



A & S Group (Holdings) Limited
亞洲實業集團(控股)有限公司
(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1737

SHARE OFFER



Sole Sponsor

FRONTPAGE 富比

Joint Bookrunners and Joint Lead Managers

FRONTPAGE 富比

FF Pacific
Foundation

IMPORTANT

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



A & S Group (Holdings) Limited 亞洲實業集團(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Number of Offer Shares	: 250,000,000 Shares
Number of Public Offer Shares	: 25,000,000 Shares (subject to reallocation)
Number of Placing Shares	: 225,000,000 Shares (subject to reallocation)
Maximum Offer Price	: HK\$0.50 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: HK\$0.01 per Share
Stock code	: 1737

Sole Sponsor

FRONTPAGE 富比

Frontpage Capital Limited

Joint Bookrunners and Joint Lead Managers

FRONTPAGE 富比

PF Pacific
Foundation

Hong Kong Exchanges and Clearing Limited, the Stock Exchange and HKSCC 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 section headed “Documents Delivered to the Registrar of Companies and Available for Inspection” in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The SFC and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on the Price Determination Date or such later date as may be agreed by our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) but in any event no later than Monday, 12 March 2018. 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 Public 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 is lower than HK\$0.50 per Offer Share.

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may, with our Company’s consent, extend or reduce the indicative Offer Price range stated in this prospectus and/or the number of Offer Shares being offered at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such case, a notice of the extension or reduction of the indicative Offer Price range and/or the number of Offer Shares will be published on the website of the Stock Exchange at www.hkexnews.hk and our website at www.asl.hk not later than the morning of the last day for lodging applications under the Public Offer. Further details are set out in the sections headed “Structure and Conditions of the Share Offer” and “How to Apply for the Public Offer Shares” in this prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company on or before Monday, 12 March 2018, the Share Offer will not become unconditional and will lapse immediately.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus and the Application Forms, including the risk factors set out in the section headed “Risk Factors” in this prospectus. The obligations of the Underwriters under the Underwriting Agreements are subject to termination by the Joint Lead Managers (for themselves and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed “Underwriting – Underwriting arrangements and expenses – The Public Offer – Grounds for termination” in this prospectus.

28 February 2018

EXPECTED TIMETABLE⁽¹⁾

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

2018

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

Application Forms available from 9:00 a.m. on Wednesday, 28 February

Latest time for completing electronic applications under

HK eIPO White Form service through the designated

website www.hkeipo.hk^(Note 2) 11:30 a.m. on Monday, 5 March

Application lists for Public Offer open^(Note 3) 11:45 a.m. on Monday, 5 March

Latest time for lodging **WHITE** and

YELLOW Application Forms 12:00 noon on Monday, 5 March

Latest time for completing payment for **HK eIPO White Form**

applications by effecting Internet banking transfer(s) or

PPS payment transfer(s) 12:00 noon on Monday, 5 March

Latest time for giving **electronic application instructions** to

HKSCC^(Note 5) 12:00 noon on Monday, 5 March

Application lists for Public Offer close^(Note 3) 12:00 noon on Monday, 5 March

Expected Price Determination Date^(Note 4) Tuesday, 6 March

Announcement of the final Offer Price, the level of indication of

interest in the Placing, the level of application in

the Public Offer and the basis of allocation of

the Public Offer Shares to be published on

our Company's website at www.asl.hk^(Note 6)

and the Stock Exchange's website at

www.hkexnews.hk on or before Tuesday, 13 March

Announcement of results of allocation in the Public Offer (with successful

applicants' identification document numbers, where appropriate)

to be available through a variety of channels as described in the section headed

"How to apply for the Public Offer Shares – 11. Publication of results"

in this prospectus including our Company's website

at www.asl.hk and the Stock Exchange's website

at www.hkexnews.hk from Tuesday, 13 March

Results of allocation in the Public Offer will be available at

www.tricor.com.hk/ipo/result with a "search by

ID Number" function from Tuesday, 13 March

Despatch/collection of Share certificates or deposit of the Share certificates into

CCASS in respect of wholly or partially successful applications

pursuant to the Public Offer on or about^{(Note 7) (Note 8)} Tuesday, 13 March

EXPECTED TIMETABLE⁽¹⁾

Despatch/collection of **HK eIPO White Form** e-Auto Refund payment instruction and/or refund cheques in respect of wholly or partially successful applications (if applicable) and wholly or partially unsuccessful applications pursuant to the Public Offer on or about^{(Note 8) (Note 9)} Tuesday, 13 March

Dealings in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on Wednesday, 14 March

Notes:

1. All times and dates refer to Hong Kong local times and dates, unless otherwise stated.
2. You will not be permitted to submit your application to the **HK eIPO White Form** Service Provider 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 the application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 5 March 2018, the application lists will not open on that day. For further details, please see the section headed “How to Apply for the Public Offer Shares – 10. Effect of bad weather on the opening of the application lists” in this prospectus.
4. The Price Determination Date is expected to be on or around Tuesday, 6 March 2018 and, in any event, not later than Monday, 12 March 2018. If, for any reason, the Offer Price is not agreed between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company by Monday, 12 March 2018, the Share Offer will not proceed and will lapse.
5. Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed “How to Apply for the Public Offer Shares – 6. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
6. None of the website or any of the information contained on the website forms part of this prospectus.
7. Share certificates will only become valid at 8:00 a.m. on Wednesday, 14 March 2018 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting – Underwriting arrangements and expenses – The Public Offer – Grounds for termination” in this prospectus has not been exercised. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.
8. Refund cheques/e-Auto Refund payment instructions will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number or if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund cheque, if any. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque, if any.
9. Applicants who have applied on **WHITE** Application Form or through **HK eIPO White Form** for 1,000,000 or more Public Offer Shares and have provided all information required by their Application Forms may collect their refund cheques and/or Share certificates (where applicable) in person from our Company’s Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell

