territories	Kau Yuk Road Branch	18–24 Kau Yuk Road, Yuen Long
	Ma On Shan Plaza Branch	Shop 2103, Level 2, Ma On Shan Plaza, Sai Sha Road, Ma On Shan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 30 January 2018 to 12:00 noon on Friday, 2 February 2018 from:

Depository Counter
Hong Kong Securities Clearing Company Limited
1/F One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

or your stockbroker who may have the **YELLOW** Application Forms and this prospectus available.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED — VICO INTERNATIONAL PUBLIC OFFER", should be deposited in any of the special collection boxes provided at any of the listed branches of the receiving bank listed above under the paragraph headed "Where to collect the Prospectuses and the Application Forms" on the following dates and at the following times:

Tuesday, 30 January 2018	—	9:00 a.m. to 5:00 p.m.
Wednesday, 31 January 2018	—	9:00 a.m. to 5:00 p.m.
Thursday, 1 February 2018	—	9:00 a.m. to 5:00 p.m.
Friday, 2 February 2018	—	9:00 a.m. to 12:00 noon

Application lists

The application lists of the Public Offer will open from 11:45 a.m. to 12:00 noon on Friday, 2 February 2018 the last application day or such later time as provided in the paragraph headed "Effect of bad weather on the opening and closing of the application lists of the Share Offer" below. No proceedings will be taken on applications for the Public Offer Shares and no allotment of any such Public Offer Shares will be made until after the closing of the application lists.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Sponsor and/or the Joint Bookrunners (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (vi) agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, the Hong Kong Share Registrar, receiving banks, the Sole Sponsor, Joint Bookrunners, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Bookrunners, the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (xvii) understand that our Company and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in “Who can apply for the Public Offer Share” section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website www.hkeipo.hk.

Detailed instruction for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for submitting applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, 30 January 2018 until 11:30 a.m. on Friday, 2 February 2018 and the latest time for completing full payment of application monies in respect of such application will be 12:00 noon on Friday, 2 February 2018 or such later time under the paragraph headed “Effect of bad weather on the opening and closing of the application lists of the Share Offer” of this section.

No multiple applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application**

HOW TO APPLY FOR PUBLIC OFFER SHARES

instruction under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System <https://ip.ccass.com> (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
1/F One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company and our Hong Kong Share Registrar.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors, the Sole Sponsor and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
 - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, the Hong Kong Share Registrar, receiving banks, the Sole Sponsor and the Joint Bookrunners and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving of **electronic application instructions** to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) and the Articles; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 8,000 Public Offer Shares. Instructions for more than 8,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Tuesday, 30 January 2018	—	9:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday 31 January 2018	—	8:00 a.m. to 8:30 p.m.⁽¹⁾
Thursday, 1 February 2018	—	8:00 a.m. to 8:30 p.m.⁽¹⁾
Friday, 2 February 2018	—	8:00 a.m.⁽¹⁾ to 12:00 noon

Note (1): These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 30 January 2018 until 12:00 noon on Friday, 2 February 2018 (24 hours daily, except on the last application day).

HOW TO APPLY FOR PUBLIC OFFER SHARES

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 2 February 2018, the last application day or such later time as described in the paragraph headed “Effect of bad weather on the opening and closing of the application lists of the Share Offer” of this section.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal data

The section of the Application Form headed “Personal Data” applies to any personal data held by us, the Hong Kong Share Registrar, the receiving banks, the Sole Sponsor, the Joint Bookrunners, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents and advisers take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/ CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 2 February 2018.

HOW TO APPLY FOR PUBLIC OFFER SHARES

8. HOW MANY APPLICATIONS YOU MAY MAKE

There is only one situation where you may make more than one application for the Public Offer Shares:

If you are a nominee, in which case you may lodge more than one Application Form in your own name on behalf of different beneficial owners. In the box on the Application Form marked “For nominee(s)” you must include for each beneficial owner or, in the case of joint beneficial owners, for each of such beneficial owners:

- an account number; or
- some other identification code.

If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be referred if more than one application on a **WHITE** and **YELLOW** Application Form or by giving electronic application instructions to HKSCC is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instruction).

Multiple applications are not allowed

It will be a term and condition of all applications that by completing and delivering an Application Form, you:

- (if the application is made for your own benefit) **warrant** that this is the only application which has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form;
- (if you are an agent for another person) **warrant** that reasonable enquiries have been made with that other person that this is the only application which has been or will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form, and that you are duly authorised to sign the Application Form as that other person’s agent;

Multiple applications or suspected multiple applications will be rejected and all of your applications will be rejected as multiple applications if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly with others) on a **WHITE** and/or **YELLOW** Application Form; or
- apply (whether individually or jointly with others) on one **WHITE** or **YELLOW** Application Form for more than 12,496,000 Public Offer Shares; or
- apply for, take up, indicate an interest (whether individually or jointly with others) for any Placing Shares or otherwise participate in the Placing; or

HOW TO APPLY FOR PUBLIC OFFER SHARES

- both apply on one **WHITE** Application Form and one **YELLOW** Application Form; or
- receive any Placing Shares under the Placing.

All of your applications will also be rejected as multiple applications if more than one application is made for your benefit or for the benefit of any of your joint applicant(s). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company

then the application will be treated as being for your benefit.

Unlisted company means a company with no equity securities listed on the Stock Exchange.

Statutory control in relation to a company means you:

- control the composition of the board of directors of that company; or
- control more than half of the voting powers of that company; or
- hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH TO PAY FOR THE PUBLIC OFFER SHARES

The Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage fee, the SFC transaction levy and the Stock Exchange trading fee in full when you apply for the Public Offer Shares. Your payment must be made by one cheque or one banker's cashier order and must comply with the terms set forth in the Application Forms relating to the Public Offer. Your cheque or banker's cashier order will not be presented for payment before 12:00 noon on Friday, 2 February 2018. Details of the procedures for refund are contained in the paragraph headed "13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES" below.

If your application is successful, brokerage will be paid to participants of the Stock Exchange, the trading fee will be paid to the Stock Exchange and the transaction levy will be paid to the SFC.

HOW TO APPLY FOR PUBLIC OFFER SHARES

10. EFFECT OF BAD WEATHER ON THE OPENING AND CLOSING OF THE APPLICATION LISTS OF THE SHARE OFFER

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “**BLACK**” rainstorm warning signal

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 2 February 2018. Instead the application lists will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

Business day means a day that is not a Saturday, Sunday or public holiday in Hong Kong.

If the Application Lists do not open and close on Friday, 2 February 2018, the dates mentioned in the section headed “Expected timetable” in this prospectus and the related Application Forms and other dates mentioned in this prospectus (including, without limitation, the latest time for the exercise of termination rights under the Underwriting Agreement) may be affected. An announcement will be made in such event on the Stock Exchange’s website at www.hkexnews.hk and the website of the Company at www.vicointernational.hk.

Our Company, the Sole Sponsor, the Joint Bookrunners, the Public Offer Underwriters, their respective affiliates and directors, officers, employees, agents, advisers and any other parties involved in the Public Offer are entitled to rely on any warranty, representation or declaration made by you in your application. In respect of any joint application, all the warranties, representations, declarations and obligations expressed to be made, given or assumed by or imposed on the joint applicants shall be deemed to have been made, given or assumed by or imposed on the applicants jointly and severally. You may be prosecuted if you make a false declaration.

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED THE PUBLIC OFFER SHARES

Details of the circumstances in which you will not be allotted the Public Offer Shares are set out in the notes contained in the Application Forms, and you should read them carefully. You should note in particular the following situations in which the Public Offer Shares will not be allotted to you or your application is liable to be rejected:

If your application is revoked

By completing and lodging an Application Form or giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider, you agree that you cannot revoke your application on or before the expiration of the fifth day (excluding for this purpose a Saturday, Sunday and a public holiday in Hong Kong) after the opening of the application lists. This agreement will take effect as a collateral contract with the Company, and will become binding when you lodge your Application Form. This collateral contract will be in consideration of the Company agreeing that it will not offer any Public Offer Shares to any person until after the expiration of the fifth day after closing of the application lists except by means of one of the procedures referred to in this prospectus.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Your application may only be revoked after the expiration of the fifth day (excluding for this purpose a Saturday, Sunday and a public holiday in Hong Kong) after the opening of the application lists if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) issues a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicant(s) who has/have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw his/her/their applications. If applicant(s) have not been so notified, or if applicant(s) has/have been notified but has/have not withdrawn his/her/their applications in accordance with the procedure so notified, all applications that have been submitted will remain valid and may be accepted. Subject to the above, an application once made is irrevocable and all applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application has been accepted, it cannot be revoked or withdrawn. For this purpose, acceptance of applications will be constituted by notification in the announcement of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

At the full discretion of the Company, the Sole Sponsor, the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) or their respective agents, your application is rejected

The Company, the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), the **HK eIPO White Form** Service Provider or their respective agents and nominees as agents of the Company, have the full discretion to reject or accept any application, in whole or in part, without assigning any reason therefore.

If your application is rejected

Your application will be rejected if:

- it is a multiple or a suspected multiple application;
- your Application Form is not completed correctly or fully completed in accordance with the instructions as stated in the Application Form;
- your **electronic application instructions** through the **HK eIPO White Form** Service Provider are not completed in accordance with the instructions, terms and conditions of the designated website;
- your payment is not made in the correct form or amount;
- you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation;
- your application is for more than 12,496,000 Public Offer Shares;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- you or the person(s) for whose benefit you are applying have applied for or taken up or indicated an interest for the Placing Shares; or
- our Company, the Sole Sponsor, the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) or their respective agents or nominees believe that by accepting your application, it would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is, or is suspected to have been, completed and/or signed.

If your application is not accepted

Your application will not be accepted if:

- any of the Underwriting Agreements does not become unconditional in accordance with its terms and conditions; or
- any of the Underwriting Agreements is terminated in accordance with its terms and conditions.

If the allotment of the Public Offer Shares is void

Any allotment of the Public Offer Shares in respect of your application will be void if the Listing Committee does not grant the listing of and permission to deal in the Shares on the Main Board either:

- within three weeks from the closing date of the application lists of the Share Offer; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists of the Share Offer.

12. PUBLICATION OF RESULTS

The announcement of the final Offer Price, the level of indications of interest in the Placing, the level of applications in the Public Offer, the basis of allocation of the Public Offer Shares and the number of Offer Shares re-allocated between the Public Offer and the Placing, if any, will be published in South China Morning Post (in English) and Hong Kong Economic Journal (in Chinese), the Company's website at www.vicointernational.hk and the Stock Exchange's website at www.hkexnews.hk on or before Friday, 9 February 2018.

The results of allocations of the Public Offer Shares, including applications made under **WHITE** or **YELLOW** Application Forms, which will include the Hong Kong identity card numbers/passport numbers/Hong Kong business registration certificate numbers of successful applicants and the number of the Public Offer Shares successfully applied for will be made available at the times and dates and in the manner specified below:

- in the announcement to be posted on the Company's website at www.vicointernational.hk and the Stock Exchange's website at www.hkexnews.hk by no later than Friday, 9 February 2018;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- results of allocations will also be available from the website at www.tricor.com.hk/ipo/result on a 24-hour basis from 8:00 a.m. on Friday, 9 February 2018 to 12:00 midnight on Thursday, 15 February 2018. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration certificate number provided in his/her/its Application Form to search for his/her/its own allocation result;
- by telephone enquiry by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Friday, 9 February 2018 to Wednesday, 14 February 2018 (excluding Saturdays, Sundays and public holidays in Hong Kong); and
- in the special allocation results booklets setting out the results of allocations which will be available for inspection during opening hours of the receiving banks branches from Friday, 9 February 2018 to Tuesday, 13 February 2018 at the addresses set forth under the paragraph under “Where to collect the prospectuses and the Application Forms” in this section.

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Friday, 9 February 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

HOW TO APPLY FOR PUBLIC OFFER SHARES

Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting” of this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from our Company’s Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 9 February 2018 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Friday, 9 February 2018, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Friday, 9 February 2018, by ordinary post and at your own risk.

If you apply by using a YELLOW Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant’s stock account as stated in your Application Form on Friday, 9 February 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

(iii) If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)

For Public Offer Shares credited to your designated CCASS Participant’s stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS Participant.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(iv) If you are applying as a CCASS Investor Participant

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 9 February 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(v) If you apply through HK eIPO White Form service

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful you may collect your share certificate(s) from our Company's Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 9 February 2018 or such other date as notified by the Company in the newspapers as at the date of despatch/collection of share certificate(s)/e-Auto Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your share certificate(s) (where applicable) will be sent to the address on the relevant application instruction on Friday, 9 February 2018, by ordinary post and at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(vi) If you apply via electronic application instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, 9 February 2018, or, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR PUBLIC OFFER SHARES

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in “Publication of results” above on Friday, 9 February 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 9 February 2018 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Friday, 9 February 2018. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, 9 February 2018.

14. SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Main Board and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Shares on the Main Board or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.



ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF VICO INTERNATIONAL HOLDINGS LIMITED (FORMERLY NAMED AS RICO INTERNATIONAL HOLDINGS LIMITED) AND KINGSWAY CAPITAL LIMITED

Introduction

We report on the historical financial information of Vico International Holdings Limited (the "Company") (formerly named as Rico International Holdings Limited) and its subsidiaries (together, the "Group") set out on pages I-3 to I-58, which comprises the consolidated statements of financial position as at 31 March 2015, 2016 and 2017 and 31 July 2017, the statement of financial position of the Company as at 31 March 2017 and 31 July 2017 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the three years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-58 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 January 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Company's financial position as at 31 March 2017 and 31 July 2017 and the Group's financial position as at 31 March 2015, 2016 and 2017 and 31 July 2017 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the 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 four months ended 31 July 2016 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which contains information about the dividends declared or paid by the group entities and states that no dividends have been paid by the Company in respect of the Track Record Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 January 2018

HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The audited consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA (the "Underlying Financial Statements"). The consolidated financial statements of the Group were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Hong Kong dollars ("HK dollars" or "HK\$") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

A. HISTORICAL FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	For the year ended 31 March			For the four months ended 31 July	
		2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue	6	894,725	730,471	671,805	209,647	219,954
Cost of sales		<u>(869,260)</u>	<u>(688,591)</u>	<u>(630,454)</u>	<u>(194,946)</u>	<u>(203,534)</u>
Gross profit		25,465	41,880	41,351	14,701	16,420
Other income, gains and losses	8	1,370	805	316	29	17
Selling and distribution expenses		(4,065)	(4,084)	(4,127)	(1,253)	(1,273)
Administrative expenses		(9,388)	(9,850)	(7,651)	(2,448)	(2,617)
Listing expenses		—	—	(2,394)	—	(8,711)
Other operating expenses		(1,250)	(1,299)	(1,249)	(427)	(371)
Finance costs	9	<u>(762)</u>	<u>(737)</u>	<u>(589)</u>	<u>(214)</u>	<u>(169)</u>
Profit before taxation	10	11,370	26,715	25,657	10,388	3,296
Income tax expense	11	<u>(1,734)</u>	<u>(4,358)</u>	<u>(4,628)</u>	<u>(1,706)</u>	<u>(2,055)</u>
Profit and total comprehensive income for the year/period		<u>9,636</u>	<u>22,357</u>	<u>21,029</u>	<u>8,682</u>	<u>1,241</u>
Profit and total comprehensive income attributable to:						
Owners of the Company		9,475	22,219	20,983	8,653	1,241
Non-controlling interest		<u>161</u>	<u>138</u>	<u>46</u>	<u>29</u>	<u>—</u>
		<u>9,636</u>	<u>22,357</u>	<u>21,029</u>	<u>8,682</u>	<u>1,241</u>
Earnings per share						
— basic (<i>HK cents</i>)	13	<u>1.39</u>	<u>3.26</u>	<u>3.08</u>	<u>1.27</u>	<u>0.18</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	As at 31 March			As at
		2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	31 July 2017 HK\$'000
Non-current assets					
Property, plant and equipment	16	25,183	24,224	22,560	21,792
Loan to a related company	19(ii)	2,284	1,758	—	—
		<u>27,467</u>	<u>25,982</u>	<u>22,560</u>	<u>21,792</u>
Current assets					
Inventories	17	5,444	5,871	5,953	6,996
Trade and other receivables	18	29,770	43,067	56,302	58,768
Amount due from ultimate holding company	19(i)	—	—	8	8
Loan to a related company	19(ii)	597	597	1,814	1,581
Taxation recoverable		159	44	269	244
Time deposits	20	—	—	1,000	1,000
Bank balances and cash	20	6,718	15,248	15,542	14,403
		<u>42,688</u>	<u>64,827</u>	<u>80,888</u>	<u>83,000</u>
Current liabilities					
Trade and other payables	21	3,424	2,133	2,970	5,561
Amounts due to directors	19(iii)	19,237	29,978	33,173	29,903
Obligations under finance leases	22	1,112	667	307	312
Taxation payable		1,329	2,891	1,189	3,205
Bank borrowings	23	26,605	25,000	19,971	18,832
		<u>51,707</u>	<u>60,669</u>	<u>57,610</u>	<u>57,813</u>
Net current (liabilities) assets		<u>(9,019)</u>	<u>4,158</u>	<u>23,278</u>	<u>25,187</u>
Total assets less current liabilities		<u>18,448</u>	<u>30,140</u>	<u>45,838</u>	<u>46,979</u>
Non-current liabilities					
Obligations under finance leases	22	996	564	257	143
Deferred tax liabilities	24	351	298	266	280
		<u>1,347</u>	<u>862</u>	<u>523</u>	<u>423</u>
		<u>17,101</u>	<u>29,278</u>	<u>45,315</u>	<u>46,556</u>
Capital and reserves					
Share capital	25	49	79	86	—*
Reserves		16,727	28,736	45,229	46,556
Equity attributable to owners of the Company					
Non-controlling interest		16,776	28,815	45,315	46,556
		325	463	—	—
Total equity		<u>17,101</u>	<u>29,278</u>	<u>45,315</u>	<u>46,556</u>

* Less than HK\$1,000.

STATEMENTS OF FINANCIAL POSITION

	<i>NOTES</i>	As at 31 March 2017 <i>HK\$'000</i>	As at 31 July 2017 <i>HK\$'000</i>
The Company			
Non-current asset			
Investment in a subsidiary		—	47,156
Current assets			
Deposits and prepayments	18	—	3,437
Amount due from ultimate holding company	26(b)	—*	—
		—*	3,437
Current liabilities			
Other payables and accruals	21	—	3,335
Amount due to a subsidiary	26(c)	—	8,813
		—	12,148
Net current liabilities		—	(8,711)
Total assets less current liabilities		—	38,445
Capital and reserves (note i)			
Share capital	25	—*	—*
Capital reserve (note ii)		—	47,156
Accumulated losses		—	(8,711)
Total equity		—	38,445

* Less than HK\$1,000.

Notes:

(i) Details of the reserves movement are shown as below:

	Capital reserve	Accumulated losses	Total
At 24 March 2017 (date of incorporation) and 1 April 2017			
Loss and total comprehensive expense for the period	—	(8,711)	(8,711)
Acquisition of Billion Harvest through issue of shares	47,156	—	47,156
At 31 July 2017	47,156	(8,711)	38,445

(ii) Capital reserve represents the difference between the net asset value of Billion Harvest Ventures Limited (“Billion Harvest”) of HK\$47,156,000 acquired by the Company and the nominal value of the Company’s shares of HK\$7 issued for the acquisition.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company				Non-controlling interest HK\$'000	Total HK\$'000
	Share capital HK\$'000	Capital reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000		
At 1 April 2014	49	—	16,837	16,886	164	17,050
Profit and total comprehensive income for the year	—	—	9,475	9,475	161	9,636
Dividend distribution (Note 12)	—	—	(9,585)	(9,585)	—	(9,585)
At 31 March 2015	49	—	16,727	16,776	325	17,101
Profit and total comprehensive income for the year	—	—	22,219	22,219	138	22,357
Issue of shares	30	—	—	30	—	30
Dividend distribution (Note 12)	—	—	(10,210)	(10,210)	—	(10,210)
At 31 March 2016	79	—	28,736	28,815	463	29,278
Profit and total comprehensive income for the year	—	—	20,983	20,983	46	21,029
Issue of shares (Note 2)	86	—	—	86	—	86
Dividend distribution (Note 12)	—	—	(5,000)	(5,000)	—	(5,000)
Acquisition of partial interest of Yee Sing Logistics (as defined in Note 2) (note i)	1	508	—	509	(509)	—
Arising from the Group Reorganisation (as defined in Note 2) (note ii)	(80)	2	—	(78)	—	(78)
At 31 March 2017	86	510	44,719	45,315	—	45,315
Profit and total comprehensive income for the period	—	—	1,241	1,241	—	1,241
Arising from the Group Reorganisation (note iii)	(86)	86	—	—	—	—
At 31 July 2017	—	596	45,960	46,556	—	46,556
(unaudited)						
At 1 April 2016	79	—	28,736	28,815	463	29,278
Profit and total comprehensive income for the period	—	—	8,653	8,653	29	8,682
At 31 July 2016	79	—	37,389	37,468	492	37,960

Notes:

- (i) During the year ended 31 March 2017, Mr. Hui Pui Sing (“Mr. Hui”) has acquired 10% equity interest in Yee Sing Logistics at a consideration of approximately HK\$555,000 which is accounted for as deemed contribution and is credited to capital reserve.
- (ii) Amounts represents difference between the nominal value of share capital issued by Billion Harvest for the acquisition of the entire interests in the operating subsidiaries namely Carmen Logistics, Yee Sing Logistics, Yee Sing Hong, Grand Wealthy, Billion Faith and Tien Fung Hong (as defined in Note 2) and the nominal value of share capital of these operating subsidiaries.
- (iii) The amount represents the difference between the nominal value of the share capital issued by the Company for the acquisition of the entire interests in Billion Harvest and the nominal value of share capital of Billion Harvest.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended 31 March			For the four months ended 31 July	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
OPERATING ACTIVITIES					
Profit before taxation	11,370	26,715	25,657	10,388	3,296
Adjustments for:					
Depreciation of property, plant and equipment	2,520	2,667	2,647	958	818
Interest income	(135)	(72)	(57)	(16)	(16)
Finance costs	762	737	589	214	169
Allowance for doubtful debts	2	67	—	—	—
(Reversal of) allowance for inventories	(276)	203	(458)	(126)	(309)
Gain on disposal of property, plant and equipment	(910)	(722)	(237)	—	—
Operating cash flows before movements in working capital	13,333	29,595	28,141	11,418	3,958
Decrease (increase) in inventories	1,449	(630)	376	(186)	(734)
Decrease (increase) in trade and other receivables	3,477	(13,364)	(13,235)	(3,836)	(2,466)
Increase (decrease) in trade and other payables	37	(1,291)	837	632	2,591
Cash generated from operations	18,296	14,310	16,119	8,028	3,349
Hong Kong Profits Tax paid	(459)	(2,734)	(6,587)	—	—
NET CASH FROM OPERATING ACTIVITIES	17,837	11,576	9,532	8,028	3,349
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	(22,005)	(1,408)	(1,106)	(516)	(50)
Placement of time deposits	—	—	(1,000)	—	—
Withdrawal of pledged bank deposits	5,181	—	—	—	—
Proceeds from disposal of property, plant and equipment	910	722	360	—	—
Repayment of loan to a related company	462	526	541	184	233
Interest received	135	72	57	16	16
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(15,317)	(88)	(1,148)	(316)	199

	For the year ended 31 March			For the four months ended 31 July	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
FINANCING ACTIVITIES					
Repayment of bank borrowings	(3,246)	(3,605)	(5,029)	(1,774)	(1,139)
Repayment of obligations under finance leases	(1,143)	(1,177)	(667)	(329)	(109)
Interest paid	(762)	(737)	(589)	(214)	(169)
New bank borrowings raised	7,178	2,000	—	—	—
Advances from directors	24,754	18,783	18,158	8,580	5,087
Repayment of advances from directors	(28,656)	(30,572)	(19,963)	(11,450)	(8,357)
Advances from related companies	242	13,320	—	—	—
Repayment of advances from related companies	(657)	(1,000)	—	—	—
Proceeds from issue of shares	—	30	—	—	—
NET CASH USED IN FINANCING ACTIVITIES	<u>(2,290)</u>	<u>(2,958)</u>	<u>(8,090)</u>	<u>(5,187)</u>	<u>(4,687)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	230	8,530	294	2,525	(1,139)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD	<u>6,488</u>	<u>6,718</u>	<u>15,248</u>	<u>15,248</u>	<u>15,542</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD					
representing bank balances and cash	<u>6,718</u>	<u>15,248</u>	<u>15,542</u>	<u>17,773</u>	<u>14,403</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1. GENERAL INFORMATION**

The Company was incorporated in the Cayman Island as an exempted company with limited liability on 24 March 2017 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The addresses of the Company's registered office and the principal place of business are disclosed in the section headed "Corporate Information" in the Prospectus.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in sales of diesel, lubricant oil and others and provision of fleet cards service.

The Historical Financial Information is presented in Hong Kong dollar ("HK\$"), which is the same as the functional currency of the Company.

Pursuant to a special resolution dated 19 May 2017, the name of the Company has been changed from "Rico International Holdings Limited" to "Vico International Holdings Limited".

2. REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with HKFRSs and the principle of merger accounting (details are set out below).

In preparation for listing of the Company's shares on the Stock Exchange, the entities now comprising the Group underwent a group reorganisation (the "Group Reorganisation").

Prior to the Group Reorganisation, Mr. Hui, Ms. Tong Man Wah ("Ms. Tong"), spouse of Mr. Hui and Mr. Hui Yip Ho Eric ("Mr. Eric Hui"), son of Mr. Hui and Ms. Tong, have collectively exercised their control over Carmen Logistics Limited ("Carmen Logistic"), Yee Sing Logistics Company Limited ("Yee Sing Logistics"), Yee Sing Hong Petroleum Chemicals Company Limited ("Yee Sing Hong"), Grand Wealthy Holdings Limited ("Grand Wealthy"), Billion Faith (Hong Kong) Limited ("Billion Faith") and Tien Fung Hong Holdings Limited ("Tien Fung Hong") through their respective interests in these companies from time to time since they became the shareholders of these companies for the interest of the family of Mr. Hui, collectively as the controlling shareholders (the "Controlling Shareholders").

The Group Reorganisation comprises the following steps:

- (i) On 21 March 2017, Max Fortune Holdings Limited ("Max Fortune") was incorporated in the British Virgin Islands (the "BVI") with limited liability. 350 shares, 350 shares, 300 shares in Max Fortune were allotted and issued, credited as fully paid, at par value to Mr. Hui, Ms. Tong and Mr. Eric Hui, respectively.
- (ii) On 24 March 2017, the Company was incorporated in the Cayman Islands as an exempted company with limited liability and entire one share was transferred to Max Fortune. Upon completion of the transfer, Max Fortune became the immediate holding company of the Company.
- (iii) On 5 January 2017, Billion Harvest was incorporated in the BVI with limited liability. On 28 March 2017, 1,000 shares of Billion Harvest were allotted and issued, credited as fully paid, at par value to Max Fortune at a consideration of US\$1,000.

- (iv) On 23 January 2017, Diamond Decade Investments Limited (“Diamond Decade”) was incorporated in the BVI with limited liability. On 28 March 2017, 1,000 shares of Diamond Decade were allotted and issued, credited as fully paid, at par value to Billion Harvest at a consideration of US\$1,000.

On 1 December 2016, Trillion Star Global Limited (“Trillion Star”) was incorporated in the BVI with limited liability. On 28 March 2017, 1,000 shares of Trillion Star were allotted and issued, credited as fully paid, at par value to Billion Harvest at a consideration of US\$1,000.

On 28 November 2016, Tycoon City International Limited (“Tycoon City”) was incorporated in the BVI with limited liability. On 28 March 2017, 1,000 shares of Tycoon City were allotted and issued, credited as fully paid, at par value to Billion Harvest at a consideration of US\$1,000.

- (v) On 29 March 2017, Diamond Decade acquired 50% equity interest held by Mr. Hui and 50% equity interest held by Ms. Tong in Carmen Logistics in consideration of allotment and issuance of 2 shares of Billion Harvest, credited as fully paid, at par value to Max Fortune at a consideration of US\$2. Upon completion, Carmen Logistics became the indirect wholly owned subsidiary of Billion Harvest.
- (vi) On 29 March 2017, Ms. Hui Yuet Har, sister of Mr. Hui, sold her entire equity interest, being 10% of the share capital of Yee Sing Logistics, to Mr. Hui at a cash consideration of approximately HK\$555,000. On the same date, Diamond Decade acquired 100% equity interest held by Mr. Hui in Yee Sing Logistics in consideration of allotment and issuance of 1,176 shares of Billion Harvest, credited as fully paid, to Max Fortune at a consideration of approximately HK\$5,542,000, which was determined with reference to the net asset value of Yee Sing Logistics as of 31 December 2016. Upon completion, Yee Sing Logistics became the indirect wholly owned subsidiary of Billion Harvest.
- (vii) On 29 March 2017, Trillion Star acquired 50% equity interest held by Mr. Hui and 50% equity interest held by Ms. Tong in Yee Sing Hong in consideration of allotment and issuance of 4,082 shares of Billion Harvest, credited as fully paid, to Max Fortune at a consideration of approximately HK\$19,242,000, which was determined with reference to the net asset value of Yee Sing Hong as of 31 December 2016. Upon completion, Yee Sing Hong became the indirect wholly owned subsidiary of Billion Harvest.
- (viii) On 29 March 2017, Tycoon City acquired 50% equity interest held by Mr. Hui and 50% equity interest held by Ms. Tong in Grand Wealthy in consideration of allotment and issuance of 717 shares of Billion Harvest, credited as fully paid, to Max Fortune at a consideration of approximately HK\$3,379,000, which was determined with reference to the net asset value of Grand Wealthy as of 31 December 2016. Upon completion, Grand Wealthy became the indirect wholly owned subsidiary of Billion Harvest.
- (ix) On 29 March 2017, Tycoon City acquired 100% equity interest held by Ms. Tong in Billion Faith in consideration of allotment and issuance of 20 shares of Billion Harvest, credited as fully paid, to Max Fortune at a consideration of approximately HK\$92,000, which was determined with reference to the net asset value of Billion Faith as of 31 December 2016. Upon completion, Billion Faith became the indirect wholly owned subsidiary of Billion Harvest.
- (x) On 29 March 2017, Tycoon City acquired 70% equity interest held by Ms. Tong and 30% equity interest held by Mr. Eric Hui in Tien Fung Hong in consideration of allotment and issuance of 4,003 shares of Billion Harvest, credited as fully paid, to Max Fortune at a consideration of approximately HK\$18,869,000, which was determined with reference to the net asset value of Tien Fung Hong as of 31 December 2016. Upon completion, Tien Fung Hong became the indirect wholly owned subsidiary of Billion Harvest.

- (xi) On 12 April 2017, the Company acquired 11,000 shares of Billion Harvest in consideration of allotment and issuance of 749 shares of the Company to Max Fortune. The Company becomes the immediate holding company of Billion Harvest and Max Fortune becomes the ultimate holding company of the Company.

Upon completion of the Group Reorganisation on 12 April 2017, the Company become a holding company of the companies now comprising the Group.

Except for 10% equity interest in Yee Sing Logistics which has been held by non-controlling shareholder during the period from 1 April 2014 to 29 March 2017, all equity interest in Carmen Logistic, Yee Sing Logistics, Yee Sing Hong, Grand Wealthy, Billion Faith and Tien Fung Hong are wholly-owned by the Controlling Shareholders during the Track Record Period. Since Carmen Logistic, Yee Sing Logistics, Yee Sing Hong, Grand Wealthy, Billion Faith and Tien Fung Hong were under common control by the Controlling Shareholders, the equity transfer of these companies except for the 10% equity interest in Yee Sing Logistics as stated above have been accounted for as a business combination involving entities under common control using the principles of merger accounting in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” (“AG5”) issued by the HKICPA as if the transfers had been completed on 1 April 2014.

Max Fortune is the ultimate holding company of the Company after the Group Reorganisation and not forming part of the Group. The Group comprising the Company and its subsidiaries resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the Historical Financial Information has been prepared as if the Company had always been the holding company of the Group.

In applying AG5, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period have been prepared to present the results and cash flows of the companies now comprising the Group, as if the group structure upon the completion of the Group Reorganisation except for the 10% equity interest in Yee Sing Logistics as stated above had been in existence throughout the Track Record Period or since the respective date of incorporation, where there is a shorter period. The consolidated statements of financial position of the Group as at 31 March 2015, 2016 and 2017 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure except for the 10% equity interest in Yee Sing Logistics as stated above has been in existence at those dates, taken into account the respective dates of incorporation.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied all new and amendments to HKFRSs, Hong Kong Accounting Standards (“HKAS”), amendments and interpretations issued by the HKICPA which are effective for the accounting periods beginning on 1 April 2017 throughout the Track Record Period.

At the date of this report, the HKICPA has issued the following new and amendments to HKFRSs that are not yet effective. The Group has not early adopted these new standards and amendments.

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ⁴
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to HKAS 40	Transfers of Investment Property ¹
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 January 2021

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (“FVTOCI”). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 July 2017, application of HKFRS 9 in the future may have an impact on the measurement of the Group's financial assets. The expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, the directors of the Company do not anticipate that the application of HKFRS 9 will have a material impact on financial statements in future.

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows, respectively, by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 July 2017, the Group had non-cancellable operating lease commitments of HK\$1,837,000 as disclosed in Note 29. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases. Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's results.

Except as described above, the directors of the Company anticipate that the application of the other new and amendments to HKFRSs will not have a material impact on the financial statements of the Group in the future.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for services rendered.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Track Record Period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by

which the non-controlling interests are adjusted after re-attribution of the relevant equity impairment, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and 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; and (ii) the carrying amount of the assets and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

Merger accounting for business combination involving business under common control

The Historical Financial Information incorporates the financial statements items of the combining businesses in which the common control combination occurs as if they had been consolidated from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

Revenue recognition

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

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Revenue from provision of fleet cards service is recognised on a net basis, based on difference between gross proceeds received and receivables from fleet card holders and gross amounts paid and payable to petroleum supplier, when fleet card holders purchase petroleum from a petroleum supplier.

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

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period,

monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit before taxation as reported in the consolidated statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years/periods and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year/period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated to the assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years/periods. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from ultimate holding company, loan to a related company, time deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables, where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities, including trade and other payables, amounts due to directors, bank borrowings, are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction cost and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of:

- (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- (ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulated gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRSs requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Allowance for doubtful debts

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 March 2015, 2016 and 2017 and 31 July 2017, the carrying amount of trade receivables are HK\$20,755,000, HK\$23,847,000, HK\$27,736,000 and HK\$31,395,000, respectively.

6. REVENUE

Revenue represents the net amounts received and receivable for sale of diesel, lubricant oil and others and provision of fleet card service, net of sales discounts and other similar allowances.

	For the year ended 31 March			For the four months ended 31 July	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000
				(unaudited)	
An analysis of the Group's revenue for the year/period is as follows:					
Sales of diesel	814,889	652,752	598,279	183,555	194,064
Provision of fleet cards service	6,727	15,064	20,350	6,711	8,400
Sales of lubricant oil	64,270	57,019	49,109	18,018	16,220
Sales of others	8,839	5,636	4,067	1,363	1,270
	<u>894,725</u>	<u>730,471</u>	<u>671,805</u>	<u>209,647</u>	<u>219,954</u>

7. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "CODM"), being the executive directors of the Company, for the purposes of allocating resources and assessing performance.