EXPECTED TIMETABLE⁽¹⁾

Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 13 March 2018 or such other date as notified by our Company. Applicants being individuals who are eligible for personal collection may not authorise any other person to collect on their behalf. Applicants being corporations which are eligible for personal collection must attend through their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation's chop. Both individuals and authorised representatives of corporations must produce evidence of identity acceptable to our Company's Hong Kong Branch Share Registrar at the time of collection. Applicants who have applied on **YELLOW** Application Form for 1,000,000 or more Public Offer Shares and have provided all information required by their Application Forms may collect their refund cheques, if any, in person but may not collect their Share certificates as such Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their CCASS Investor Participant's stock accounts or their designated CCASS Participants' stock accounts as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants. Applicants who have applied for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for the Public Offer Shares – 14. Despatch/Collection of Share certificates and refund monies – personal collection – (iii) If you apply through the HK eIPO White Form Service" in this prospectus for details. Applicants who have applied for less than 1,000,000 Public Offer Shares and any uncollected Share certificates and/or refund cheques will be despatched by ordinary post, at the applicants' own risk, to the addresses specified in the relevant Application Forms. Further information is set out in the sections headed "How to Apply for the Public Offer Shares – 13. Refund of application monies" and "How to Apply for the Public Offer Shares – 14. Despatch/Collection of Share certificates and refund monies" in this prospectus. The above expected timetable is a summary only. You should read carefully the sections headed "Structure and Conditions of the Share Offer" and "How to Apply for the Public Offer Shares" in this prospectus for details of the structure of the Share Offer, including the conditions of the Share Offer and the procedures for application for the Public Offer Shares.

CONTENTS

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

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

	<i>Page</i>
EXPECTED TIMETABLE	i
CONTENTS	iv
SUMMARY	1
DEFINITIONS	11
GLOSSARY OF TECHNICAL TERMS	22
FORWARD-LOOKING STATEMENTS	24
RISK FACTORS	26
WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES	38
INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER	39
DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER	44
CORPORATE INFORMATION	48
INDUSTRY OVERVIEW	51

CONTENTS

	<i>Page</i>
REGULATORY OVERVIEW	62
HISTORY, DEVELOPMENT AND REORGANISATION	68
BUSINESS	74
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS	122
CONNECTED TRANSACTIONS	126
DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES	131
SHARE CAPITAL	146
SUBSTANTIAL SHAREHOLDERS	149
FINANCIAL INFORMATION	151
FUTURE PLANS AND USE OF PROCEEDS	193
UNDERWRITING	207
STRUCTURE AND CONDITIONS OF THE SHARE OFFER	216
HOW TO APPLY FOR THE PUBLIC OFFER SHARES	224
APPENDIX I – ACCOUNTANTS’ REPORT	I-1
APPENDIX II – UNAUDITED PRO FORMA FINANCIAL INFORMATION ..	II-1
APPENDIX III – SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW	III-1
APPENDIX IV – STATUTORY AND GENERAL INFORMATION	IV-1
APPENDIX V – DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION	V-1

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. As it is a summary, it does not contain all the information that may be important to you, and is qualified in its entirety, and should be read in conjunction with the full text of this prospectus. Information contained in our website, located at www.asl.hk, does not form part of this prospectus. You should read the whole prospectus 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 forth in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this summary are defined in the sections headed "Definitions" and "Glossary of Technical Terms" in this prospectus.

OVERVIEW

Our Group is principally engaged in the provision of (i) air freight forwarding ground handling services and (ii) air cargo terminal operating services in Hong Kong. We provide air freight forwarding ground handling services to our customers, who are generally global logistics companies and major freight forwarding agents, with our facilities at our own rented warehouse premises in the AFFC. As such, we may incur losses if we cannot utilise our warehouses sufficiently. We also provide air cargo terminal operating services at the CPCT, being one of the three air cargo terminals operating in Hong Kong, to work with its various built-in computerised handling systems.

Founded in 2002, we have accumulated extensive industry experience in air freight forwarding ground handling services and we provide quality reliable services to save time and cost for our customers. We operate our air freight forwarding ground handling services at our rented warehouses in AFFC, which is approximately 235,293 sq. ft. in total. We maintain a fleet of 56 cargo trucks and vans being installed with GPS tracking system as at the Latest Practicable Date to support our daily operations. These facilities and related setup allow us to provide reliable and efficient air freight forwarding ground handling services to leading global logistics companies, many of whom rely on outsourced service providers like us to support their daily operations.

We also participate in the daily operations of CPCT, which forms the other segment of our business. In order to operate a large complex like CPCT, we are engaged by our client to assist in their air cargo terminal operations. Our main scope of operations in CPCT is the handling of cargoes upon their arrival from aircrafts and to process them for storage or pick-up promptly. We believe that our dedication to provide professional, reliable and efficient services to our customers is the key to our success and our reputation in doing so has resulted in us winning significant contracts from customers including leading global logistics companies and the operator of CPCT.

For the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, our revenue was approximately HK\$364.5 million, HK\$378.8 million, HK\$430.1 million and HK\$200.7 million, respectively. Our net profit for the corresponding periods was approximately HK\$18.5 million, HK\$19.1 million, HK\$34.2 million and

SUMMARY

HK\$7.9 million, respectively. For the same periods, approximately HK\$199.3 million, HK\$193.9 million, HK\$214.2 million and HK\$104.2 million, representing approximately 54.7%, 51.2%, 49.8% and 51.9% of our total revenue were generated from the provision of air freight forwarding ground handling services, and approximately HK\$165.2 million, HK\$184.9 million, HK\$215.9 million and HK\$96.5 million, representing approximately 45.3%, 48.8%, 50.2% and 48.1% of our total revenue were generated from the provision of air cargo terminal operating services.