Specifically, the Group's reportable and operating segments under HKFRS 8 Operating Segments are as follows:

- (i) Sales of diesel
- (ii) Provision of fleet cards service
- (iii) Sales of lubricant oil
- (iv) Sales of others

The CODM makes decisions according to the operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segments:

For the year ended 31 March 2015

	Sales of diesel <i>HK\$ '000</i>	Provision of fleet cards service <i>HK\$ '000</i>	Sales of lubricant oil <i>HK\$ '000</i>	Sales of others <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
Segment revenue	<u>814,889</u>	<u>6,727</u>	<u>64,270</u>	<u>8,839</u>	<u>894,725</u>
Segment results	<u>8,697</u>	<u>2,741</u>	<u>10,876</u>	<u>1,067</u>	23,381
Other income, gains and losses					1,370
Administrative and corporate expenses					(9,026)
Finance costs					(762)
Unallocated expenses					<u>(3,593)</u>
Profit before taxation					<u>11,370</u>

For the year ended 31 March 2016

	Sales of diesel <i>HK\$ '000</i>	Provision of fleet cards service <i>HK\$ '000</i>	Sales of lubricant oil <i>HK\$ '000</i>	Sales of others <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
Segment revenue	<u>652,752</u>	<u>15,064</u>	<u>57,019</u>	<u>5,636</u>	<u>730,471</u>
Segment results	<u>13,924</u>	<u>8,005</u>	<u>16,190</u>	<u>1,468</u>	39,587
Other income, gains and losses					805
Administrative and corporate expenses					(9,341)
Finance costs					(737)
Unallocated expenses					<u>(3,599)</u>
Profit before taxation					<u>26,715</u>

For the year ended 31 March 2017

	Sales of diesel <i>HK\$'000</i>	Provision of fleet cards service <i>HK\$'000</i>	Sales of lubricant oil <i>HK\$'000</i>	Sales of others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>598,279</u>	<u>20,350</u>	<u>49,109</u>	<u>4,067</u>	<u>671,805</u>
Segment results	<u>10,579</u>	<u>11,556</u>	<u>15,477</u>	<u>1,228</u>	38,840
Other income, gains and losses					316
Administrative and corporate expenses					(7,347)
Finance costs					(589)
Listing expenses					(2,394)
Unallocated expenses					<u>(3,169)</u>
Profit before taxation					<u>25,657</u>

For the four months ended 31 July 2016 (unaudited)

	Sales of diesel <i>HK\$'000</i>	Provision of fleet cards service <i>HK\$'000</i>	Sales of lubricant oil <i>HK\$'000</i>	Sales of others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>183,555</u>	<u>6,711</u>	<u>18,018</u>	<u>1,363</u>	<u>209,647</u>
Segment results	<u>3,524</u>	<u>3,992</u>	<u>5,987</u>	<u>382</u>	13,885
Other income, gains and losses					29
Administrative and corporate expenses					(2,269)
Finance costs					(214)
Unallocated expenses					<u>(1,043)</u>
Profit before taxation					<u>10,388</u>

For the four months ended 31 July 2017

	Sales of diesel <i>HK\$'000</i>	Provision of fleet cards service <i>HK\$'000</i>	Sales of lubricant oil <i>HK\$'000</i>	Sales of others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>194,064</u>	<u>8,400</u>	<u>16,220</u>	<u>1,270</u>	<u>219,954</u>
Segment results	<u>3,596</u>	<u>5,925</u>	<u>5,859</u>	<u>273</u>	15,653
Other income, gains and losses					17
Administrative and corporate expenses					(2,453)
Finance costs					(169)
Listing expenses					(8,711)
Unallocated expenses					<u>(1,041)</u>
Profit before taxation					<u>3,296</u>

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. Segment results mainly represented profit before taxation earned by each segment, excluding expenses of corporate functions, other income, gains and losses, listing expenses, certain administrative and corporate expenses and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Other segment information

For the year ended 31 March 2015

	Sales of diesel HK\$'000	Provision of fleet cards service HK\$'000	Sales of lubricant oil HK\$'000	Sales of others HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit						
Depreciation of property, plant and equipment	819	1,171	92	—	438	2,520
Allowance for doubtful debts	—	—	2	—	—	2
Reversal of allowance for inventories	—	—	(276)	—	—	(276)
	<u>—</u>	<u>—</u>	<u>(276)</u>	<u>—</u>	<u>—</u>	<u>(276)</u>

For the year ended 31 March 2016

	Sales of diesel HK\$'000	Provision of fleet cards service HK\$'000	Sales of lubricant oil HK\$'000	Sales of others HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit						
Depreciation of property, plant and equipment	819	1,298	108	—	442	2,667
Allowance for doubtful debts	—	—	67	—	—	67
Allowance for inventories	—	—	203	—	—	203
	<u>—</u>	<u>—</u>	<u>203</u>	<u>—</u>	<u>—</u>	<u>203</u>

For the year ended 31 March 2017

	Sales of diesel HK\$'000	Provision of fleet cards service HK\$'000	Sales of lubricant oil HK\$'000	Sales of others HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit						
Depreciation of property, plant and equipment	904	1,415	191	—	137	2,647
Reversal of allowance for inventories	—	—	(458)	—	—	(458)
	<u>—</u>	<u>—</u>	<u>(458)</u>	<u>—</u>	<u>—</u>	<u>(458)</u>

For the four months ended 31 July 2016 (unaudited)

	Sales of diesel <i>HK\$'000</i>	Provision of fleet cards service <i>HK\$'000</i>	Sales of lubricant oil <i>HK\$'000</i>	Sales of others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measure of segment profit						
Depreciation of property, plant and equipment	286	467	64	—	141	958
Reversal of allowance for inventories	—	—	(126)	—	—	(126)
	<u>—</u>	<u>—</u>	<u>(126)</u>	<u>—</u>	<u>—</u>	<u>(126)</u>

For the four months ended 31 July 2017

	Sales of diesel <i>HK\$'000</i>	Provision of fleet cards service <i>HK\$'000</i>	Sales of lubricant oil <i>HK\$'000</i>	Sales of others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measure of segment profit						
Depreciation of property, plant and equipment	251	485	33	—	49	818
Reversal of allowance for inventories	—	—	(309)	—	—	(309)
	<u>—</u>	<u>—</u>	<u>(309)</u>	<u>—</u>	<u>—</u>	<u>(309)</u>

Geographical information

The following table sets out information about the Group's revenue from external customers by the location of customers.

	Revenue from external customers				
	For the year ended 31 March			For the four months ended 31 July	
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Hong Kong	892,997	728,871	669,956	208,962	219,542
Macau	1,728	1,600	1,849	685	412
	<u>894,725</u>	<u>730,471</u>	<u>671,805</u>	<u>209,647</u>	<u>219,954</u>

The Group's property, plant and equipment is solely located in Hong Kong.

Information about major customers

Revenue from customers during the Track Record Period individually contributing over 10% of the Group's revenue is as follows:

	For the year ended 31 March			For the four months ended 31 July	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Customer A ¹	273,763	324,103	262,469	85,852	91,260
Customer B ¹	212,664	156,310	124,981	39,949	13,543
Customer C ¹	<u>N/A²</u>	<u>N/A²</u>	<u>N/A²</u>	<u>N/A²</u>	<u>33,554</u>

¹ Revenue from sales of diesel and lubricant oil.

² Revenue from the customer is less than 10% of the total revenue of the Group.

8. OTHER INCOME, GAINS AND LOSSES

	For the year ended 31 March			For the four months ended 31 July	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Gain on disposal of property, plant and equipment	910	722	237	—	—
Interest income of bank deposits	49	1	—	—	—
Interest income of loan to a related company	86	71	57	16	16
Government grant (<i>Note</i>)	225	—	—	—	—
Allowance for doubtful debts	(2)	(67)	—	—	—
Others	<u>102</u>	<u>78</u>	<u>22</u>	<u>13</u>	<u>1</u>
	<u>1,370</u>	<u>805</u>	<u>316</u>	<u>29</u>	<u>17</u>

Note: Government grant represents ex-gratia payment for retirement of motor vehicles.

9. FINANCE COSTS

	For the year ended 31 March			For the four months ended 31 July	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Interest expenses on:					
Bank borrowings	658	670	553	199	161
Obligations under finance leases	<u>104</u>	<u>67</u>	<u>36</u>	<u>15</u>	<u>8</u>
	<u>762</u>	<u>737</u>	<u>589</u>	<u>214</u>	<u>169</u>

10. PROFIT BEFORE TAXATION

	For the year ended 31 March			For the four months ended 31 July	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging (crediting):					
Directors' remuneration (<i>Note 14</i>)	3,630	3,337	662	214	215
Other staff costs:					
Salaries and other allowances	3,836	4,194	4,232	1,258	1,447
Retirement benefit scheme contributions	156	188	178	54	69
Total staff costs	<u>7,622</u>	<u>7,719</u>	<u>5,072</u>	<u>1,526</u>	<u>1,731</u>
Auditor's remuneration	86	87	780	260	260
Cost of inventories recognised as an expense	864,752	681,310	621,428	192,215	201,146
(Reversal of) allowance of inventories (included in cost of sales)	(276)	203	(458)	(126)	(309)
Depreciation of property, plant and equipment	2,520	2,667	2,647	958	818
Minimum operating lease rental in respect of carparks, office premise and warehouse	<u>1,524</u>	<u>1,499</u>	<u>1,506</u>	<u>517</u>	<u>554</u>

11. INCOME TAX EXPENSE

	For the year ended 31 March			For the four months ended 31 July	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong Profits Tax:					
Current tax	1,558	4,414	4,660	1,683	2,041
Overprovision in prior years/periods	(3)	(3)	—	—	—
	<u>1,555</u>	<u>4,411</u>	<u>4,660</u>	<u>1,683</u>	<u>2,041</u>
Deferred tax (<i>Note 24</i>)	<u>179</u>	<u>(53)</u>	<u>(32)</u>	<u>23</u>	<u>14</u>
Income tax expense for the year/period	<u>1,734</u>	<u>4,358</u>	<u>4,628</u>	<u>1,706</u>	<u>2,055</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit during the Track Record Period. No income tax charge is arisen from the export of goods to Macau as the sales contracts are signed and effective in Hong Kong.

The tax charge for the Track Record Period can be reconciled to profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	For the year ended 31 March			For the four months ended 31 July	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000
Profit before taxation	11,370	26,715	25,657	10,388	3,296
Tax at Hong Kong Profits Tax rate of 16.5%	1,876	4,408	4,233	1,714	544
Tax effect of income not taxable for tax purpose	(8)	—	—	(3)	(3)
Tax effect of expense not deductible for tax purpose	—	1	395	—	1,439
Tax effect of utilisation of tax losses previously not recognised	(93)	(1)	—	—	(24)
Tax effect of tax losses not recognised	—	—	21	2	5
Tax concession (<i>Note</i>)	(74)	(66)	(60)	(30)	—
Overprovision in prior years	(3)	(3)	—	—	—
Others	36	19	39	23	94
Income tax expense for the year/period	1,734	4,358	4,628	1,706	2,055

Note: During the years ended 31 March 2015, 2016 and 2017 and four months ended 31 July 2016 (unaudited), three subsidiaries entitled tax concession of HK\$20,000 for each of the respective years/period and two, one, nil and nil subsidiaries entitled tax concession of 75% of their profits tax for each of the respective years/period. No tax concession was entitled for the four months ended 31 July 2017.

12. DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation. However, certain subsidiaries of the Company had declared dividends in respect of the relevant financial year/period to the Controlling Shareholders during the Track Record Period as follows:

	For the year ended 31 March			For the four months ended 31 July	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000
Billion Faith	85	210	—	—	—
Yee Sing Hong	9,500	10,000	5,000	—	—
	9,585	10,210	5,000	—	—

The rates of dividend and number of shares ranking for dividend are not presented as such information is not meaningful having regards to the purpose of this report.

13. EARNINGS PER SHARE

The calculation of the basic earnings per share for the Track Record Period is based on the profit attributable to owners of the Company and 680,810,000 shares in issue during the Track Record Period on the assumption that the Capitalisation Issue as defined in Note 36 (c) has been completed on 1 April 2014 and taking into account for the bonus share element arising from the capitalization of the amount due to Mr. Hui as detailed in Note 36(b).

No diluted earnings per share are presented for the Track Record Period as there were no potential ordinary share outstanding.

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS**Executive directors**

Details of the emoluments paid or payable by the Group to the directors of the subsidiaries who were appointed as the directors of the Company during the Track Record Period for their services rendered are as follows:

	Directors' fees	Salaries and other benefits	Retirement benefit scheme contributions	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
For the year ended				
31 March 2015				
Executive directors:				
Mr. Hui	1,500	—	—	1,500
Ms. Tong	1,500	—	—	1,500
Ms. Hui Wing Man Rebecca ("Ms. Rebecca Hui")	—	304	5	309
Mr. Eric Hui	—	315	6	321
	<u>3,000</u>	<u>619</u>	<u>11</u>	<u>3,630</u>
Total	<u>3,000</u>	<u>619</u>	<u>11</u>	<u>3,630</u>

	Directors' fees	Salaries and other benefits	Retirement benefit scheme contributions	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
For the year ended				
31 March 2016				
Executive directors:				
Mr. Hui	1,500	—	—	1,500
Ms. Tong	1,500	—	—	1,500
Ms. Rebecca Hui	—	104	5	109
Mr. Eric Hui	—	223	5	228
	<u>3,000</u>	<u>327</u>	<u>10</u>	<u>3,337</u>
Total	<u>3,000</u>	<u>327</u>	<u>10</u>	<u>3,337</u>

	Directors' fees <i>HK\$'000</i>	Salaries and other benefits <i>HK\$'000</i>	Retirement benefit scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended				
31 March 2017				
Executive directors:				
Mr. Hui	120	—	—	120
Ms. Tong	120	—	—	120
Ms. Rebecca Hui	—	106	5	111
Mr. Eric Hui	200	106	5	311
	<u>440</u>	<u>212</u>	<u>10</u>	<u>662</u>
Total	<u>440</u>	<u>212</u>	<u>10</u>	<u>662</u>

	Directors' fees <i>HK\$'000</i>	Salaries and other benefits <i>HK\$'000</i>	Retirement benefit scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the four months ended				
31 July 2016 (unaudited)				
Executive directors:				
Mr. Hui	40	—	—	40
Ms. Tong	40	—	—	40
Ms. Rebecca Hui	—	32	2	34
Mr. Eric Hui	66	32	2	100
	<u>146</u>	<u>64</u>	<u>4</u>	<u>214</u>
Total	<u>146</u>	<u>64</u>	<u>4</u>	<u>214</u>

	Directors' fees <i>HK\$'000</i>	Salaries and other benefits <i>HK\$'000</i>	Retirement benefit scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the four months ended				
31 July 2017				
Executive directors:				
Mr. Hui	—	61	3	64
Ms. Tong	—	40	2	42
Ms. Rebecca Hui	—	40	2	42
Mr. Eric Hui	—	40	2	42
Mr. Kong Man Ho ("Mr. Kong")	—	24	1	25
Non-Executive director:				
Mr. Ong Chor Wei	—	—	—	—
	<u>—</u>	<u>205</u>	<u>10</u>	<u>215</u>
Total	<u>—</u>	<u>205</u>	<u>10</u>	<u>215</u>

The emoluments of the above directors include those services rendered by them to the companies now comprising the Group during the Track Record Period.

Mr. Hui, Ms. Tong, Mr. Eric Hui and Ms. Rebecca Hui were appointed as executive directors of the Company on 24 March 2017. Mr. Kong was appointed as executive director of the Company on 23 June 2017. Each of Mr. Hui, Ms. Tong, Mr. Eric Hui and Ms. Rebecca Hui were redesignated as executive directors of the Company and Mr. Hui and Mr. Eric Hui were appointed as the chairman of the board of directors and chief executive officer of the Company, respectively on 23 June 2017. None of the directors or the chief executive waived or agreed to waive any emoluments during the Track Record Period.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Group.

Non-executive director

Mr. Ong Chor Wei was appointed as non-executive director of the Company on 23 June 2017.

Independent non-executive directors

No independent non-executive directors were appointed by the Company during the Track Record Period. Mr. Lam Kwong Siu, Mr. Tse Yung Hoi and Mr. Wong Hei Chiu were appointed as independent non-executive directors of the Company on 16 January 2018.

15. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group during the years ended 31 March 2015, 2016 and 2017 and four months ended 31 July 2016 and 2017 include four, two, one, one (unaudited) and nil directors in each of the respective years/periods, details of whose emoluments are set out in Note 14 above. Details of the emoluments of the remaining one, three, four, four (unaudited) and five individuals in each of the respective years/periods are as follows:

	For the year ended 31 March			For the four months ended 31 July	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (unaudited)	2017 HK\$'000
Salaries and other benefits	244	726	975	301	395
Retirement benefit scheme contribution	<u>12</u>	<u>34</u>	<u>44</u>	<u>14</u>	<u>20</u>
	<u>256</u>	<u>760</u>	<u>1,019</u>	<u>315</u>	<u>415</u>

The emoluments were within the following bands:

	Number of employees				
	For the year ended 31 March			For the four months ended 31 July	
	2015	2016	2017	2016 (unaudited)	2017
Not exceeding HK\$1,000,000	<u>1</u>	<u>3</u>	<u>4</u>	<u>4</u>	<u>5</u>

During the Track Record Period, no emoluments were paid by the Group to any of the directors of the Company or the chief executive or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST					
At 1 April 2014	—	1,115	1,134	9,334	11,583
Additions	19,239	1,049	456	2,152	22,896
Disposals/write-off	—	—	—	(1,285)	(1,285)
At 31 March 2015	19,239	2,164	1,590	10,201	33,194
Additions	—	—	211	1,497	1,708
Disposals/write-off	—	—	—	(553)	(553)
At 31 March 2016	19,239	2,164	1,801	11,145	34,349
Additions	—	—	425	681	1,106
Disposals/write-off	—	(30)	(19)	(999)	(1,048)
At 31 March 2017	19,239	2,134	2,207	10,827	34,407
Additions	—	—	17	33	50
At 31 July 2017	19,239	2,134	2,224	10,860	34,457
DEPRECIATION					
At 1 April 2014	—	152	978	5,646	6,776
Provided for the year	583	64	152	1,721	2,520
Eliminated on disposals/ /write-off	—	—	—	(1,285)	(1,285)
At 31 March 2015	583	216	1,130	6,082	8,011
Provided for the year	601	64	165	1,837	2,667
Eliminated on disposals/ /write-off	—	—	—	(553)	(553)
At 31 March 2016	1,184	280	1,295	7,366	10,125
Provided for the year	583	64	195	1,805	2,647
Eliminated on disposals/ write-off	—	(7)	(19)	(899)	(925)
At 31 March 2017	1,767	337	1,471	8,272	11,847
Provided for the period	195	21	80	522	818
At 31 July 2017	1,962	358	1,551	8,794	12,665
CARRYING VALUES					
At 31 March 2015	18,656	1,948	460	4,119	25,183
At 31 March 2016	18,055	1,884	506	3,779	24,224
At 31 March 2017	17,472	1,797	736	2,555	22,560
At 31 July 2017	17,277	1,776	673	2,066	21,792

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Leasehold land and building	Over the term of the relevant lease
Leasehold improvements	Over the shorter of the term of the relevant lease or 5 years
Furniture, fixtures and equipment	Over 5 years
Motor vehicles	Over 3 to 5 years

As at 31 March 2015, 2016 and 2017 and 31 July 2017, the net book value of motor vehicles included an amount of HK\$3,759,000, HK\$2,319,000, HK\$553,000 and HK\$350,000, respectively in respect of assets held under finance leases.

As at 31 March 2015, 2016 and 2017 and 31 July 2017, the Group pledged its leasehold land and building of HK\$18,656,000, HK\$18,055,000, HK\$17,472,000 and HK\$17,277,000, respectively to secure its bank borrowings.

The leasehold land and building is located in Hong Kong.

17. INVENTORIES

	As at 31 March			As at
	2015	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000	2017
Raw materials	2,626	1,143	192	361
Finished goods	<u>2,818</u>	<u>4,728</u>	<u>5,761</u>	<u>6,635</u>
	<u>5,444</u>	<u>5,871</u>	<u>5,953</u>	<u>6,996</u>

18. TRADE AND OTHER RECEIVABLES

The Group	As at 31 March			As at
	2015	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000	2017
Trade receivables	20,755	23,847	27,736	31,395
Trade deposits paid	8,680	17,639	21,656	22,805
Deposits and prepayments	335	269	4,676	3,649
Receivables due from suppliers	<u>—</u>	<u>1,312</u>	<u>2,234</u>	<u>919</u>
Total trade and other receivables	<u>29,770</u>	<u>43,067</u>	<u>56,302</u>	<u>58,768</u>

The Company	As at	
	31 March	31 July
	2017	2017
Deposits and prepayments	<u>—</u>	<u>3,437</u>

The Group allows average credit period ranging from 15 to 30 days which are agreed with each of its trade customers.

The following is an aged analysis of trade receivables presented based on invoice date at the end of each reporting period, net of allowance for doubtful debts:

	As at 31 March			As at
	2015	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000	2017
0–30 days	18,424	19,040	25,156	28,125
31–60 days	1,435	1,698	1,921	2,495
61–90 days	530	1,552	630	741
Over 90 days	366	1,557	29	34
	<u>20,755</u>	<u>23,847</u>	<u>27,736</u>	<u>31,395</u>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Recoverability of the existing customers is reviewed by the Group regularly.

Included in the Group's trade receivables balances as at 31 March 2015, 2016 and 2017 and 31 July 2017 were receivables with aggregate carrying amounts of HK\$2,331,000, HK\$4,807,000, HK\$2,580,000 and HK\$3,270,000, respectively, which are past due at each reporting period for which the Group has not provided for impairment loss as these balances were either subsequently settled or there has not been a significant change in credit quality and the amounts are still considered recoverable. Accordingly, the directors of the Company believe that no impairment loss was required. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired based on invoice date

	As at 31 March			As at
	2015	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000	2017
Overdue for:				
0–30 days	1,435	1,698	1,921	2,495
31–60 days	530	1,552	630	741
61–90 days	—	768	29	18
Over 90 days	366	789	—	16
	<u>2,331</u>	<u>4,807</u>	<u>2,580</u>	<u>3,270</u>

Movement of the allowance for doubtful debts

	As at 31 March			As at
	2015	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000	2017
Balance at beginning of the year/period	—	—	—	—
Impairment loss recognised on receivables	2	67	—	—
Amounts written-off as uncollectible	(2)	(67)	—	—
Balance at the end of the year/period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

(iii) Amounts due to directors

	As at 31 March			As at
	2015	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000	2017
Mr. Hui	18,784	27,814	29,688	29,903
Ms. Tong	453	2,164	3,285	—
Mr. Eric Hui	—	—	200	—
	<u>19,237</u>	<u>29,978</u>	<u>33,173</u>	<u>29,903</u>

The amounts are non-trade related, unsecured, interest-free and repayable on demand.

20. TIME DEPOSITS AND BANK BALANCES AND CASH

As at 31 March 2017 and 31 July 2017, time deposits with original maturity more than three months carried at interest rate of 0.02% and 0.02% per annum, respectively.

Bank balances and cash comprise cash on hand and bank balances. Bank balances carried interest at prevailing market interest rates which were 0.01%, 0.01%, 0.01% and 0.01% per annum as at 31 March 2015, 2016 and 2017 and 31 July 2017, respectively.

21. TRADE AND OTHER PAYABLES

The Group	As at 31 March			As at
	2015	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000	2017
Trade payables	1,790	1,043	645	465
Trade deposits received	1,547	608	582	602
Other payables and accruals	<u>87</u>	<u>482</u>	<u>1,743</u>	<u>4,494</u>
Total trade and other payables	<u>3,424</u>	<u>2,133</u>	<u>2,970</u>	<u>5,561</u>
			As at	As at
			31 March	31 July
			2017	2017
The Company			HK\$'000	HK\$'000
Other payables and accruals			<u>—</u>	<u>3,335</u>

The credit period on trade payables ranged from 30 to 60 days.

The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	As at 31 March			As at
	2015	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000	2017
0–30 days	<u>1,790</u>	<u>1,043</u>	<u>645</u>	<u>465</u>

22. OBLIGATIONS UNDER FINANCE LEASES

The Group leased its motor vehicles under finance leases. The lease terms are ranging from 3 to 5 years and interest rate underlying all obligations under finance leases are fixed at respective contract dates ranging from 1.80% to 4.85% per annum during the Track Record Period.

	Minimum lease payments			Present value of minimum lease payments			
	As at 31 March		As at 31 July	As at 31 March			As at 31 July
	2015	2016	2017	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable under finance leases:							
Within one year	1,176	703	326	326	1,112	667	312
In more than one year but not more than two years	654	326	262	145	629	307	143
In more than two years but not more than five years	<u>382</u>	<u>262</u>	<u>—</u>	<u>—</u>	<u>367</u>	<u>257</u>	<u>—</u>
	2,212	1,291	588	471	2,108	1,231	455
Less: future finance charges	<u>(104)</u>	<u>(60)</u>	<u>(24)</u>	<u>(16)</u>			
Present value of lease obligations	<u>2,108</u>	<u>1,231</u>	<u>564</u>	<u>455</u>			
Less: Amount due for settlement within twelve months (shown under current liabilities)					<u>(1,112)</u>	<u>(667)</u>	<u>(312)</u>
Amount due for settlement after twelve months					<u>996</u>	<u>564</u>	<u>143</u>

23. BANK BORROWINGS

	As at 31 March			As at
	2015	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Bank borrowings:				
Secured and guaranteed bank loans	<u>26,605</u>	<u>25,000</u>	<u>19,971</u>	<u>18,832</u>
Analysis by:				
Bank borrowings repayable within one year (<i>Note</i>)	3,275	5,030	3,444	3,295
Carrying amount of bank borrowings that are not repayable within one year but contain a repayment on demand clause (shown as current liabilities)	<u>23,330</u>	<u>19,970</u>	<u>16,527</u>	<u>15,537</u>
Amounts due within one year shown under current liabilities	<u>26,605</u>	<u>25,000</u>	<u>19,971</u>	<u>18,832</u>
The carrying amounts of bank loans that contain a repayment on demand clause (shown under current liabilities) but repayable*:				
Within one year	3,275	5,030	3,444	3,295
Within a period of more than one year but not exceeding two years	3,360	3,444	2,635	2,478
Within a period of more than two years but not exceeding five years	8,597	7,736	7,749	9,308
Within a period of more than five years	<u>11,373</u>	<u>8,790</u>	<u>6,143</u>	<u>3,751</u>
	<u>26,605</u>	<u>25,000</u>	<u>19,971</u>	<u>18,832</u>

* The amounts due are based on schedule repayment date set out in the loan agreements.

Note: All bank borrowings contain a repayment on demand clause and are shown under current liabilities.

All bank loans were secured by charges either over leasehold land and building of the Group or certain properties held by Mr. Hui and related parties, of which Mr. Hui/Ms. Tong are the controlling shareholders. In addition, these borrowings are also guaranteed either by Mr. Hui and Ms. Tong or related companies, of which Mr. Hui/Ms. Tong are the controlling shareholders. Details are as follows:

	As at 31 March			As at
	2015	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Carrying amounts of bank loans that are:				
Secured by leasehold land and building of the Group and guaranteed by Mr. Hui and Ms. Tong	6,977	6,570	6,154	6,012
Secured by leasehold land and building of Mr. Hui and guaranteed by Mr. Hui and Ms. Tong	3,239	2,244	1,223	877
Secured by leasehold land and building of related companies and guaranteed by Mr. Hui, Ms. Tong and related companies	<u>16,389</u>	<u>16,186</u>	<u>12,594</u>	<u>11,943</u>
	<u>26,605</u>	<u>25,000</u>	<u>19,971</u>	<u>18,832</u>

The directors of the Company represent that all the pledge of properties held by Mr. Hui and the related parties and guarantees provided by Mr. Hui, Ms. Tong and the related companies will be released upon the listing of the Company's shares on the Stock Exchange.

The bank loans carry interests at Hong Kong Prime Rate ("HK Prime Rate") less 0.25% to 2.75% per annum. The effective interest rates of the bank loans as at 31 March 2015, 2016 and 2017 and 31 July 2017 (which are also equal to contractual interest rate) range from 2.1% to 2.7%, 2.2% to 2.7%, 2.1% to 2.7% and 2.1% to 2.7%, respectively.

24. DEFERRED TAXATION

The Group's deferred tax liabilities (assets) recognised as at 31 March 2015, 2016 and 2017 and 31 July 2017 relating to accelerated tax depreciation of property, plant and equipment and tax losses and movement thereon during the Track Record Period are as follows:

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 April 2014	277	(105)	172
Charge to profit or loss	<u>173</u>	<u>6</u>	<u>179</u>
At 31 March 2015	450	(99)	351
Charge (credit) to profit or loss	<u>53</u>	<u>(106)</u>	<u>(53)</u>
At 31 March 2016	503	(205)	298
(Credit) charge to profit or loss	<u>(103)</u>	<u>71</u>	<u>(32)</u>
At 31 March 2017	400	(134)	266
Charge (credit) to profit or loss	<u>15</u>	<u>(1)</u>	<u>14</u>
At 31 July 2017	<u>415</u>	<u>(135)</u>	<u>280</u>

The Group has unused tax losses of HK\$710,000, HK\$1,345,000, HK\$1,044,000 and HK\$939,000 as at 31 March 2015, 2016 and 2017 and 31 July 2017, respectively available to offset against future profits. Deferred tax assets have been recognised in respect of HK\$598,000, HK\$1,240,000, HK\$812,000 and HK\$818,000 of such losses as at 31 March 2015, 2016 and 2017 and 31 July 2017, respectively. No deferred tax asset has been recognised in respect of the remaining HK\$112,000, HK\$105,000, HK\$232,000 and HK\$121,000 as at 31 March 2015, 2016 and 2017 and 31 July 2017, respectively due to the unpredictability of future profit streams.

25. SHARE CAPITAL

The Company was incorporated on 24 March 2017.

On 12 April 2017, the Company acquired 11,000 shares of Billion Harvest in consideration of allotment and issuance of 749 shares of the Company to Max Fortune. The Company becomes the immediate holding company of Billion Harvest and Max Fortune becomes the ultimate holding company of the Company. The Group Reorganisation has been completed on the same date.

The share capital as at 1 April 2014, 31 March 2015 and 31 March 2016 represented the combined issued share capital of following companies:

	As at 1 April 2014 <i>HK\$'000</i>	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>
The Company	N/A	N/A	N/A
Billion Harvest	N/A	N/A	N/A
Billion Faith	10	10	10
Carmen Logistics	—*	—*	—*
Grand Wealthy	10	10	10
Tien Fung Hong	20	20	50
Yee Sing Hong	—*	—*	—*
Yee Sing Logistics	9	9	9
	<u>49</u>	<u>49</u>	<u>79</u>

* *Less than HK\$1,000.*

The share capital as at 31 March 2017 represented the aggregate issued share capital of Billion Harvest and the Company of HK\$86,000.

The share capital as at 31 July 2017 represented the issued share capital of the Company.

Details of movements of authorised and issued share capital of the Company are as follows:

	Number of share	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 24 March 2017 (date of incorporation), 31 March 2017 and 31 July 2017	<u>38,000,000</u>	<u>380</u>
Issued and fully paid:		
At 24 March 2017 (date of incorporation) and 31 March 2017	1	—*
Issued on 12 April 2017 (date of completion of the Group Reorganisation)	<u>749</u>	<u>—*</u>
At 31 July 2017	<u>750</u>	<u>—*</u>

* *Less than HK\$1,000.*

26. HISTORICAL FINANCIAL INFORMATION OF THE COMPANY

(a) Particular of subsidiaries

As at the date of this report, the Company has direct and indirect equity interests in the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and full paid capital				Shareholding/equity interest attributable to the Company as at				The date of this report	Principal activities	Notes
		31 March 2015	31 March 2016	31 March 2017	31 July 2017	31 March 2015	31 March 2016	31 March 2017	31 July 2017			
Billion Harvest	BVI, 5 January 2017	—	—	US\$11,000	US\$11,000	—	—	100%	100%	100%	Investment holding	(a)
Billion Faith 億暉(香港)有限公司	Hong Kong, 17 October 2005	HK\$10,000	HK\$10,000	HK\$10,000	HK\$10,000	100%	100%	100%	100%	100%	Provision of fleet cards service and handling sales of lubricant oil for the Group's subsidiaries	(b)
Carmen Logistics 裕豪物流有限公司	Hong Kong, 19 March 2012	HK\$2	HK\$2	HK\$2	HK\$2	100%	100%	100%	100%	100%	Provision of transportation services to the Group's subsidiaries	(b)
Diamond Decade	BVI, 23 January 2017	—	—	US\$1,000	US\$1,000	—	—	100%	100%	100%	Investment holding	(a)
Grand Wealthy 駿匯集團有限公司	Hong Kong, 12 March 2003	HK\$10,000	HK\$10,000	HK\$10,000	HK\$10,000	100%	100%	100%	100%	100%	Provision of fleet cards service	(b)
Tien Fung Hong 佃豐行集團有限公司	Hong Kong, 4 February 2004	HK\$20,000	HK\$50,000	HK\$50,000	HK\$50,000	100%	100%	100%	100%	100%	Provision of fleet cards service and handling sales of lubricant oil for the Group's subsidiaries	(b)
Trillion Star	BVI, 1 December 2016	—	—	US\$1,000	US\$1,000	—	—	100%	100%	100%	Investment holding	(a)
Tycoon City	BVI, 28 November 2016	—	—	US\$1,000	US\$1,000	—	—	100%	100%	100%	Investment holding	(a)
Yee Sing Hong 義盛行石油化工有限公司	Hong Kong, 1 February 2002	HK\$200	HK\$200	HK\$200	HK\$200	100%	100%	100%	100%	100%	Sales of diesel, lubricant oil and others	(b)
Yee Sing Logistics 義盛物流運輸有限公司	Hong Kong, 20 September 2002	HK\$10,000	HK\$10,000	HK\$10,000	HK\$10,000	90%	90%	100%	100%	100%	Provision of transportation services to the Group's subsidiaries	(b)

Notes:

- (a) No statutory audited financial statements of Billion Harvest, Diamond Decade, Trillion Star and Tycoon City have been prepared since their respective dates of incorporation as they are incorporated in jurisdictions where there are no statutory audit requirements.

(b) The statutory financial statements of Billion Faith, Carmen Logistics, Grand Wealthy, Tien Fung Hong, Yee Sing Hong and Yee Sing Logistics for the years ended 31 March 2015 and 2016 were prepared in accordance with Small and Medium-sized Entity Financial Reporting Standards issued by the HKICPA and were audited by Paul W. C. Ho & Company, Certified Public Accountants (Practicing). The statutory financial statements of Billion Faith, Carmen Logistics, Grand Wealthy, Tien Fung Hong, Yee Sing Hong and Yee Sing Logistics for the year ended 31 March 2017 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by us.

- (b) Amount due from ultimate holding company is unsecured, interest-free and repayment on demand.
- (c) The amount due to a subsidiary is non-trade related, unsecured, interest free and repayable on demand.

27. PLEDGED ASSETS

At the end of the reporting period, the Group has following assets being pledged:

	As at 31 March			As at
	2015	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000	2017
Leasehold land and building	18,656	18,055	17,472	17,277
Motor vehicles	<u>3,759</u>	<u>2,319</u>	<u>553</u>	<u>350</u>
	<u>22,415</u>	<u>20,374</u>	<u>18,025</u>	<u>17,627</u>

28. CONTINGENT LIABILITIES

	As at 31 March			As at
	2015	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000	2017
Corporate guarantees given to the banks in respect of banking facilities granted to its related companies (<i>note</i>)				
— Evertex	3,800	3,800	3,800	3,800
— Hui's Property & Investment Limited ("Hui's Property")	2,000	—	—	—
— Tech Famous International Limited	<u>—</u>	<u>3,680</u>	<u>3,680</u>	<u>—</u>
	<u>5,800</u>	<u>7,480</u>	<u>7,480</u>	<u>3,800</u>
Utilised amount of banking facilities by the related companies	<u>2,831</u>	<u>5,824</u>	<u>4,792</u>	<u>1,581</u>

Note: Mr. Hui/Ms. Tong are the controlling shareholders of these companies.