The table below sets forth our cargo volume processed and the average service fees per kg by the types of services we provided during the Track Record Period:

	Year ended 31 March						Five months ended 31 August			
	2015		2016		2017		2016		2017	
	<i>Average</i>		<i>Average</i>		<i>Average</i>		<i>Average</i>		<i>Average</i>	
	<i>Cargo service</i>		<i>Cargo service</i>		<i>Cargo service</i>		<i>Cargo service</i>		<i>Cargo service</i>	
	<i>volume</i>	<i>fees</i>	<i>volume</i>	<i>fees</i>	<i>volume</i>	<i>fees</i>	<i>volume</i>	<i>fees</i>	<i>volume</i>	<i>fees</i>
	<i>processed</i>	<i>per kg</i>	<i>processed</i>	<i>per kg</i>	<i>processed</i>	<i>per kg</i>	<i>processed</i>	<i>per kg</i>	<i>processed</i>	<i>per kg</i>
	(tonnes)	HK\$	(tonnes)	HK\$	(tonnes)	HK\$	(tonnes)	HK\$	(tonnes)	HK\$
Air freight forwarding ground handling services										
Overall	213,785	0.9	214,315	0.9	192,364	1.1	79,116	1.0	82,574	1.3
Air cargo terminal operating services										
Overall	411,276	0.4	450,607	0.4	516,672	0.4	203,993	0.4	221,980	0.4
Total	625,061	0.6	664,922	0.6	709,036	0.6	283,109	0.6	304,554	0.7

The table below sets forth a breakdown of the components of our direct costs during the Track Record Period:

	Year ended 31 March						Five months ended 31 August			
	2015		2016		2017		2016		2017	
	<i>HK\$'000</i>	<i>(%)</i>	<i>HK\$'000</i>	<i>(%)</i>	<i>HK\$'000</i>	<i>(%)</i>	<i>HK\$'000</i>	<i>(%)</i>	<i>HK\$'000</i>	<i>(%)</i>
	(Unaudited)									
Direct labour costs	152,917	50.4	145,552	45.7	137,825	39.7	56,168	42.8	54,646	32.5
Dispatched labour costs	83,719	27.6	112,430	35.3	131,794	38.0	48,075	36.6	72,726	43.2
Transportation costs	24,262	8.0	21,885	6.9	20,175	5.8	8,282	6.3	13,347	7.9
Rental and management fee on warehouse premises	19,007	6.3	14,783	4.6	34,951	10.1	10,013	7.6	18,570	11.0
Costs of packaging materials	14,152	4.7	14,427	4.6	12,258	3.6	5,028	3.8	4,359	2.6
Forklift rental	9,088	3.0	9,175	2.9	9,842	2.8	3,737	2.9	4,773	2.8
Total	303,145	100.0	318,252	100.0	346,845	100.0	131,303	100.0	168,421	100.0

SUMMARY

OUR CUSTOMERS AND SUPPLIERS

Our customers consist mainly of freight forwarding agents and major global logistics companies. They are recurring customers that we have established long-term business relationships with and we believe they have a good understanding of our strengths and capabilities. We enter into contracts with our customers to specify our scope of services, charges and rates of our services.

Some of our individual customers are considered as affiliated entities amongst themselves and hence our Directors view them as a group of customers. For the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, our top five customers were Independent Third Parties, and the total revenue attributable to them amounted to approximately HK\$360.7 million, HK\$373.2 million, HK\$427.4 million and HK\$198.0 million, representing approximately 98.9%, 98.5%, 99.4% and 98.7% of our total revenue, respectively. During the same periods, the total revenue attributable to our largest customer amounted to approximately HK\$167.1 million, HK\$184.9 million, HK\$215.9 million and HK\$96.5 million, representing approximately 45.8%, 48.8%, 50.2% and 48.1% of our total revenue, respectively.

Our suppliers mainly include landlord of warehouses, companies providing dispatched labours, transportation services, packaging materials and rental forklifts. We select our suppliers from our approved supplier list based on factors including the (i) quality of product or services; (ii) delivery time; (iii) previous working experience with the supplier; and (iv) reputation of the supplier.

Among our five largest suppliers during the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, Gobo Trade was our related party. Packaging materials that our Group purchased from Gobo Trade include paper corner, foam board, plastic sheets and tape which are consumed by our Group to pack customers' products for transportation, distribution and storage. For details of its transactions with our Group, please refer to the section headed "Financial Information – Related party transactions" in this prospectus. For the same periods, our total direct costs attributable to our five largest suppliers amounted to approximately HK\$108.9 million, HK\$136.3 million, HK\$180.5 million and HK\$101.4 million, representing approximately 35.9%, 42.8%, 52.0% and 60.2% of our total direct costs, respectively. During the same periods, our direct costs attributable to our largest supplier amounted to approximately HK\$50.6 million, HK\$98.0 million, HK\$128.3 million and HK\$72.6 million, representing approximately 16.7%, 30.8%, 37.0% and 43.1% of our total direct costs, respectively.

CUSTOMER CONCENTRATION

For the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, the percentage of our total revenue attributable to our two largest customers, namely Customer C and Customer D, amounted to approximately 91.1%, 91.4%, 93.9% and 87.9%, respectively. Despite the Terminal Service Agreements made with Customer C and its subsidiary will expire in 2019 and the Logistics Service Agreements made with Customer D will expire by 2019, our Directors consider that our business is sustainable, having regard to, among other factors, (i) we have mutual and complementary business relationship with

SUMMARY

our major customers; (ii) we are capable of maintaining our revenue growth; (iii) we will continue to expand our customer base; and (iv) we will continue to expand our scope of services. For details, please refer to the section headed “Business – Customers – Customer concentration” in this prospectus.

MARKET SHARE

Based on Frost & Sullivan’s estimates, our Group accounts for approximately 1.4% of Hong Kong’s air freight forwarding ground handling services market share and 16.7% of Hong Kong’s air cargo terminal operating services market share for the year ended 31 December 2016 in terms of revenue. For details, please refer to the section headed “Industry Overview – Competitive landscape of air freight logistics services market in Hong Kong” in this prospectus.