The directors of the Company represent that the fair values of the above corporate guarantees are insignificant and they will be released upon the listing of the Company's shares on the Stock Exchange.

In addition, the Group has also issued letters of guarantees through the banking facilities granted, to certain suppliers amounting to HK\$7,800,000, HK\$9,000,000, HK\$9,500,000 and HK\$9,500,000 as at 31 March 2015, 31 March 2016, 31 March 2017 and 31 July 2017, respectively. The facilities are secured by charges over either leasehold land and building of the Group or certain properties held by Mr. Hui and related parties, of which Mr. Hui/Ms. Tong are the controlling shareholders. The facilities are also guaranteed either by Mr. Hui and Ms. Tong and related companies, of which Mr. Hui/Ms. Tong are the controlling shareholders. The directors of the Company represent that all the secured properties held by Mr. Hui and related parties, guarantees from Mr. Hui, Ms. Tong and related parties will be released upon listing of the Company's shares on the Stock Exchange.

29. OPERATING LEASE COMMITMENTS

At 31 March 2015, 2016 and 2017 and 31 July 2017, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of carparks, office premises and warehouse which fall due as follows:

	As at 31 March			As at
	2015	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000	2017
Within one year	1,464	687	1,562	1,623
In the second year to fifth year inclusive	<u>610</u>	<u>26</u>	<u>640</u>	<u>214</u>
	<u>2,074</u>	<u>713</u>	<u>2,202</u>	<u>1,837</u>

Included in the above is lease commitment with related parties and Mr. Hui as follows:

	As at 31 March			As at
	2015	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000	2017
Within one year	1,464	610	1,536	1,536
In the second year to fifth year inclusive	<u>610</u>	<u>—</u>	<u>640</u>	<u>128</u>
	<u>2,074</u>	<u>610</u>	<u>2,176</u>	<u>1,664</u>

Leases are for a term of 2 years and rentals are fixed for an average of 2 years.

30. RETIREMENT BENEFIT PLANS

The Group operates the MPF Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes at the lower of HK\$1,250 (increased to HK\$1,500 per month effective from 1 June 2014) per month or 5% of the relevant payroll costs to the MPF Scheme.

The total costs charged to profit or loss of HK\$166,000, HK\$198,000, HK\$188,000, HK\$58,000 and HK\$79,000 represent contributions paid or payable to the scheme by the Group for the years ended 31 March 2015, 2016 and 2017, and four months ended 31 July 2016 (unaudited) and 2017, respectively.

At the end of each reporting period, there were no forfeited contributions which arose upon employees leaving the scheme prior to their interests in the Group's contributions becoming fully vested and which are available to reduce the contributions payable by the Group in future years.

31. RELATED PARTY DISCLOSURES

- (a) During the Track Record Period, other than those disclosed in other notes, the Group entered into the following significant transactions with related parties:

Related parties	Nature of transactions	For the year ended 31 March			For the four months ended 31 July	
		2015	2016	2017	2016	2017
		(unaudited)				
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Yee Sing Hong Petroleum Products Limited ("Yee Sing Hong Petroleum") (note)	Rental expense paid	300	300	321	100	112
	Logistics service expenses paid	60	35	—	—	—
Bright Ford Development Limited (note)	Rental expense paid	576	576	576	192	192
Sunny Gainer Investment Limited (note)	Rental expense paid	288	288	288	96	96
Evertex	Interest income received	86	71	57	21	16
Mr. Hui	Rental expense paid	<u>300</u>	<u>300</u>	<u>321</u>	<u>100</u>	<u>112</u>

Note: Mr. Hui/Ms. Tong are the controlling shareholders of these companies.

- (b) Details of the balances with related companies are set out in the consolidated statements of financial position and in Note 19.
- (c) Details of corporate guarantees given to the banks in respect of banking facilities granted to the related companies are set out in Note 28.
- (d) Details of personal guarantees, corporate guarantees and pledges given by Mr. Hui, Ms. Tong and related parties are set out in Note 23.
- (e) The compensation paid to the directors of the Company who are also key management personnel was disclosed in Note 14.

32. MAJOR NON-CASH TRANSACTION

- (a) During the Track Record Period, all dividends declared to the controlling shareholders were settled through amounts due to directors.

- (b) As at 31 March 2015, 2016 and 2017 and 31 July 2017, the following amounts due from (to) related companies were assigned to Mr. Hui and Ms. Tong.

Related companies	Assigned to	As at 31 March			As at
		2015	2016	2017	31 July
		HK\$'000	HK\$'000	HK\$'000	2017
					HK\$'000
Hui's International Enterprises Ltd (<i>note i</i>)	Mr. Hui	—	(3,190)	—	—
Hui's Property (<i>note i</i>)	Mr. Hui	(100)	(9,130)	—	—
Regal Winner Development Ltd (<i>note ii</i>)	Mr. Hui	554	—	—	—
Regal Winner Development Ltd (<i>note ii</i>)	Ms. Tong	(7)	—	—	—
Yee Sing Hong Petroleum (<i>note i</i>)	Mr. Hui	<u>(32)</u>	<u>—</u>	<u>—</u>	<u>—</u>

Notes:

- (i) Mr. Hui/Ms. Tong are the controlling shareholders of these companies.
- (ii) Mr. Hui was the controlling shareholder of these companies.
- (c) During the years ended 31 March 2015 and 2016, the Group entered into finance lease arrangements to finance partly the motor vehicles with total capital value at the inceptions of the leases of HK\$1,701,000 and HK\$499,000, respectively. The amounts of the respective finance leases entered into are HK\$891,000 and HK\$300,000, respectively.

33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debt, which includes amounts due to directors, obligations under finance leases and bank borrowings disclosed in Notes 19, 22 and 23, net of cash and cash equivalent, and equity attributable to owners of the Group, comprising issued share capital, capital reserve and retained profits.

The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends as well as the issue of new debt or redemption of existing debt.

34. FINANCIAL INSTRUMENTS

34a. Categories of financial instruments

	As at 31 March			As at
	2015	2016	2017	31 July
	HK\$'000	HK\$'000	HK\$'000	2017
The Group				
Financial assets				
Loans and receivables (including cash and cash equivalents)	30,354	42,762	48,334	49,306
Financial liabilities				
Amortised cost	47,632	56,021	53,789	49,200
Obligations under finance leases	2,108	1,231	564	455
The Company				
Financial liabilities				
Amount due to a subsidiary	—	—	—	8,813

34b. Financial risk management objectives and policies

The Group's and the Company's major financial instruments include trade and other receivables, amount due from ultimate holding company, loan to a related company, time deposits, bank balances and cash, trade and other payables, amounts due to directors, amount due to a subsidiary and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. 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 on a timely and effective manner.

Market risk*(i) Interest rate risk*

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (Note 20) and variable-rate bank borrowings (Note 23). The Group currently does not have any interest rate hedging policy. The management of the Group monitors the Group's exposure on ongoing basis and will consider hedging any significant interest rate risks.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prevailing market interest rates arising from the Group's bank balances and HK Prime Rate arising from the Group's variable-rate bank borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable-rate bank balances and variable-rate bank borrowings. The analysis is prepared assuming the variable-rate bank balances and variable-rate bank borrowings at the end of the reporting period were outstanding for the whole year/period. 20 basis points for bank balances and 50 basis points for bank borrowings represent management's assessment of the reasonably possible change in interest rates.

If interest rates have been 20 basis points for bank balances and 50 basis points for bank borrowings higher/lower and all other variables were held constant, effects on the Group's profit after taxation for each of the three years ended 31 March 2015, 2016 and 2017 and the four months ended 31 July 2017 would decrease/increase by approximately HK\$999,000, HK\$789,000, HK\$574,000 and HK\$182,000, respectively.

Credit risk

At the end of each reporting period, other than financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from the amount of contingent liabilities in relation to financial guarantees provided by the Group to its related companies as disclosed in Note 28.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

The Group has concentration of credit risk as 4.2%, 3.3%, 2.3% and 1.5% of the total gross trade receivables was due from the Group's largest customer as at 31 March 2015, 2016 and 2017 and 31 July 2017, respectively, and 11.2%, 6.6%, 9.0% and 11.0% of the total gross trade receivables was due from the five largest customers as at 31 March 2015, 2016 and 2017 and 31 July 2017, respectively.

In addition, the Group has concentration of credit risk on loan to a related company, the management of the Group assesses the recoverability by reviewing its financial position and results periodically and considers the credit risk to be insignificant.

Liquidity risk

In the management of the liquidity risk, the Group and the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates.

Liquidity and interest risk table

The table includes both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average effective interest rate %	On demand or less than 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.3.2015 HK\$'000
The Group					
31 March 2015					
Trade payables	—	1,790	—	1,790	1,790
Amounts due to directors	—	19,237	—	19,237	19,237
Obligations under finance leases	2.5	1,176	1,036	2,212	2,108
Bank borrowings	2.5	26,605	—	26,605	26,605
Financial guarantee contracts	—	5,800	—	5,800	—
		<u>54,608</u>	<u>1,036</u>	<u>55,644</u>	<u>49,740</u>
31 March 2016					
Trade payables	—	1,043	—	1,043	1,043
Amounts due to directors	—	29,978	—	29,978	29,978
Obligations under finance leases	2.5	703	588	1,291	1,231
Bank borrowings	2.5	25,000	—	25,000	25,000
Financial guarantee contracts	—	7,480	—	7,480	—
		<u>64,204</u>	<u>588</u>	<u>64,792</u>	<u>57,252</u>
31 March 2017					
Trade payables	—	645	—	645	645
Amounts due to directors	—	33,173	—	33,173	33,173
Obligations under finance leases	2.5	326	262	588	564
Bank borrowings	2.5	19,971	—	19,971	19,971
Financial guarantee contracts	—	7,480	—	7,480	—
		<u>61,595</u>	<u>262</u>	<u>61,857</u>	<u>54,353</u>
31 July 2017					
Trade payables	—	465	—	465	465
Amounts due to directors	—	29,903	—	29,903	29,903
Obligations under finance leases	2.5	326	145	471	455
Bank borrowings	2.5	18,832	—	18,832	18,832
Financial guarantee contracts	—	3,800	—	3,800	—
		<u>53,326</u>	<u>145</u>	<u>53,471</u>	<u>49,655</u>

	Weighted average effective interest rate %	On demand or less than 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.3.2017 HK\$'000
<u>The Company</u> 31 July 2017	—	8,813	—	8,813	8,813
Amount due to a subsidiary	—	8,813	—	8,813	8,813

Bank borrowings with a repayment on demand clause are included in the “on demand or less than 1 year” time band in the above maturity analysis. As at 31 March 2015, 2016 and 2017 and 31 July 2017, the aggregate undiscounted principal amounts of these bank borrowings amounted to HK\$26,605,000, HK\$25,000,000, HK\$19,971,000 and HK\$18,832,000, respectively. Taking into account the Group’s financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid after the end of reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out below.

**Maturity Analysis — Bank borrowings with a repayment
on demand clause based on scheduled repayments**

	Less than 1 year HK\$'000	1–2 years HK\$'000	2–5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash outflows HK\$'000	Carrying amount HK\$'000
31 March 2015	3,898	3,898	9,742	12,207	29,745	26,605
31 March 2016	5,587	3,898	8,677	9,374	27,536	25,000
31 March 2017	3,898	3,011	8,499	6,541	21,949	19,971
31 July 2017	<u>3,720</u>	<u>2,833</u>	<u>10,008</u>	<u>4,088</u>	<u>20,649</u>	<u>18,832</u>

The amounts included above for financial guarantee contracts are the maximum amounts the Group and the Company could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group and the Company consider that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

34c. Fair value measurements of financial statements

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Bank borrowings	Obligations under finance leases	Amounts due to directors	Amounts due to related companies	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2014	22,673	2,360	13,969	—	39,002
Financing cash flows (<i>note</i>)	3,274	(1,247)	(3,902)	(415)	(2,290)
Finance cost recognised	658	104	—	—	762
<i>Non-cash changes</i>					
Reclassification (<i>Note 32(b)</i>)	—	—	(415)	415	—
Acquisition of property, plant and equipment (<i>Note 32(c)</i>)	—	891	—	—	891
Dividend declared (<i>Notes 12 and 32(a)</i>)	—	—	9,585	—	9,585
	<u>—</u>	<u>—</u>	<u>9,585</u>	<u>—</u>	<u>9,585</u>
At 31 March 2015	26,605	2,108	19,237	—	47,950
Financing cash flows (<i>note</i>)	(2,275)	(1,244)	(11,789)	12,320	(2,988)
Finance cost recognised	670	67	—	—	737
<i>Non-cash changes</i>					
Reclassification (<i>Note 32(b)</i>)	—	—	12,320	(12,320)	—
Acquisition of property, plant and equipment (<i>Note 32(c)</i>)	—	300	—	—	300
Dividend declared (<i>Notes 12 and 32(a)</i>)	—	—	10,210	—	10,210
	<u>—</u>	<u>—</u>	<u>10,210</u>	<u>—</u>	<u>10,210</u>

	Bank borrowings <i>HK\$'000</i>	Obligations under finance leases <i>HK\$'000</i>	Amounts due to directors <i>HK\$'000</i>	Amounts due to related companies <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 March 2016	25,000	1,231	29,978	—	56,209
Financing cash flows (<i>note</i>)	(5,582)	(703)	(1,805)	—	(8,090)
Finance cost recognised	553	36	—	—	589
<i>Non-cash changes</i>					
Dividend declared (<i>Notes 12 and 32(a)</i>)	—	—	5,000	—	5,000
At 31 March 2017	19,971	564	33,173	—	53,708
Financing cash flows (<i>note</i>)	(1,300)	(117)	(3,270)	—	(4,687)
Finance cost recognised	161	8	—	—	169
At 31 July 2017	<u>18,832</u>	<u>455</u>	<u>29,903</u>	<u>—</u>	<u>49,190</u>
(unaudited)					
At 1 April 2016	25,000	1,231	29,978	—	56,209
Financing cash flows (<i>note</i>)	(1,973)	(344)	(2,870)	—	(5,187)
Finance cost recognised	199	15	—	—	214
At 31 July 2016	<u>23,226</u>	<u>902</u>	<u>27,108</u>	<u>—</u>	<u>51,236</u>

Note: The cash flows represent the proceeds from and repayment of bank borrowings, interest paid, repayment of obligations under finance leases and advances and repayment of amounts due to directors/related companies in the consolidated statements of cash flows.

36. EVENT AFTER REPORTING PERIOD

The following events took place subsequent to 31 July 2017:

On 16 January 2018, written resolutions of the shareholders of the Company were passed to approve the followings:

- (a) the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares to HK\$100,000,000 divided into 10,000,000,000 shares by the creation of an additional 9,962,000,000 shares of HK\$0.01 each;
- (b) the capitalisation of the amount due to Mr. Hui of approximately HK\$27.7 million and to allot and issue 250 shares, credited as fully paid, to Mr. Hui (for such person as he directs). At the direction of Mr. Hui, 240 shares were allotted and issued to Max Fortune and 10 shares were allotted and issued to the Pre-IPO Investor (as defined in Note 36(c)) on 30 January 2018;

- (c) conditional upon the share premium account of the Company being credited as a result of the listing of shares of the Company on The Stock Exchange of Hong Kong Limited by way of initial public offering, the directors of the Company were authorised to allot and issue a total of 719,999,040 and 29,999,960 shares credited as fully paid at par to Max Fortune and an investment holding company (the “Pre-IPO Investor”), partly financed by a subsidiary of Joyas International Holdings Limited, a company listed in Singapore and in respect to whom, Mr. Ong Chor Wei, the non-executive director of the Company, is a substantial shareholder and director, by way of capitalisation of the sum of HK\$7,499,990 standing to the credit of the share premium account of the Company (“the Capitalisation Issue”); and
- (d) the share option scheme of the Company was conditionally adopted on 16 January 2018 and the principal terms of which are set out in Appendix V to the prospectus.

Save as aforesaid, there were no other significant events took place subsequent to 31 July 2017.

37. DIRECTORS' REMUNERATION

Under the arrangement presently in force, the aggregate remuneration of the Company's directors for the year ending 31 March 2018, excluding discretionary bonus, is estimated to be approximately HK\$1.2 million.

38. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company and any of its subsidiaries have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 31 July 2017.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The statement of unaudited pro forma consolidated net tangible asset of the Group attributable to the owners of the Company prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect the Share Offer on the audited consolidated net tangible assets of the Group attributable to owners of the Company as if the Share Offer had taken place on 31 July 2017.

The statement of unaudited pro forma adjusted consolidated net tangible asset of the Group attributable to owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 July 2017 or at any future dates following the Share Offer.

The following unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company is prepared based on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 July 2017 as shown in the Accountants' Report as set out in Appendix I to this prospectus and adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 July 2017 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Share Offer <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 July 2017 <i>HK\$'000</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 July 2017 per Share <i>HK\$</i> <i>(Note 3)</i>
Based on Offer Price of HK\$0.3 per Offer Share	<u>46,556</u>	<u>55,680</u>	<u>102,236</u>	<u>0.13</u>
Based on Offer Price of HK\$0.5 per Offer Share	<u>46,556</u>	<u>101,430</u>	<u>147,986</u>	<u>0.18</u>

Notes:

1. The audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 July 2017 is extracted from the Accountants' Report set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Share Offer are based on 250,000,000 Offer Shares at Indicative Offer Price range of lower limit and upper limit of HK\$0.3 and HK\$0.5 per Offer Share, respectively, after deduction of the estimated underwriting fees and other related expenses incurred or expected to be incurred by the Group subsequent to 31 July 2017 and does not take into account of the exercise of Offer Size Adjustment Option or any Shares which may be issued upon the exercise of options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to Appendix V to this prospectus.

3. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share is calculated based on 812,500,000 Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue assumed to be on 31 July 2017 but without taking into account of the Settlement (as defined in note 4 below) or the exercise of Offer Size Adjustment Option or any Shares which may be issued upon the exercise of options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred in Appendix V to this prospectus.
4. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group as at 31 July 2017 to reflect any trading result or other transactions of the Group entered into subsequent to 31 July 2017. In particular, the unaudited pro forma adjusted consolidated net tangible assets on the table above have not been adjusted to show the effect of the settlement of the amount due to a director (the “Settlement”) as detailed below.

Subsequent to 31 July 2017, as part of the Reorganisation, the amount due to the director, Mr. Hui Pui Sing of HK\$27,676,000, immediately prior to the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited by way of initial public offering (“the Listing”) was settled by the issuance of 250 shares of the Company.

As at 31 July 2017, the amount due to the director amounted to HK\$29,903,000. Had the Settlement been completed on 31 July 2017, the amount of approximately HK\$27,676,000 will be settled by way of issuance of 250 shares of the Company prior to the Listing and the unaudited pro forma adjusted consolidated net tangible assets of the Group would increase from HK\$102,236,000 to HK\$129,912,000 based on an offer price of HK\$0.3 per share, or from HK\$147,986,000 to HK\$175,662,000 based on an offer price of HK\$0.5 per share. The following table illustrates the impact of the Share Offer and the Settlement on the unaudited pro forma financial information.

	Unaudited pro forma adjusted consolidated net tangible assets of the Group taking into account of the Share Offer and the Settlement HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group per share taking into account of the Share Offer and the Settlement HK\$'000 (Note)
Based on Offer Price of HK\$0.3 per Offer Share	<u>129,912</u>	<u>0.13</u>
Based on Offer Price of HK\$0.5 per Offer Share	<u>175,662</u>	<u>0.18</u>

Note: The number of shares used for calculating the unaudited pro forma adjusted consolidated net tangible assets of the Group per share after taking into account of the Share Offer and the Settlement is based on 1,000,000,000 shares in issue immediately after the Share Offer. It does not take into account of the exercise of Offer Size Adjustment Option or any Shares which may be issued upon the exercise of options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred in Appendix V to this prospectus.

5. By comparing the valuation of office D on 11/F, Billion Plaza 2, No. 10 Cheung Yue Street, Kowloon, Hong Kong (the “Property”) in the valuation report prepared by Greater China Appraisal Limited dated 30 January 2018, the net valuation surplus is approximately HK\$6,118,000 as at 30 November 2017. The valuation surplus of the Property will not be incorporated in the Group’s financial statements in the future. If the valuation surplus were to be included in the consolidated financial statements, an additional annual depreciation charge of approximately HK\$207,000 would be incurred.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
 COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of a report received from our reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus, in respect of the unaudited pro forma financial information of the Group.

Deloitte.**德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Vico International Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Vico International Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of consolidated net tangible assets as at 31 July 2017 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 30 January 2018 (the “Prospectus”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited by way of initial public offering (the “Share Offer”) on the Group’s financial position as at 31 July 2017 as if the Share Offer had taken place at 31 July 2017. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s historical financial information for each of the three years ended 31 March 2017 and the four months ended 31 July 2017, on which an accountants’ report set out in Appendix I to the Prospectus has been published.

Directors’ Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Share Offer at 31 July 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants’ judgment, having regard to the reporting accountants’ understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- a. the unaudited pro forma financial information has been properly compiled on the basis stated;
- b. such basis is consistent with the accounting policies of the Group; and
- c. the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 January 2018

The following is the text of a letter and a valuation certificate prepared for the purpose of incorporating in this prospectus received from Greater China Appraisal Limited, an independent valuer, in connection with their valuation as at 30 November 2017 of the real property interest held by Vico International Holdings Limited and its subsidiaries.

GREATER CHINA APPRAISAL LIMITED
漢華評值有限公司

Room 2703, 27th Floor,
Shui On Centre,
6-8 Harbour Road,
Wanchai, Hong Kong

30 January 2018

The Board of Directors
Vico International Holdings Limited
Office D on 11th Floor, Billion Plaza 2
No.10 Cheung Yue Street
Kowloon
Hong Kong

Dear Sirs,

In accordance with the instructions from Vico International Holdings Limited (the “**Company**”) to value a real property interest held by the Company and/or its subsidiaries (together referred to as the “**Group**”) in Hong Kong, we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the real property interest as at 30 November 2017 (referred to as the “**valuation date**”).

This letter which forms part of our valuation report explains the basis and methodology of valuation, and clarifies our assumptions made, title investigation of the real property and the limiting conditions.

I. BASIS OF VALUATION

The valuation of the real property interest is our opinion of the market value which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

II. VALUATION METHODOLOGY

We have valued the real property interest by using direct comparison approach assuming sale of the real property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable sale transactions as available in the relevant market.

III. ASSUMPTIONS

In valuing the real property held under the Government Lease expiring before 30 June 1997, we have taken account of the stipulations contained in Annex III of the Joint Declaration of the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the People's Republic of China on the question of Hong Kong and the New Territories Leases (Extension) Ordinance 1988 that such leases have been extended without premium until 30 June 2047 and that a rent of three per cent of the then rateable value is charged per annum from the date of extension.

Our valuation has been made on the assumption that the owner sells the real property interest on the open market in its existing state without the benefit of any deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the real property interest.

All applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined, and considered in the valuation report.

Other specific assumptions in relation to the real property, if any, have been stated out in the footnotes of the valuation certificate.

IV. TITLESHP INVESTIGATION

We have caused searches made at the Land Registry in Hong Kong in respect of the real property interest. However, we have not searched the original documents to verify ownership or to ascertain the existence of any amendments which do not appear on the copy handed to us.

All legal documents disclosed in this report, if any, are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the real property interest set out in this report.

V. LIMITING CONDITIONS

We have inspected the real property. However, no structural survey has been made and we are therefore unable to report as to whether the real property is free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have not carried out detailed site measurements to verify the correctness of the areas of the real property but have assumed that the areas shown on the relevant documents provided to us are correct. Based on our experience of valuation of similar real properties, we consider the assumptions so made to be reasonable. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

Having examined all relevant documentation, we have relied to a very considerable extent on the information provided by you and have accepted advice given to us on such matters, as relevant, as planning approvals, statutory notices, easements, tenure, occupation, floor areas and in the identification of the real property.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the real property valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the real property interest is free of encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

VI. OPINION OF VALUE

Our opinion of the market value of the real property interest is set out in the attached valuation certificate.

VII. REMARKS

Our valuation has been prepared in accordance with generally accepted valuation procedures and in compliance with the requirements contained in Chapter 5 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited.

In valuing the real property interest, we have complied with the requirements contained in the HKIS Valuation Standards (2017 Edition) published by The Hong Kong Institute of Surveyors.

Site inspections of the real property was conducted in July 2017 by Ms. Yuki Chan, a Chartered Surveyor. The real property was maintained in a reasonable condition commensurate with its age and uses and equipped with normal building services.

Unless otherwise stated, all monetary amounts stated herein are denominated in the currency of Hong Kong Dollars (“**HK\$**”).

We enclose herewith our valuation certificate.

This valuation report is issued subject to our General Service Conditions.

Yours faithfully,
For and on behalf of
GREATER CHINA APPRAISAL LIMITED

Mr. Gary Man
Registered Professional Surveyor (G.P.)
FRICS, FHKIS, MCIREA
Director

Note: Mr. Gary Man is a Chartered Surveyor who has more than 31 years of valuation experience in countries such as The PRC, Hong Kong, Singapore, Vietnam, Philippines and the Asia Pacific region.

VALUATION CERTIFICATE

Real property held and occupied by the Group in Hong Kong

Real Property	Description and Tenure	Particulars of Occupancy	Market value in existing state as at 30 November 2017
Office D on 11th Floor, Billion Plaza 2, No.10 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong	The real property comprises an office unit on the 11th Floor of Billion Plaza 2, which is a 29-storey office building served by five passenger lifts, one fireman lift and two staircases. The subject building was completed in about 2014.	As advised by the Company, the real property is currently occupied by the Group for office purpose.	HK\$23,200,000 (Hong Kong Dollars Twenty Three Million and Two Hundred Thousand)
202/30,000th shares of and in The Remaining Portion of New Kowloon Inland Lot No. 5720 (the "Lot")	The saleable area of the real property is approximately 1,370 square feet (127.28 square metres). The Lot is held under Conditions of Exchange No. UB10977 for a term of 99 years commencing from 1 July 1898, which has been statutorily extended to 30 June 2047. The government rent payable for the Lot is equal to 3% of its rateable value.		

Notes:

- (i) According to the Land Registration Record obtained from the Land Registry, the registered owner of the real property is Tien Fung Hong Holdings Limited via Memorial No. 14101301480112 dated 16 September 2014 at a consideration of HK\$17,946,480.
- (ii) The real property is subject to a mortgage in favour of Nanyang Commercial Bank, Limited for all moneys vide Memorial No. 14101301480128 dated 16 September 2014.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 24 March, 2017 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “**Companies Law**”). The Company’s constitutional documents consist of its Amended and Restated Memorandum of Association (the “**Memorandum**”) and its Amended and Restated Articles of Association (the “**Articles**”).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 16 January 2018 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

**APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by applicable law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to par.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

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(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

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(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub underwriting of the offer;

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- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting unless a longer period would not infringe the rules of the Stock Exchange.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

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All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) *Accounts and audit*

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

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The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by applicable law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by applicable law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “Court”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal; (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future; (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do; (c) an order authorising civil proceedings to be brought in the name and on behalf of the company

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

by the shareholder petitioner on such terms as the Court may direct; or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 28 April 2017.

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The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

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(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR GROUP**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 24 March 2017. Our Company's registered office is situated at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

Our Company has established a principal place of business in Hong Kong at Unit D, 11/F, Billion Plaza II, No. 10 Cheung Yue Street, Cheung Sha Wan, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 13 June, 2017, with Mr. Hui of Flat A, 2/F, Fortune Well Height, 152 Boundary Street, Kowloon City, Kowloon, Hong Kong and Mr. Eric Hui of Flat A, 2/F, Fortune Well Height, 152 Boundary Street, Kowloon City, Kowloon, Hong Kong appointed as the Hong Kong authorized representatives of our Company on 12 April 2017 for acceptance of service of process and any notices required to be served on our Company in Hong Kong

As our Company was incorporated in the Cayman Islands, its operation is subject to the Companies Law and its constitutive documents comprising the Memorandum of Association and the Articles of Association. A summary of certain provisions of its constitution and relevant aspects of the Cayman Islands company law is set out in Appendix IV to this prospectus.

2. Changes in the share capital of our Company

On 24 March 2017, our authorized share capital as at the date of incorporation was HK\$380,000 divided into 38,000,000 shares of a par value of HK\$0.01 each. One fully paid Share was allotted and issued at par value to an initial subscriber and such Share was subsequently transferred to Max Fortune on the same day. The following alterations in the share capital of our Company have taken place since its date of incorporation to the date of this prospectus:

- (a) On 12 April 2017, our Company allotted and issued 749 fully paid Shares at par to Max Fortune in consideration of our Company's purchase of 11,000 issued and fully paid-up shares in Billion Harvest from Max Fortune pursuant to the Cayman Sale and Purchase Agreement further described in the section headed "History, Reorganisation and Corporate Structure — Reorganisation — Acquisition of our operating subsidiaries";
- (b) On 16 January 2018, our Company agreed to the capitalisation of a loan in the principal amount of approximately HK\$27.7 million owed by our Company to Mr. Hui and to allot and issue 250 Shares, credited as fully paid, to Mr. Hui (or such person as he directs). At the direction of Mr. Hui, 240 Shares will be allotted and issued to Max Fortune and 10 Shares will be allotted and issued to the Pre-IPO Investor on 30 January 2018. Immediately before and after this capitalisation, our Company's Shares were owned by Max Fortune and the Pre-IPO Investor as to 96% and 4% respectively;

- (c) On 16 January 2018, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of HK\$0.01 each by the creation of an additional 9,962,000,000 Shares; and
- (d) Immediately following completion of the Capitalisation Issue and the Share Offer and without taking into account of any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and any option(s) which may be granted under the Share Option Scheme, the issued share capital of our Company will be HK\$10,000,000 divided into 1,000,000,000 Shares, all fully paid or credited as fully paid and 9,000,000,000 Shares will remain unissued.

Save as disclosed in this Appendix and in the section headed “History, Reorganisation and Corporate Structure” in this prospectus, there has been no alteration in the share capital of our Company since the date of its incorporation.

3. Resolutions in writing of our Shareholders passed on 16 January 2018

Pursuant to the written resolutions passed by our Shareholders on 16 January 2018:

- (a) we approved and conditionally adopted the Articles of Association (the terms of which are summarised in Appendix IV to this prospectus) which will become effective upon Listing;
- (b) conditional upon all the conditions set forth in the section headed “Structure and Conditions of the Share Offer” in this prospectus being fulfilled or waived:
 - (A) the Share Offer was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer on and subject to the terms and conditions thereof as set out in this prospectus and the Application Forms;
 - (B) the Offer Size Adjustment Option was approved;
 - (C) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “D. Share Option Scheme” below in this Appendix, were approved and adopted and our Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme and to take all actions as they consider necessary or desirable to implement the Share Option Scheme; and
 - (D) conditional on the share premium account of our Company being credited as a result of the issue of the Offer Shares by our Company pursuant to the Share Offer, our Directors were authorised to capitalise an amount of HK\$7,499,990 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 749,999,000 Shares for allotment and issue to the persons whose names appear on the register of members of our Company on the date immediately before the date of the Listing in accordance with their respective shareholding (as nearly as possible without involving fractions) in our Company or in accordance with the direction of such member;

- (c) a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the grant of options under the Share Option Scheme or other similar arrangement or pursuant to a specific authority granted by our Shareholders in general meeting, unissued Shares with a total nominal value not exceeding 20% of the number of Shares in issue immediately following completion of the Share Offer and Capitalisation Issue (but taking no account of any Shares that may be issued pursuant to the exercise of the options under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first;
- (d) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase, on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (but taking no account of any Shares that may be issued pursuant to the exercise of the options under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first; and
- (e) the general unconditional mandate mentioned in paragraph (c) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (d) above, provided that such extended amount shall not exceed 10% of the total number of issued Shares of our Company immediately following completion of the Capitalisation Issue and the Share Offer (but taking no account of any Shares that may be issued pursuant to the exercise of the options under the Share Option Scheme).

4. Changes in the share capital of our Company's Subsidiaries

On 29 March 2017:

- (a) Diamond Decade allotted and issued 1,000 shares to Billion Harvest;
- (b) Trillion Star allotted and issued 1,000 shares to Billion Harvest; and
- (c) Tycoon City allotted and issued 1,000 shares to Billion Harvest.

Save as disclosed in this Appendix and in the section headed "History, Reorganisation and Corporate Structure" in this prospectus, there are no changes in the share capital of our Company's subsidiaries during the two years immediately preceding the date of this prospectus.

5. Particulars of our Company's principal subsidiaries

For a summary of the corporate information of our Company's principal subsidiaries, please refer to Note 26 in the Accountant's Report in Appendix I to this prospectus.

6. Reorganisation

In preparation for the Listing, the companies comprising our Group underwent the Reorganisation and our Company became the holding company of our Group. For information with regard to the Reorganisation, please refer to the section headed "History, Reorganisation and Corporate Structure" in this prospectus.

7. Repurchase by our Company of its own securities

(a) Relevant legal and regulatory requirements

The Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their own shares on the Stock Exchange subject to certain restrictions, amongst which it is provided that:

(i) Shareholders' approval

All proposed repurchases of securities (which must be fully-paid up in the case of shares) on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its shareholders, either by way of a general mandate or by specific approval of a particular transaction.

Pursuant to the written resolutions of our Shareholders passed on 16 January 2018, the Repurchase Mandate was given to our Directors to exercise all the powers of our Company to repurchase, on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, Shares with an aggregate nominal amount not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer (but taking no account of any Shares that may be issued pursuant to the exercise of the options under the Share Option Scheme). The

Repurchase Mandate will remain in effect until (a) the conclusion of the next annual general meeting of our Company; (b) the expiration of the period within which the next annual general meeting of our Company is required by any applicable laws or the Articles of Association to be held; or (c) the passing of an ordinary resolution by Shareholders in general meeting revoking, varying or renewing the Repurchase Mandate, whichever is the earliest.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum of Association and Articles of Association of our Company and the Listing Rules and the applicable laws in the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchases of Shares by our Company may be made out of our Company's share premium account or out of profits or out of the proceeds of a fresh issue of Shares made for the purpose. Any premium payable on a repurchase over the par value of the Shares to be repurchased must be provided for out of profits or out of our Company's share premium account before or at the time the shares are repurchased. Subject to the Companies Law, a repurchase may also be made out of capital.

(iii) Trading restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase of Shares (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding before such purchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if that repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure the broker appointed by it to effect the repurchases of its securities discloses to the Stock Exchange such information with respect to such purchases made on behalf of such company as the Stock Exchange may require.

(iv) Status of repurchased securities

The listing of all securities which are purchased by a listed company (whether effected on the Stock Exchange or otherwise) will be automatically cancelled and the certificates for those securities must be cancelled and destroyed as soon as reasonably practicable.

(v) Suspension of repurchases

A listed company may not make any repurchase of its securities after inside information has come to its knowledge, until such information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (1) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarter or any other interim period (whether or not required under the Listing Rules) and (2) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarter or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, such listed company may not repurchase its securities on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a listed company from repurchasing its securities on the Stock Exchange if such listed company has breached the Listing Rules.

(vi) Reporting requirements

Certain information relating to repurchases made by a company of its securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding such repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid. The directors' report shall contain references to the purchases made during the year and the directors' reasons for making such purchases.