PRICING STRATEGY

Our Group determines its service fee mainly with reference to the expected costs to be involved, such as staff costs and administrative fees (including transportation cost, cost of equipment and other operating costs), whereas the administrative fees were typically determined based on a certain percentage of the staff costs. Our Group also takes into consideration the length of contract, relevant skills required, special requests from customers and the urgency of the tasks.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths allow us to achieve sustainable growth of our business:

- we have maintained long-standing relationship with sizable customers and have established a solid reputation in the air freight logistics industry in Hong Kong
- we provide quality and reliable services to save the time and cost for our customers
- we have strong and experienced management personnel

BUSINESS STRATEGIES

We have formulated the following business strategies to strengthen our position as an air freight forwarding ground handling services and air cargo terminal operating services provider in Hong Kong:

- setting up new warehouse premises to cater for increasing business demand
- upgrading existing facilities and acquiring additional trucks and equipment
- implementing new information technology system to streamline management process and enhance our overall efficiency

SUMMARY

RISK FACTORS

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We believe the more significant risks relating to our business are as follows:

- we are exposed to concentration risk of heavy reliance on Customer C for the engagement of our air cargo terminal operating services and Customer D for the engagement of our air freight forwarding ground handling services. Any decrease in or loss of business from Customer C and/or Customer D could adversely and substantially affect our operations and financial conditions
- we are dependent on our customers' business performance and their continuing demand for our air freight forwarding ground handling services and air cargo terminal operating services
- we rely on the expertise and experience of our key management personnel
- if our customers terminate their existing service agreements with us prior to the respective expiry date, our revenue stream and profitability may be adversely affected
- our Group may incur losses if we cannot utilise our warehouses sufficiently
- increases in fuel prices or shortage of fuel supply may reduce our profitability

CONNECTED TRANSACTIONS

Prior to the Listing, our Group has entered into various transactions with Mr. Alex Law and Mr. Simon Law, Hung Kee and Gobo Trade during the Track Record Period (i) to lease a property currently used by the Group as office; (ii) to provide vehicle repair and maintenance services and (iii) to purchase packaging materials, respectively. These transactions will continue after the Listing and constitute continuing connected transactions (as defined under the Listing Rules) of our Company. For details of the abovementioned continuing connected transactions, please refer to the section headed "Connected Transactions" in this prospectus.

LITIGATION AND POTENTIAL CLAIMS

As at the Latest Practicable Date, there were 21 outstanding employees' compensation claims submitted to the Labour Department against our Group. These accidents were caused during the usual and ordinary business of our Group and did not cause material disruption to our Group's business.

SUMMARY

As at the Latest Practicable Date, there were 8 outstanding civil litigations against our Group, relating to which, and legal proceedings had been commenced and our Group had received the relevant pleadings documents from the respective plaintiffs or applicants. The injury incidents were caused during the usual and ordinary business of our Group but did not cause material disruption to our Group's business.

Please refer to the section headed "Business – Litigation and potential claims" in this prospectus for further details.

LEGAL AND REGULATORY COMPLIANCE

Our Directors have confirmed that, save as disclosed in the paragraph headed "Litigation and potential claims" above, we had no material non-compliance of applicable laws and regulations in Hong Kong that would affect our Group's operation and financial position during the Track Record Period and up to the Latest Practicable Date.

SHAREHOLDERS INFORMATION

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued under the exercise of any options that may be granted under the Share Option Scheme), Mr. Alex Law, Mr. Simon Law and Mr. Albert Chiu through Dynamic Victor will control more than 30% of our Company's issued share capital. For the purpose of the Listing Rules, Mr. Alex Law, Mr. Simon Law, Mr. Albert Chiu and Dynamic Victor are a group of Controlling Shareholders.

Please refer to the section headed "Relationship with our Controlling Shareholders" in this prospectus for further details.

KEY OPERATIONAL AND FINANCIAL DATA

Highlights of combined statements of profit or loss and other comprehensive income

	Year ended 31 March			Five months ended 31 August	
	2015 (HK\$'000)	2016 (HK\$'000)	2017 (HK\$'000)	2016 (HK\$'000)	2017 (HK\$'000)
Revenue	364,491	378,761	430,093	161,414	200,683
Gross profit	61,346	60,509	83,248	30,111	32,262
Profit for the year	18,463	19,114	34,213	11,910	7,860

During the Track Record Period, our revenue and profits were increasing, this was mainly attributable to (i) the revenue growth from our air cargo terminal operating services during the Track Record Period primarily as a result of the increase in our air cargo processed volume driven by increasing number of airlines having their air cargoes handled in the CPCT; and (ii) the revenue growth from our air freight forwarding ground handling services for the year ended 31 March 2017, primarily due to the expansion of our

SUMMARY

warehousing services to Customer D and we have successfully attained better pricing for our services to Customer D, upon the renewal of major service contracts in July 2016. Our net profit for the year ended 31 March 2017 increased significantly by 79.1% as compared to the previous year, mainly resulted from the increased gross profit and relatively stable administrative and other operating expenses for the year ended 31 March 2017.

Highlights of combined statements of financial position

	As at 31 March			As at
	2015	2016	2017	31 August
	(HK\$'000)	(HK\$'000)	(HK\$'000)	2017 (HK\$'000)
Current assets	110,105	110,822	155,410	149,054
Current liabilities	77,313	70,857	81,619	81,856
Net current assets	32,792	39,965	73,791	67,198
Net assets	37,052	46,166	80,379	77,239
Total assets	115,710	118,165	162,255	159,836

Highlights of combined statements of cash flows

	Year ended 31 March			Five months ended	
	2015	2016	2017	31 August	
	(HK\$'000)	(HK\$'000)	(HK\$'000)	2016 (Unaudited)	2017 (Unaudited)
Net cash generated from/(used in) operating activities	27,987	21,134	44,916	(9,396)	2,563
Net cash used in investing activities	(1,249)	(1,588)	(5,448)	(1,115)	(5,862)
Net cash (used in)/generated from financing activities	(12,363)	(24,040)	(593)	7,068	(18,797)
Net increase/(decrease) in cash and cash equivalents	14,375	(4,494)	38,875	(3,443)	(22,096)
Cash and cash equivalents at end of year/period	23,714	19,220	58,095	15,777	35,999

SUMMARY

Summary of financial ratios

	Year ended or as at 31 March			Five months ended or as at 31 August 2017
	2015	2016	2017	
Profitability ratios				
Return on total assets	16.0%	16.2%	21.1%	11.7%
Return on equity	49.8%	41.4%	42.6%	24.3%
Liquidity ratios				
Current ratio	1.4	1.6	1.9	1.8
Quick ratio	1.4	1.6	1.9	1.8
Capital adequacy ratios				
Gearing ratio (<i>Note</i>)	77.5%	33.7%	34.3%	28.3%
Interest coverage	18.4	24.6	31.7	25.3

Note:

Gearing ratio is calculated based on the total interest-bearing liabilities as at the end of the respective period divided by total equity as at the end of the respective period and multiplied by 100%.