(vii) Connected persons

A listed company is prohibited from knowingly repurchasing its securities on the Stock Exchange from a core connected person, that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their close associates, and a core connected person is prohibited from knowingly selling his securities to the listed company.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares will only be made when and to the extent that our Directors believe that such repurchases will benefit our Company and our Shareholders. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or the earnings per Share.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum of Association and Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

It is presently proposed that any repurchase of Shares will be made out of our Company's funds which would otherwise be available for dividend or distribution, or from sums standing to the credit of our Company's share premium account, or, subject to solvency, out of share capital.

There could be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in this prospectus) if the Repurchase Mandate was to be carried out in full at any time during the share repurchase period. However, our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) Number of Shares which may be repurchased

On the basis of 1,037,500,000 Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer (but taking no account of any Shares that may be issued pursuant to the exercise of the options under the Share Option Scheme), our Directors would be authorised under the Repurchase Mandate to repurchase up to 103,750,000 Shares during the period in which the Repurchase Mandate remains in force.

(e) General

None of our Directors nor, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates, have any present intention, if the Repurchase Mandate is exercised, to sell any Shares to our Company or its subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles of Association and the applicable laws and regulations of the Cayman Islands.

If as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert (as defined in the Takeovers Code), depending on the level of increase of the Shareholder's interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases of Shares pursuant to the Repurchase Mandate.

Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of the Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding public shareholding. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent that in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

No core connected person of our Company has notified our Company that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:







- (a) bought and sold notes dated 29 March 2017 for the transfer of one share in Carmen Logistics from Mr. Hui to Diamond Decade in consideration of the allotment and issue of one share in Billion Harvest;
- (b) the bought and sold notes dated 29 March 2017 for the transfer of one share in Carmen Logistics from Ms. Tong to Diamond Decade in consideration of the allotment and issue of one share in Billion Harvest;
- (c) the bought and sold notes dated 29 March 2017 for the transfer of 10,000 shares in Yee Sing Logistics from Mr. Hui to Diamond Decade in consideration of the allotment and issue of 1,176 shares in Billion Harvest;
- (d) the bought and sold notes dated 29 March 2017 for the transfer of one share in Yee Sing Hong from Pacific Group to Trillion Star in consideration of the allotment and issue of 2,041 shares in Billion Harvest;
- (e) the bought and sold notes dated 29 March 2017 for the transfer of one share in Yee Sing Hong from Pacific Group to Trillion Star in consideration of the allotment and issue of 2,041 shares in Billion Harvest;
- (f) the bought and sold notes dated 29 March 2017 for the transfer of 5,000 shares in Grand Wealthy from Mr. Hui to Tycoon City in consideration of the allotment and issue of 358 shares in Billion Harvest;
- (g) the bought and sold notes dated 29 March 2017 for the transfer of 5,000 shares in Grand Wealthy from Ms. Tong to Tycoon City in consideration of the allotment and issue of 359 shares in Billion Harvest;

- (h) the bought and sold notes dated 29 March 2017 for the transfer of 35,000 shares in Tien Fung Hong from Ms. Tong to Tycoon City in consideration of the allotment and issue of 2,802 shares in Billion Harvest;
- (i) the bought and sold notes dated 29 March 2017 for the transfer of 15,000 shares in Tien Fung Hong from Mr. Eric Hui to Tycoon City in consideration of the allotment and issue of 1,201 shares in Billion Harvest;
- (j) the bought and sold notes dated 29 March 2017 for the transfer of 5,000 shares in Billion Faith from Ms. Tong to Tycoon City in consideration of the allotment and issue of 10 shares in Billion Harvest;
- (k) the bought and sold notes dated 29 March 2017 for the transfer of 5,000 shares in Billion Faith from Pacific Group to Tycoon City in consideration of the allotment and issue of 10 shares in Billion Harvest;
- (l) the Cayman Sale and Purchase Agreement dated 12 April 2017 and entered into among our Company, Max Fortune, Mr. Hui, Mr. Eric Hui and Ms. Tong, pursuant to which Max Fortune sold and our Company purchased 11,000 shares in Billion Harvest in consideration of the issue and allotment of 749 Shares, credited as fully paid, to Max Fortune;
- (m) the deed of novation and capitalisation dated 16 January 2018 entered into between Tien Fung Hong, Yee Sing Hong, Carmen Logistics, Billion Faith (collectively the “Transferors”), our Company and Mr. Hui, pursuant to which the rights and obligations of the Transferors under the loans in the principal amount of HK\$27,675,834.65 (the “Loans”) owed by the Transferors to Mr. Hui were novated to the Company and Mr. Hui agreed to capitalise the Loans by the issue and allotment of 250 Shares, credited as fully paid, to Mr. Hui (or such person as directed by Mr. Hui);
- (n) the Deed of Indemnity;
- (o) the Deed of Non-Competition; and
- (p) the Public Offer Underwriting Agreement.



2. Intellectual Property Rights

(a) Trademarks

As at the Latest Practicable Date, our Group had registered the following trademarks:

Trademark	Registration number	Class ⁽¹⁾	Registered owner	Place of registration	Date of registration	Expiry date
	2003B13058	4	Yee Sing Hong	Hong Kong	7 June 2002	7 June 2019
	3643156	4	Yee Sing Hong	PRC	28 March 2005	27 March 2025
	303798361	4	Yee Sing Hong	Hong Kong	6 June 2016	5 June 2026
Dr. Lubricant	300166789	4	Yee Sing Hong	Hong Kong	27 February 2004	26 February 2024
 田豐行集團有限公司 TIEN FUNG GROUP HOLDINGS LIMITED	303798352	35	Tien Fung Hong	Hong Kong	6 June 2016	5 June 2026
	304229640	35	Tien Fung Hong	Hong Kong	3 August 2017	2 August 2027
U-LUBRICANT	301903699	4	Yee Sing Hong	Hong Kong	3 May 2011	2 May 2021
 義盛行石油化工有限公司 YEE SING HONG PETROLEUM CHEMICALS CO. LTD.	304249783	4	Yee Sing Hong	Hong Kong	24 August 2017	23 August 2027
 義盛行石油化工有限公司						
	304249792	4	Yee Sing Hong	Hong Kong	24 August 2017	23 August 2027

(b) Trademark applications

Trademark	Trademark application no.	Class	Place of application	Date of application	Applicant
	304352715	35	Hong Kong	30 November 2017	The Company
					

Note:

- The description of the Group's services covered under class 4 of the registered marks in the following jurisdictions are as follows:

Hong Kong industrial oils and greases; lubricants; dust absorbing, wetting and binding compositions; fuels (including motor spirit) and illuminants

PRC engine oils, lubricant oils, lubricating grease, cutting fluids, industrial oils, gear oils, textile oils, lubricants, industrial waxes, non-chemical additives to engine fuel

- The description of the Group's services covered under class 35 of the registered marks in Hong Kong are advertising, business management, business administration and office functions.

Save as disclosed herein, there are no other trade or service marks, patents, copyrights, other intellectual or industrial property rights which are or may be material to the business of our Group.

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**1. Particulars of service contracts and letters of appointment***(a) Executive Directors*

Each of our executive Directors has entered into a service contract with our Group for an initial term of three years commencing from the Listing Date, unless terminated by not less than three months' notice in writing served by either party on the other subject to the provision of retirement and rotation of Directors under the Articles of Association. Each of our executive Directors is entitled to an annual salary set out below.

In addition, each of our executive Directors may be entitled to, if so recommended by the remuneration committee of the Company and approved by the Board at its absolute discretion, a discretionary bonus, the amount of which is determined with reference to the operating results of the Group and the performance of the executive Directors, provided that the relevant executive Director shall abstain from voting and not be counted in the quorum in respect of any resolution of the Board approving the amount of annual salary, discretionary bonus and other benefits payable to him. The current basic annual salary of the executive Directors are as follows:

Name	Annual salary (HK\$)
Mr. Hui	180,000
Ms. Tong	120,000
Mr. Eric Hui	120,000
Ms. Hui Wing Man Rebecca	120,000
Mr. Kong Man Ho	144,000

(b) Non-Executive Director

Our non-executive Director has entered into a letter of appointment with our Company for a period of one year, in each case commencing from the Listing Date subject to the provision of retirement and rotation of Directors under the Articles of Association. Such appointment may be terminated by not less than two months advance notice in writing served by either party on the other. Our non-executive Director is entitled to an annual director's fees of HK\$100,000.

(c) Independent non-executive Directors

Each of our independent non-executive Directors has entered into a letter of appointment with our Company for a period of one year, in each case commencing from the Listing Date subject to the provision of retirement and rotation of Directors under the Articles of Association. Such appointment may be terminated by not less than two months' advance notice in writing served by either party on the other. Each of our independent non-executive Directors is entitled to an annual director's fees as follows:

Name	Annual director's fee (HK\$)
Mr. Lam Kwong Siu	200,000
Mr. Tse Yung Hoi	200,000
Mr. Wong Hei Chiu	200,000

Save for the above director's fees, none of our non-executive director and independent non-executive Directors is expected to receive any other remuneration for holding their office as non-executive Director and independent non-executive Directors.

Save as disclosed above, none of our Directors has or is proposed to have a service contract with any member of the Group, other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

2. Directors' Remuneration

- (a) The aggregate remuneration (including fees, salaries, allowances and benefits in kind, technical support fees, performance-related bonuses and pension scheme contributions) paid to our executive Directors for the three years ended 31 March 2017 was approximately HK\$3.63 million, HK\$3.34 million, and HK\$0.66 million, respectively.
- (b) Under the arrangements currently in force, it is estimated that an aggregate of approximately HK\$0.9 million is payable by our Group to our Directors as remuneration (including benefits in kind but excluding any discretionary bonus which may be paid to any executive Director) for the year ending 31 March 2018.
- (c) None of our Directors or past directors of any member of our Group has been paid any sum of money for each of the three years ended 31 March 2017 for (a) loss of office as director of any member of our Group or any other office in connection with the management affairs of any member of our Group or (b) as an inducement to join or upon joining any member of our Group.
- (d) There has been no arrangement under which a Director has waived or agreed to waive any emoluments in each of the three years ended 31 March 2017.

- (e) None of our Directors has been or is interested in the promotion of, or in the property proposed to be acquired by, our Company, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him in connection with the promotion or formation of our Company as an inducement to join or upon joining any member of our Group.

For further information on the remuneration of the Directors, please refer to Note 14 of the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

3. Interest and short positions of Directors in the Shares, underlying shares or debentures of our Company and our associated corporations

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account of any Shares to be allotted and issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), the interests and/or short positions (as applicable) of our Directors and the chief executive of our Company in our Shares or underlying Shares or debentures of our Company and any interests and/or short positions (as applicable) in the shares or underlying shares or debentures of any of our Company's associated corporations (within the meaning of Part XV of the SFO) which (i) will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which they are taken or deemed to have under such provisions of the SFO); (ii) which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, in each case once our Shares are listed, will be as follows:

Long positions in our Shares

Name of Director	Nature of interest	Number of Shares ⁽¹⁾	Approximate shareholding percentage in the issued share capital of the Company (%)
Mr. Hui	Interest in a controlled corporation ⁽²⁾	720,000,000 Shares (L)	72
	Interest of spouse ⁽³⁾		
Ms. Tong	Interest in a controlled corporation ⁽²⁾	720,000,000 Shares (L)	72
	Interest of spouse ⁽³⁾		
Mr. Eric Hui	Interest in a controlled corporation ⁽²⁾	720,000,000 Shares (L)	72

Notes:

- The letter (L) denotes the person's long position in such Shares.

2. Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares to be allotted and issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), our Company will be held as to 72% by Max Fortune. Max Fortune is owned by Mr. Hui, Ms. Tong and Mr. Eric Hui as to 35%, 35% and 30%, respectively. Under the SFO, each of Mr. Hui, Ms. Tong and Mr. Eric Hui is deemed to be interested in all of the 720,000,000 Shares held by Max Fortune.
3. Mr. Hui is the spouse of Ms. Tong. Ms. Tong and Mr. Hui are deemed under the SFO to be interested in the Shares held, directly or indirectly, by Mr. Hui and Ms. Tong, respectively.

Long positions in the shares of our associated corporations (as defined in the SFO)

Name of Director	Name of associated corporation	Nature of Interest	Number of shares	Description of shares	Approximate percentage of that associated corporation's issued share capital
Mr. Hui ⁽¹⁾	Max Fortune ⁽²⁾	Beneficial interest, Interest of spouse ⁽¹⁾	700	Ordinary shares	35.0%
Ms. Tong ⁽¹⁾	Max Fortune ⁽²⁾	Beneficial interest, Interest of spouse ⁽¹⁾	700	Ordinary shares	35.0%
Mr. Eric Hui	Max Fortune ⁽²⁾	Beneficial interest	600	Ordinary shares	30.0%

Notes:

1. Mr. Hui is the spouse of Ms. Tong. Ms. Tong and Mr. Hui are deemed under the SFO to be interested in the shares of Max Fortune held, directly or indirectly, by Mr. Hui and Ms. Tong, respectively.
2. Upon Listing and assuming no Shares have been issued pursuant to the Offer Size Adjustment Option and any grants which may be made under the Share Option Scheme, Max Fortune will be interested in 720,000,000 Shares, representing 72% of the issued share capital of the Company. Max Fortune is therefore a holding company of the Company and an associated corporation of the Company for the purpose of the SFO.

Save for each of Mr. Hui and Mr. Eric Hui being a director of Max Fortune, as at the Latest Practicable Date, none of the other Directors were directors or employees of a company which had an interest or short position in the Shares and underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, none of the Directors or the chief executive of our Company will, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account of any Shares to be allotted and issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), has an interest and/or short position (as applicable) in the Shares or the underlying Shares or debentures of our Company or any interests and/or short positions (as applicable) in the shares or the underlying shares or debentures of our Company's associated corporations (within the meaning of Part XV of the SFO) which (i) will have to

be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), (ii) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange.

4. Interest and short positions of substantial shareholders in the Shares, underlying shares or debentures of our Company and our associated corporations

Save as disclosed in the section headed “Substantial Shareholders” in this prospectus, our Directors or chief executive are not aware of any other person, not being a Director or chief executive of our Company, who has any interest or short position in the Shares and underlying Shares of our Company which, once the Shares are listed, would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly interested in 10.0% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any member of our Group.

5. Disclaimers

- (a) None of our Directors nor experts referred to in the paragraphs headed “E. Other Information — 9. Qualification of experts” in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have, within the two years immediately preceding the date of this prospectus, been acquired or disposed of by, or leased to, any member of our Group, or are proposed to be acquired or disposed of by, or leased to, any member of our Group;
- (b) None of our Directors nor experts referred to in the paragraphs headed “E. Other Information 9. Qualification of experts” and “E. Other Information — 10. Consents of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (c) None of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (d) None of our Directors nor experts referred to in the paragraphs headed “E. Other Information — 9. Qualification of experts” in this Appendix has received any agency fee, commissions, discounts, brokerages or other special terms from our Group within the two years immediately preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group;
- (e) None of the Directors requiring disclosure under Rule 8.10(2) of the Listing Rules are interested in any business apart from the Group’s business which compete or is likely to compete, directly or indirectly, with the business of our Group;

- (f) None of the Directors or their close associates or any Shareholders who are expected to be interested in 5% or more of the issued share capital of our Company has any interest in the five largest customers or the five largest suppliers of our Group; and
- (g) None of the persons listed in the paragraphs headed “E. Other Information — 9. Qualification of experts” in this section below has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on 16 January 2018.

(i) Purpose

The purpose of the Share Option Scheme is to reward Eligible Participants (as defined in paragraph (ii) below) who have contributed to our Group and to encourage Eligible Participants to work towards enhancing the value of our Company and the Shares for the benefit of our Company and the Shareholders as a whole.

(ii) Who may join

The Board may, at its absolute discretion, offer to grant an option to the following persons (collectively the “**Eligible Participants**”) to subscribe for such number of Shares as the Board may determine at an exercise price determined in accordance with paragraph (vi) below:

- (A) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (B) any directors (including independent non-executive directors) of our Company or any of its subsidiaries; and
- (C) any advisers, consultants, agents, suppliers, customers, distributors and such other persons who, in the sole opinion of the Board, will contribute or have contributed to our Company and/or any of its subsidiaries.

(iii) Acceptance of an offer of options

The grantee shall be deemed to have been granted and accepted an option and to have taken effect when the duplicate offer document constituting acceptance of the option duly signed by the grantee, together with a remittance in favour of our Company of HK\$1 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (xii), (xiii), (xiv), (xv) and (xvi), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the exercise price for our Shares in respect of which the notice is given. Within 10 Business Days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to our Company or such independent financial adviser approved by the Board, as the case may be pursuant to paragraph (xviii), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of our Shares so allotted.

The exercise of any option shall be subject to our Shareholders in a general meeting approving any necessary increase in the authorised share capital of our Company.

(iv) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue, excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme. Subject to the issue of a circular by our Company to the Shareholders containing the information required under the Listing Rules and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (A) renew this limit at any time to 10% of our Shares in issue as at the date of the approval by our Shareholders in general meeting; and/or
- (B) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board.

At any time, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company shall not exceed 30% of our Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or such independent financial adviser as approved by the Board, shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (xviii) below whether by way of consolidation of shares, capitalisation issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(v) Maximum number of options to any one individual

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 schemes of our Company (including both exercised, cancelled and outstanding options) to each Eligible Participant in any 12-month period up to and including the date of grant shall not exceed 1% of our aggregate number of Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

- (A) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant), and/or other information required under the Listing Rules; and
- (B) the approval of our Shareholders in general meeting with such Eligible Participant and his/her close associates (or his/her associates if the Eligible Participant is a core connected person) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before our Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of our Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine which states (or, alternatively, documents accompanying the offer document which state), among others:
 - (aa) the Eligible Participant's name, address and occupation;
 - (bb) the date on which an option is offered in writing to an Eligible Participant which must be a Business Day;
 - (cc) the date upon which an offer for an option must be accepted by the relevant Eligible Participant;
 - (dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (iii);
 - (ee) the number of Shares in respect of which the option is offered;
 - (ff) the subscription price and the manner of payment of such price for our Shares on and in consequence of the exercise of the option;
 - (gg) the date of the expiry of the option in respect of that option;
 - (hh) the method of acceptance of the option which shall, unless the Board otherwise determines, be as set out in paragraph (iii); and
 - (ii) such other terms and conditions relating to the offer of the option which in the opinion of the Board are fair and reasonable but not being inconsistent with the Share Option Scheme and the Listing Rules.

(vi) Price of Shares

Subject to any adjustments made as described in paragraph (xviii) below, the subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the highest of:

- (A) the official closing price of our Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (B) the average of the official closing prices of our Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (C) the nominal value of a Share.

For the purposes of calculating the subscription price of a Share in respect of any particular option granted under the Share Option Scheme where the Company has been listed for less than five Business Days, the Offer Price shall be used as the closing price for any Business Day falling within the period before the Listing Date.

(vii) Granting options to connected persons

Any grant of options to a director, chief executive or substantial shareholder of our Company or any of their respective associates is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options, and in the event that the Board offers to grant options to an independent non-executive Director, the vote of such independent non-executive Director shall not be counted for the purposes of approving such grant). If the Board determines to grant options to a substantial shareholder or any independent non-executive Director or any of their respective associates which will result in the number of Shares issued and to be issued upon exercise of options already granted and to be granted (including options exercised, cancelled and outstanding) to such person under the Share Option Scheme and any other share option schemes of our Company in the 12-month period up to and including the date of such grant:

- (A) representing in aggregate over 0.1%, or such other percentage as may be from time to time provided under the Listing Rules, of our Shares in issue on the date of such grant; and
- (B) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of our Shares as stated in the daily quotation sheets of the Stock Exchange at the date of each grant,

such further grant of options will be subject to the issue of a circular by our Company, the approval by the independent non-executive Directors and the approval of our Shareholders in general meeting on a poll at which the grantee, his/her associates and all core connected persons of our Company shall abstain from voting in favour of the resolution concerning the grant of such options at the general meeting, and/or such other requirements prescribed under the Listing Rules from time to time.

The circular to be issued by our Company to our Shareholders pursuant to the above paragraph shall contain the following information:

- (A) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before our Shareholders' meeting and the date of Board meeting for proposing such further grant which shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (B) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;
- (C) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (D) the information required under Rule 2.17 of the Listing Rules.

(viii) Restrictions on the times of grant of options

A grant of options may not be made after inside information has come to the knowledge of our Company until it has been published pursuant to the requirements of the Listing Rules and the Inside Information Provisions of Part XIVA of the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (A) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's annual results, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (B) the deadline for our Company to publish an announcement of results for (i) any year or half-year period in accordance with the Listing Rules; and (ii) where our Company has elected to publish them, any quarterly or other interim period,

and ending on the date of actual publication of the results announcement.

Where an option is granted to a Director:

- (A) no options shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (B) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(ix) Rights are personal to grantee

An option is personal to the grantee and shall not be assignable or transferable. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option held by him or any other relating to the grant of an option made to him or attempt so to do (save that the grantee may nominate a nominee in whose name our Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(x) Time of exercise of option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time commencing the date upon which the option is deemed to be granted and accepted and before the expiry of 10 years from that date. The period during which an option may be exercised and the minimum period for which an Option has to be held or other restrictions before its exercise will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period commencing on the Listing Date and ending on the tenth anniversary of the Listing Date (both dates inclusive), after which no further options shall be offered or granted but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme, and options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xi) Performance target

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(xii) Rights on ceasing employment or death

In the event of the grantee of an option ceasing to be an Eligible Participant for any reason other than on his/her death, ill-health, injury, disability or the termination of his/her relationship with our Company and/or any of our subsidiaries on the grounds specified in paragraph (xiii), the grantee may exercise the option up to his/her entitlement at the date of cessation of being an Eligible Participant (to the extent not already exercised) within the period of one month (or such longer period as the Board may determine) following the date of such cessation (which date shall be, in relation to a grantee who is an Eligible Participant by reason of his/her employment with our Company or any of our subsidiaries, the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not).

In the case of the grantee of an option ceasing to be an Eligible Participant by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of the Board) and none of the events which would be a ground for termination of his/her relationship with our Company and/or any of our subsidiaries under paragraph (xiii) has occurred, the grantee or his/her

personal representative(s) shall be entitled within a period of 12 months (or such longer period as the Board may determine) from the date of cessation of being an Eligible Participant or death to exercise the option in full (to the extent not already exercised).

(xiii) Rights on dismissal

In the event of the grantee of an option ceasing to be an Eligible Participant by reason of the termination of his/her relationship with our Company and/or any of our subsidiaries on any one or more of the following grounds:

- (A) that he/she has been guilty of serious misconduct;
- (B) that he/she has been convicted of any criminal offence involving his/her integrity or honesty or in relation to an employee of our Company and/or any of our subsidiaries;
- (C) that he/she has become insolvent, bankrupt or has made arrangements or compositions with his/her creditors generally; or
- (D) on any other ground as determined by the Board that would warrant the termination of his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Company or the relevant subsidiary,

his/her option will lapse automatically and not be exercisable (to the extent not already exercised) from the date of cessation of being an Eligible Participant.

A resolution of the Board or the board of directors of the relevant subsidiary to the effect that the relationship of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive.

(xiv) Rights on takeover

If a general offer (whether by way of takeover offer, share repurchase offer or scheme of arrangement or otherwise in like manner) is made to all our Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or in concert with the offeror, our Company shall use its best endeavours to procure that such offer is extended to all the grantees (on the same terms with the necessary changes having been made, and assuming that they shall become, by the exercise in full of the options granted to them, Shareholders). If such offer becomes or is declared unconditional, the grantee of an option (or his/her legal representative(s)) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional. For the purposes of this paragraph, "offeror" has the meaning ascribed to this term in the Takeovers Code.

(xv) Rights on winding-up

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each Shareholder give notice thereof to all grantees and thereupon, each grantee (or in the case of the death of the grantee, his/her legal personal representative(s)) shall be entitled to

exercise all or any of his/her options at any time not later than two business days before the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately before the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid and register the grantee as holder thereof.

(xvi) Rights on compromise or arrangement between our Company and its members or creditors

If a compromise or arrangement between our Company and its members and/or creditors is proposed for the purposes of in connection with a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees of the options (together with a notice of the existence of the provisions of this paragraph) on the same day as it despatches notice of the meeting to its members and/or creditors summoning the meeting to consider such a compromise or arrangement, and thereupon each grantee shall be entitled to exercise all or any of his/her options in whole or in part at any time before 12 noon (Hong Kong time) on the Business Day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting. With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of options in such circumstances shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the relevant court (whether upon the terms presented to the relevant court or upon any other terms as may be approved by such court) the rights of the grantees to exercise their respective options shall with effect from the date of the making of the order by the relevant court be restored in full) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of the aforesaid suspension.

(xvii) Ranking of Shares

Our Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or such other person nominated by the grantee) as the holder thereof. Subject to the aforesaid, the Shares to be allotted and issued on the exercise of an option will be subject to all the provisions of the Articles and carry the same rights with and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation of the Company as attached to the other fully-paid Shares in issue on the date of issue and rights in respect of any dividend or other distributions paid or made on or after the date of issue. Shares issued on the exercise of an option shall not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment.

(xviii) Effect of alterations to capital

In the event of any alteration in the capital structure of our Company while any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer (if there is a price dilutive element), sub-division, consolidation of Shares or reduction of capital of our Company in accordance with applicable laws and regulatory requirements, such corresponding alterations (if any) shall be made in the number of Shares subject to any options already granted so far as unexercised and remain exercisable and/or the subscription price per Share of each outstanding option as the auditors of our Company or such independent financial adviser as approved by the Board, shall (other than in respect of an adjustment made on a capitalisation issue) certify in writing to the Board to be in their/his/her opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on 5 September 2005 to all issuers relating to share option schemes and/or such other requirements prescribed under the Listing Rules from time to time. The capacity of the auditors of our Company in this paragraph is that of experts and not arbitrators and their certificate shall, in absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an option is entitled to subscribe had he exercised all the options held by him immediately before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(xix) Expiry of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (A) the date of expiry of the option as may be determined by the Board;
- (B) the expiry of any of the periods referred to in paragraphs (xii), (xiii), (xiv), (xv) or (xvi);
- (C) the date on which the scheme of arrangement of our Company referred to in paragraph (xvi) becomes effective;
- (D) subject to paragraph (xv), the date of commencement of the winding-up of our Company;
- (E) the date on which the grantee ceases to be an Eligible Participant by reason of the termination of his or her relationship with our Company and/or any of its subsidiaries on any one or more of the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his or her integrity or honesty, or in relation to an employee of our Group, or has become insolvent, bankrupt or has made arrangements or compositions with his/her creditors generally or on any other ground as determined by the Board that would warrant the termination of his/her employment at common law or pursuant to any

applicable laws or under the grantee's service contract with our Group. A resolution of the Board or the board of directors of the relevant subsidiary to the effect that the relationship of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or

- (F) the date on which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (ix) above or the options are cancelled in accordance with paragraph (xxi) below.

(xx) Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (A) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; or
- (B) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted (except any alterations which take effect automatically under the terms of the Share Option Scheme),

shall first be approved by our Shareholders in general meeting at which any persons to whom or for whose benefit the Shares may be issued under the Share Option Scheme and their respective associates shall abstain from voting, provided that the amended terms of the Share Option Scheme or the options shall remain in compliance with Chapter 17 of the Listing Rules, and if the proposed alteration shall adversely affect the terms of issue of any option granted or agreed to be granted before the date of alteration, or reduce the proportion of equity capital to which any person was entitled pursuant to such option before such alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme.

(xxi) Cancellation of options

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event any Option is cancelled pursuant to paragraph (ix).

(xxii) Termination of the Share Option Scheme

Our Company may by resolution in general meeting or of the Board at any time resolve to terminate the Share Option Scheme and in such event no further options shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted before such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xxiii) Administration of the Board

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(xxiv) Condition of the Share Option Scheme

The Share Option Scheme is conditional on:

- (A) the passing of the resolution by the Shareholders to approve and adopt the Share Option Scheme and to authorise the Board to grant Options thereunder at their absolute discretion and to allot and issue Shares pursuant to the exercise of any Options; and
- (B) the fulfilment of the conditions set out in the paragraphs headed “Structure and Conditions of the Share Offer — Conditions of the Share Offer” in the prospectus.

(xxv) Disclosure in annual and interim reports

Our Company will disclose details of the Share Option Scheme in its annual and interim reports in compliance with the Listing Rules in force from time to time.

(xxvi) Present status of the Share Option Scheme

As of the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION**1. Indemnities**

Our Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in the Cayman Islands and Hong Kong.

Pursuant to a deed of indemnity dated 16 January 2018 referred to in the section headed “B. Further Information about the business — 1. Summary of Material Contracts” in this Appendix V given by Max Fortune, Mr. Hui, Ms. Tong and Mr. Eric Hui (the “**Indemnifiers**”) and conditional on the fulfilment of the conditions stated in the section headed “Structure and Conditions of the Share Offer — Conditions of the Share Offer” in this prospectus, the Indemnifiers have given indemnities (subject to certain limitations) in favour of our Company (on its own behalf and as trustee for each of its subsidiaries) jointly and severally in respect of, among other matters, taxation resulting from income, profits or gains earned, accrued or received to which any member of our Group may be subject and payable on or up to the Listing Date and any claims, fines and liabilities to which any member of our Group may be subject and payable on or prior to the Listing Date as a result of any regulatory non-compliance.

Notwithstanding the foregoing, under the Deed of Indemnity, the Indemnifier will be under no liability in respect of, any taxation or liability:

- (i) to the extent that provision, reserve or allowance has been made for such taxation or claims in the audited combined account of our Group for each of the three financial years ended 31 March 2017 and the four months ended 31 July 2017 (the “Accounts”);
- (ii) to the extent that the taxation or claim arises or is incurred as a result of the imposition of taxation or claims as a consequence of any retrospective change in the law coming into force after the Listing Date or to the extent that such taxation or claim arises or is increased by an increase in rates of taxation or claim after such date with retrospective effect;
- (iii) to the extent provisions or reserve made such taxation in the Accounts is finally established to be an over-provision or an excessive reserve, then the liability of the Indemnifiers, if any, in respect of such taxation shall be reduced by an amount not exceeding such over-provision or excess reserve;
- (iv) falling on the Group on or after 31 July 2017 in the ordinary course of business before the Listing Date or carried out, made or entered into pursuant to a legally binding commitment created before the Listing Date in the ordinary course of business;
- (v) to the extent such taxation or liability is discharged by another person who is not our Company or any member of our Group and that our Company or such member of our Group is not required to reimburse such person in respect of the discharge of the taxation or liability; and
- (vi) for which our Company is primarily liable as a result of any event occurring or income, profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business after the Listing Date.

The obligations, commitments, undertakings, representations, warranties and indemnities under or pursuant to the Deed of Indemnity of Max Fortune are unconditionally and irrevocably guaranteed in favour of our Company by Mr. Hui, Ms. Tong and Mr. Eric Hui jointly and severally.

2. Litigation

Save as disclosed in the paragraphs headed “Business — Legal proceedings” in this prospectus, as at the Latest Practicable Date, no member of our Group is engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against any member of our Group, that would have a material adverse effect on the results of operations or financial position of our Group as a whole.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, all our Shares in issue and any Shares which may fall to be issued as mentioned herein. All necessary arrangements have been made enabling such Shares to be admitted into CCASS.

The Sole Sponsor is independent from our Company pursuant to Rule 3A.07 of the Listing Rules. The fee payable by our Company to the Sole Sponsor to act as sponsor to our Company in connection with the Share Offer is approximately HK\$5.5 million.

4. Registration procedures

The register of members of our Company will be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by our Hong Kong Branch Share Registrar. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands.

5. Taxation of holders of Shares

(a) the Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares.

(b) Hong Kong

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(c) Generally

Potential holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of applying for, purchasing, holding or disposing of, or dealing in, Shares. It is emphasised that none of our Company, our Directors, the Sole Sponsor, the Underwriters and all of their respective directors, agents or advisers nor any other parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of, persons resulting from the subscription for, holding, purchase or disposal of or dealing in the Shares.

6. Agency fees and commissions received

The Underwriters will receive an underwriting commission as referred to in the paragraphs headed "Underwriting — Underwriting arrangements and expenses — Public Offer — Total commission, fee and expenses" in this prospectus.

7. Preliminary expenses

The preliminary expenses our Company has incurred are estimated to be approximately US\$5,460 and are payable by our Company.

8. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Within two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Share Offer and the related transactions described in this prospectus.

9. Qualification of experts

The following are the qualifications of the experts which have given opinions or advice which are contained in, or referred to in, this prospectus:

Expert	Qualification
Kingsway Capital Limited	Licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Reed Smith Richards Butler	Legal advisers to our Company as to Hong Kong laws
Jon K.H. Wong	Barrister-at-law in Hong Kong
HLB Hodgson Impey Cheng Risk Advisory Services Limited	Internal control consultant
Conyers Dill & Pearman	Legal adviser as to Cayman Islands law
Deloitte Touche Tohmatsu	Certified public accountants
Greater China Appraisal Limited	Property valuer
Frost & Sullivan International Limited	Industry consultant

10. Consents of experts

Each of the experts named in the paragraph headed “E. Other information — 9. Qualification of experts” of this Appendix has given and has not withdrawn its written consent to the issue of this prospectus with inclusion of its report and/or letter and/or opinion and/or references to its name in the form and context in which they are respectively included.

11. Interests of experts in our Company

None of the experts named in the paragraph headed “E. Other information — 9. Qualification of experts” of this Appendix is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

12. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

13. Reserves available for distribution

Our Company was incorporated in the Cayman Islands and is an investment holding company. There were no reserves available for distribution to the Shareholders as of 31 July 2017.

14. Miscellaneous

- (a) Within the two years immediately preceding the date of this prospectus:
 - (i) save as disclosed in the section headed “History, Reorganisation and Corporate Structure” and this appendix, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no founders or management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
 - (iv) save as disclosed in the section headed “Underwriting” in this prospectus, no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
 - (v) save as disclosed in the section headed “Underwriting” in this prospectus, no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries.
- (b) Our Directors confirm that there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial condition of our Group in the 12 months preceding the date of this prospectus.
- (c) All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.

- (d) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (e) We have no outstanding convertible debt securities.
- (f) There is no arrangement under which future dividends are waived or agreed to be waived.

15. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

APPENDIX VI DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms; (ii) the written consents referred to in paragraph headed “E. Other information — 10. Consents of experts” in Appendix V to this prospectus; and (iii) copies of each of the material contracts referred to in paragraph headed “B. Further information about our business — 1. Summary of material contracts” of Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Reed Smith Richards Butler, 20th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

1. the Memorandum of Association and the Articles of Association;
2. the Accountants’ Report of the Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
3. the audited financial statements of the Group for each of the three years ended 31 March 2017 and the four months ended 31 July 2017;
4. the report issued by from Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
5. the material contracts referred to in paragraph headed “B. Further information about the business — 1. Summary of material contracts” in Appendix V to this prospectus;
6. the written consents referred to in paragraph headed “E. Other information — 10. Consents of experts” in Appendix V to this prospectus;
7. the service contracts with the executive Directors and the appointment letters with the non-executive Directors and the independent non-executive Directors referred to in the paragraph headed “C. Further Information about Directors and substantial shareholders — 1. Particulars of service contracts and letters of appointment” in Appendix V to this prospectus;
8. the letter of advice prepared by Conyers Dill & Pearman, our Company’s legal advisers on Cayman Islands law, summarizing certain aspects of Cayman Islands company law referred to in Appendix IV to this prospectus;
9. the opinion issued by Reed Smith Richards Butler in respect of certain statements regarding Hong Kong laws referred to in this prospectus;
10. the opinion issued by Mr. Jon K.H. Wong in respect of certain statements regarding Hong Kong laws referred to in this prospectus;
11. the Companies Law;
12. the Frost & Sullivan Report;

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13. the rules of the Share Option Scheme; and
14. a letter and a valuation certificate prepared by Greater China Appraisal Limited.

Vico International Holdings Limited
域高國際控股有限公司