Our gearing ratio decreased from approximately 77.5% as at 31 March 2015 to approximately 33.7% as at 31 March 2016, primarily due to (i) the repayment of bank and other borrowings during the year ended 31 March 2016; and (ii) the higher equity contributed by the net profit for the year partially offset by the impact of the dividends of HK\$10.0 million declared and paid by A & S (HK) to the then shareholders for the year.

RECENT DEVELOPMENTS

Our Directors observed and noted that the market in which our Group operates remained stable after 31 August 2017 as reflected by the continued stable operation of our Group during the period from 1 September 2017 to the Latest Practicable Date.

During the five months ended 31 August 2017, we have been engaged by a sizeable international air freight forwarder as our new customer with an expected total additional services amounted to approximately HK\$28.7 million for the year ending 31 March 2018. As at the Latest Practicable Date, approximately HK\$99.5 million or 100.0% of our trade receivables as at 31 August 2017 have been settled.

Our Directors have confirmed that, subsequent to the Track Record Period and up to the date of this prospectus, there had been no material adverse change in our pricing strategies or our business model.

SUMMARY

LISTING EXPENSES AND FINANCIAL PERFORMANCE FOR THE YEAR ENDING 31 MARCH 2018

Our Group's financial performance for the year ending 31 March 2018 will be affected by the non-recurring expenses incurred in relation to the Listing. The listing expenses are estimated to be approximately HK\$23.5 million (assuming an Offer Price of HK\$0.40, being the midpoint of the indicative Offer Price range of HK\$0.30 to HK\$0.50 per Offer Share), of which (i) approximately HK\$10.3 million is directly attributable to the issue of Offer Shares which is to be accounted for as a deduction from equity; (ii) approximately HK\$3.9 million and HK\$4.6 million has been charged to profit or loss of our Group for the year ended 31 March 2017 and the five months ended 31 August 2017, respectively; and (iii) approximately HK\$4.7 million is to be charged to profit or loss of our Group for the seven months ending 31 March 2018. Such cost is a current estimate and for reference only. The final amount to be recognised to the profit or loss of our Group or to be capitalised is subject to adjustment based on audit and the changes in variables and assumptions.

In addition, there will be an expected increase in administrative expenses for the year ending 31 March 2018 arising from the increase in remuneration of our Directors and the appointment of the new independent non-executive Directors and professional parties prior to and after the Listing.

Our Directors are of the opinion that there has been no fundamental deterioration in the commercial and operational viability in our Group's business despite the expected increase in our Directors' remuneration and professional fees and the non-recurring listing expenses.

MATERIAL ADVERSE CHANGE

Save for the expected non-recurring listing expenses disclosed above, our Directors have confirmed that, up to the date of this prospectus, there had been no material adverse change in the financial or trading positions or prospect of our Company or its subsidiaries since 31 August 2017 (being the date of which our Group's latest audited combined financial statements were made up as set out in the Accountants' Report in Appendix I to this prospectus) and there had been no event since 31 August 2017 which would materially affect the information shown in the Accountants' Report in Appendix I to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

We intend to apply the net proceeds to us from the Share Offer, after deducting related underwriting fees and estimated expenses in connection with the Share Offer and an Offer Price of HK\$0.4, being the mid-point of the Offer Price range, of approximately HK\$76.5 million as follows:

- approximately HK\$30.0 million or approximately 39.2% of the net proceeds will be used for the setting up of new warehouse premises in Tuen Mun of around 130,000 sq. ft.;

SUMMARY

- approximately HK\$30.0 million or approximately 39.2% of the net proceeds will be used for the investment in upgrading our existing warehouses and offices and acquisition of additional trucks and equipment;
- approximately HK\$12.0 million or approximately 15.7% of the net proceeds will be used for the investment in the new information system which will be used for streamlining management process, enhancing our operational efficiency, cost and warehouse management and quality of services; and
- approximately HK\$4.5 million or approximately 5.9% of the net proceeds will be used as general working capital of our Group.

Please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus for details.

DIVIDEND AND DISTRIBUTIVE RESERVES

For the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, A & S (HK) declared dividend of nil, HK\$10.0 million, nil and HK\$11.0 million, respectively, to the then shareholders. All of such dividends have been fully settled and the payments were financed by our internal resources.

Our Company does not have any predetermined dividend payout ratio. The payment and the amount of any future dividends will be at the discretion of our Directors and will depend on the future operations and earnings, capital requirements and surplus, general financial condition and other factors that our Directors deem relevant. Investors should note that historical dividend distributions are not indicative of our Company’s future dividend distribution.

OFFER STATISTICS

Market capitalisation at Listing	:	HK\$300.0 million to HK\$500.0 million
Offer size	:	25% of the enlarged issued share capital of our Company
Offer Price per Share	:	HK\$0.30 to HK\$0.50
Number of Offer Shares	:	250,000,000 Shares
Number of Public Offer Shares	:	25,000,000 Shares (subject to reallocation)
Number of Placing Shares	:	225,000,000 Shares (subject to reallocation)
Board lot	:	10,000 Shares
Unaudited pro forma adjusted combined net tangible assets per Share	:	HK\$0.14 based on an Offer Price of HK\$0.30 per Share; and HK\$0.19 based on an Offer Price of HK\$0.50 per Share

DEFINITIONS

In this prospectus, the following terms shall have the meanings set forth below unless the context otherwise requires.

“Accountants’ Report”	the accountants’ report of our Group for the Track Record Period as set out in Appendix I to this prospectus
“affiliate”	in relation to a body corporate, any subsidiary undertaking or parent undertaking of such body corporate, and any subsidiary undertaking of any such parent undertaking for the time being
“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 of Association” or “Articles”	the amended and restated articles of association of our Company adopted on 21 February 2018 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 our Company and Cayman Islands Company Law” in Appendix III to this prospectus
“A & S (HK)”	A & S (HK) Logistics Limited (亞洲實業(香港)物流有限公司), a company incorporated in Hong Kong on 9 October 2002 with limited liability, which shall be an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“ASWC”	ASWC (Hong Kong) Logistics Limited (亞洲運捷(香港)物流有限公司), a company incorporated in Hong Kong on 2 December 2006 with limited liability and owned as to 50% and 50% by Mr. Alex Law and Mr. Simon Law, respectively, immediately prior to its deregistration on 2 December 2016
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of our Board
“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

DEFINITIONS

“Capitalisation Issue”	the issue of 749,990,000 Shares to be made upon capitalisation of certain sums standing in the credit of the share premium account of our Company referred to in the paragraph headed “A. Further information about our Company – 3. Written resolutions of our sole Shareholder passed on 21 February 2018” in Appendix IV to 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 a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person or persons admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation
“CCASS Participant(s)”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Chairman”	chairman of the Board
“Chief Executive Officer”	chief executive officer of our Company
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice”	the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies Law”	the Companies Law (as 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 (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Company” or “our Company”	A & S Group (Holdings) Limited (亞洲實業集團(控股)有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 7 July 2016 and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 23 August 2016, except where the context otherwise requires, all of its subsidiaries, or where the context refers to the time before it became the holding company thereof, our Company’s present subsidiaries
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and in the context of this prospectus, refers to Dynamic Victor, Mr. Alex Law, Mr. Simon Law and Mr. Albert Chiu. Please refer to the section headed “Relationship with our Controlling Shareholders” in this prospectus for further details
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Deed of Indemnity”	a deed of indemnity dated 21 February 2018 entered into between the Controlling Shareholders and our Company (for itself and as trustee of its subsidiaries), under which the Controlling Shareholders have given certain indemnities in favour of our Company containing, among others, the indemnities referred to in the section headed “Statutory and General Information – E. Other information – 1. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	a deed of non-competition dated 21 February 2018 entered into between the Controlling Shareholders and our Company (for itself and as trustee of its subsidiaries), particulars of which are set out in the section headed “Relationship with our Controlling Shareholders – Non-competition undertakings” in this prospectus
“Director(s)” or “our Directors”	the director(s) of our Company
“Dynamic Victor”	Dynamic Victor Limited, a company incorporated in Seychelles on 29 April 2016 with limited liability and owned as to 60%, 30% and 10% by Mr. Alex Law, Mr. Simon Law and Mr. Albert Chiu, respectively

DEFINITIONS

“EGP Tenancy Agreement”	the agreement dated 1 July 2017 entered into between the Company, Mr. Alex Law and Mr. Simon Law from 1 July 2017 to 31 March 2020, pursuant to which Mr. Alex Law and Mr. Simon Law have agreed to rent out the EGP Office to our Group
“EGP Office”	Room 11, 14th Floor, Ever Gain Plaza Tower 2, 88 Container Port Road, Kwai Chung, New Territories, Hong Kong, our headquarter and principal address of business
“Employees’ Compensation Ordinance”	the Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Employment Ordinance”	the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Frontpage Capital” or “Sole Sponsor”	Frontpage Capital Limited, a licensed corporation for carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and the sole sponsor for the Listing, a joint bookrunner and a joint lead manager for the Share Offer, and an Independent Third Party
“Frost & Sullivan”	Frost & Sullivan International Limited, an independent market research agency
“F&S Report”	the market research report commissioned by us and prepared by Frost & Sullivan
“GDP”	gross domestic product
“Government”	the Government of Hong Kong
“ GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider
“Group”, “our Group”, “we”, “us”	our Company and its subsidiaries or, where the context otherwise requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time

DEFINITIONS

“Gobo Trade”	Gobo Trade Limited (國邦環貿有限公司), a company incorporated in Hong Kong on 20 January 2009 with limited liability, which is a connected person of our Company
“Gobo Trade Framework Agreement”	the agreement entered into between our Company and Gobo Trade prior to the Listing for a term ending 31 March 2020, pursuant to which Gobo Trade Limited has agreed to provide packaging materials from time to time to our Group as we request
“HK\$”, “HKD” or “Hong Kong Dollars”	Hong Kong dollars, 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 <i>www.hkeipo.hk</i>
“HK eIPO White Form Service Provider”	the HK eIPO White Form Service Provider designated by our Company, as specified on the designated website at <i>www.hkeipo.hk</i>
“HKFRS(s)”	the Hong Kong Financial Reporting Standard(s) (including the Hong Kong Accounting Standards, amendments and interpretations) issued by HKICPA
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, our branch share registrar and transfer office in Hong Kong
“Hung Kee”	Hung Kee Body Building Factory Limited (鴻記車身廠有限公司), a company incorporated in Hong Kong on 4 March 2013 with limited liability, which is a connected person of our Company

DEFINITIONS

“Hung Kee Framework Agreement”	the agreement entered into between the Company and Hung Kee prior to the Listing for a term ending 31 March 2020, pursuant to which Hung Kee has agreed to provide vehicle repair and maintenance services to our Group upon request
“IC Consultant”	internal control consultant
“Independent Third Party(ies)”	an individual or a company who or which is independent of any directors, chief executive, substantial shareholders of our Company, its subsidiaries or any of their respective close associates, and not a connected person of our Company
“Joint Bookrunners” or “Joint Lead Managers”	Frontpage Capital and Pacific Foundation Securities Limited
“Labour Department”	the Labour Department of Hong Kong
“Latest Practicable Date”	19 February 2018, being the latest practicable date for the inclusion of certain information in this prospectus prior to its publication
“Listing”	the listing of the Shares on the Stock Exchange
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date on which dealings in the Shares on the Stock Exchange first commenced, which is expected to be on 14 March 2018
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange, as amended, modified and supplemented from time to time
“Memorandum of Association” or “Memorandum”	the amended and restated memorandum of association of our Company adopted on 21 February 2018 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 our Company and Cayman Islands Company Law” in Appendix III to this prospectus
“Metro Talent”	Metro Talent Limited, a company incorporated in Seychelles on 15 March 2016 with limited liability and shall be a direct wholly-owned subsidiary of the Company upon completion of the Reorganisation

DEFINITIONS

“MPF Scheme”	mandatory provident fund scheme
“Mr. Albert Chiu”	Mr. Chiu Tat Ting Albert (趙達庭), our Chief Executive Officer, executive Director and Controlling Shareholder
“Mr. Alex Law”	Mr. Law Kwok Leung Alex (羅國樑), our Chairman, executive Director and Controlling Shareholder
“Mr. Anthony Law”	Mr. Law Kwok Pan (羅國斌), the brother of Mr. Alex Law and Mr. Simon Law
“Mr. Simon Law”	Mr. Law Kwok Ho Simon (羅國豪), our executive Director and Controlling Shareholder
“Nomination Committee”	the nomination committee of our Board
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), at which Offer Shares are to be subscribed, to be determined in the manner further described in the section headed “Structure and Conditions of the Share Offer – Pricing and allocation” in this prospectus
“Offer Shares”	the Public Offer Shares and the Placing Shares, collectively
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters, as further described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Shares”	the 225,000,000 new Shares initially offered by our Company for subscription at the Offer Price under the Placing, subject to reallocation as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Underwriters”	the underwriters of the Placing that are expected to enter into the Placing Underwriting Agreement

DEFINITIONS

“Placing Underwriting Agreement”	the underwriting agreement expected to be entered into on or around 6 March 2018 by, among others, our Company, our executive Directors, the Controlling Shareholders, the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners and the Placing Underwriters, in respect of the Placing, as further described in the section headed “Underwriting – Underwriting arrangements and expenses – The Placing” in this prospectus
“PRC” or “China”	the People’s Republic of China(中華人民共和國), which for the purposes of this prospectus only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to its repeal and replacement on 3 March 2014 by the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance
“Price Determination Agreement”	the agreement to be entered into by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or around Tuesday, 6 March 2018, on which the Price Determination Agreement is entered into but in any event no later than Monday, 12 March 2018
“Public Offer”	the conditional offer to the public in Hong Kong for subscription of the Public Offer Shares at the Offer Price, on and subject to the terms and conditions stated in this prospectus and in the Application Forms, as further described in the section headed “Structure and Conditions of the Share Offer” in this prospectus and the related Application Forms
“Public Offer Shares”	the 25,000,000 new Shares initially offered by our Company for subscription at the Offer Price under the Public Offer, subject to reallocation as mentioned in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer listed in the section headed “Underwriting – Public offer underwriters” in this prospectus

DEFINITIONS

“Public Offer Underwriting Agreement”	the underwriting agreement dated 27 February 2018 relating to the Public Offer and entered into by, among others, our Company, our executive Directors, the Controlling Shareholders, the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners and the Public Offer Underwriters, as further described in the section headed “Underwriting – Underwriting arrangements and expenses – The Public Offer – Public Offer Underwriting Agreement” in this prospectus
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of our Board
“Reorganisation”	the reorganisation arrangement undergone by our Group in preparation for the Listing as described in the section headed “History, Development and Reorganisation” in this prospectus
“Repurchase Mandate”	the general unconditional mandate granted to our Directors by the Shareholders in relation to the repurchase of our Shares, further information on which is set forth in the paragraph “A. Further information about our Company – 6. Repurchase of our Shares by our Company” in Appendix IV to this prospectus
“Seychelles”	the Republic of Seychelles
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of our Company
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme of our Company, conditionally approved and adopted by our Company, the principal terms of which are summarised in the paragraph headed “D. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the period comprising the three financial years ended 31 March 2017 and the five months ended 31 August 2017
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“US” or “U.S.” or “United States”	the United States of America
“US\$” or “US Dollars”	United States dollars, the lawful currency of the United States
“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 Public Offer Shares for use by the public who require such Public Offer Shares to be issued in the applicant’s own name
“ YELLOW Application Form(s)”	the application form(s) for the Public Offer Shares for use by the public who require such Public Offer Shares to be deposited directly into CCASS
“sq. ft.”	square feet
“%”	per cent.

In this prospectus, where otherwise specified:

- All dates and times refer to Hong Kong dates and time.
- Amounts denominated in US\$ have been translated, for the purpose of illustration only, into HK\$, and vice versa, in this prospectus at the rates of US\$1.00 to HK\$7.80. No representation is made that any amounts in HK\$ or US\$ can be or could have been at the relevant date converted at the above rates or any other rates or at all.

DEFINITIONS

- Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments.

- Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

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.

“AFCD”	the Agriculture, Fisheries and Conservation Department of the Government
“AFFC”	Airport Freight Forwarding Centre, an air cargo consolidation centre located at 2 Chun Wan Road, Chek Lap Kok, which is in close proximity to the cargo terminals at Hong Kong International Airport, with over 1.5 million sq. ft. of warehouse and office space
“BHS”	bulk handling system of the CPCT, which provides 4,200 storage positions for bulk cargo and is linked with the examination hall of the CED to facilitate inspection
“CED”	the Customs and Excise Department of the Government
“CHS”	container handling system of the CPCT, a fully-automated container handling system with 31 hoists and 18 elevated transfer vehicles to facilitate fast movement of ULDs into over 2,400 storage positions
“CPCT”	Cathay Pacific Cargo Terminal, an air cargo terminal located at 3 Chun Wan Road, Chek Lap Kok, and constructed by Cathay Pacific Services Limited under a 20-year franchise from The Airport Authority Hong Kong on a site of 10 hectares. It is one of the three air cargo terminals operating in the Hong Kong International Airport’s cargo area
“FEHD”	the Food and Environmental Hygiene Department of the Government
“GPS”	the Global Positioning System is a satellite based navigation system
“HACTL”	Hong Kong Air Cargo Terminals Limited, an air cargo terminal located at 9 Chun Wan Road, Hong Kong. It is one of the three air cargo terminals operating in the Hong Kong International Airport’s cargo area
“IT”	Information technology

GLOSSARY OF TECHNICAL TERMS

“ISO”	International Organisation for Standardisation standards, for quality management which ensure an organisation’s products conform to customer requirements and applicable statutory and regulatory standards and which set requirements for what an organisation must do to manage processes influencing product quality
“ISO 9001:2015”	a standard of the ISO 9000 series, which specifies the requirements for a quality management system of an organisation to consistently provide products that meet customer requirements and applicable statutory and regulatory standards
“MHS”	materials handling system, a fully-automated materials handling conveyor system, which is the backbone of CPCT, ensuring efficient cargo movement and activities across the seven-storey of CPCT
“OHSAS”	Occupational Health and Safety Assessment Specification, an international assessment specification for occupational health and safety management systems, issued by the Occupational Health and Safety Advisory Services
“OHSAS 18001:2007”	a standard of the OHSAS 18000 occupational health and safety management series, which specifies the requirements for the control of occupational health and safety risks associated with an organisation
“RFID”	Radio-frequency identification, a system that uses electromagnetic fields to automatically identify and track tags attached to objects
“TSA”	The Transportation Security Administration is an agency of the U.S. Department of Homeland Security that has authority over the security of the travelling public in the United States
“ULD(s)”	unit load device(s), which is/are pallet or container used to load luggage, freight, and mail on wide-body aircrafts and specific narrow-body aircrafts. It allows a large quantity of cargo to be bundled into a single unit
“WMS”	Warehouse Management System

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “could”, “continue”, “estimate”, “expect”, “going forward”, “intend”, “may”, “ought to”, “might”, “plan”, “potential”, “predict”, “project”, “seek”, “should”, “will”, “would” and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to the following:

- our Group’s business prospects;
- our Group’s contracts on hand;
- future developments, trends and conditions in the industry and markets in which we operate;
- our Group’s business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which our Group operate;
- changes to the regulatory environment and general outlook in the industry and markets in which our Group operate;
- the effects of the global financial markets and economic crisis;
- our Group’s financial position;
- our Group’s ability to reduce costs;
- our Group’s dividend policy;
- the amount and nature of, and potential for, future development of our Group’s business;
- various business opportunities that our Group may pursue;
- capital market developments;
- our Group’s ability to protect our Group’s intellectual property rights;

FORWARD-LOOKING STATEMENTS

- our Group's ability to hire and retain talented employees;
- the actions and developments of our competitors and our Group's ability to compete under these actions and developments;
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends; and
- other factors beyond our Group's control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no 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 in this prospectus are qualified by reference to the cautionary statements in this section.

In this prospectus, statements of or references to our intentions or those of our Directors are made as of the date of this prospectus. Any such information may change in light of future developments.

RISK FACTORS

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

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

We believe that there are certain risks involved in our business and operations. They can be classified into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to the Share Offer and the Shares; and (iv) risks relating to the statements made in this prospectus.

RISKS RELATING TO OUR BUSINESS

We are exposed to concentration risk of heavy reliance on Customer C for the engagement of our air cargo terminal operating services and Customer D for the engagement of our air freight forwarding ground handling services. Any decrease in or loss of business from Customer C and/or Customer D could adversely and substantially affect our operations and financial conditions

During the Track Record Period, the revenue contributed by Customer C, being the largest customers for the engagement of our air cargo terminal operating services, amounted to approximately HK\$165.2 million, HK\$184.9 million, HK\$215.9 million and HK\$96.5 million for the three years ended 31 March 2017 and the five months ended 31 August 2017 respectively, which accounted for approximately 45.3%, 48.8%, 50.2% and 48.1% of our total revenue for the same periods. In addition, the revenue contributed by Customer D, being one of the largest customers for the engagement of our air freight forwarding ground handling services, amounted to approximately HK\$167.1 million, HK\$161.4 million, HK\$187.9 million and HK\$79.8 million for the three years ended 31 March 2017 and the five months ended 31 August 2017, respectively, which accounted for approximately 45.8%, 42.6%, 43.7%, and 39.8% of our total revenue for the same periods.

Despite our efforts to diversify our customer base in order to reduce our reliance on Customer C and/or Customer D, we expect to continue to derive a significant amount of our revenue from Customer C and/or Customer D in the near future. On the other hand, although we have approximately 4 years and 10 years of business relationship with Customer C and Customer D respectively and we have entered into service agreements with each of them, there is no assurance that our relationship with Customer C and/or Customer D will not deteriorate or that Customer C and/or Customer D will not terminate the service agreements

RISK FACTORS

with us in the future. Any change or deterioration in our relationship with Customer C and/or Customer D may cause a significant adverse effect to our business, financial condition and results of operations. For further details of our relationship with Customer C and Customer D, please refer to the paragraph headed “Business – Customers” in this prospectus.

In the event that Customer C or Customer D terminates the service agreement with us, we cannot assure that we can successfully find new customers or enter into new service agreement of terms similar to the service agreements with our existing customers with new customers within a short period of time. In such circumstances, our business, finance position and results of operations may be materially and adversely affected resulting of such terminations.

We are dependent on our customers’ business performance and their continuing demand for our air freight forwarding ground handling services and air cargo terminal operating services

Our Group principally engage in the provision of air freight forwarding ground handling services and air cargo terminal operating services in Hong Kong, and our major customers include global logistics companies, company that operates CPCT at Hong Kong International Airport, freight forwarders and logistics companies.

We are indirectly and largely dependent on our customers’ business performance and developments in their markets and industries. If our customers’ sales in Hong Kong served by us decline, such decline will likely lead to a corresponding decrease in demand for our air freight forwarding ground handling services and air cargo terminal operating services. In addition, adverse changes in their outsourcing decisions could materially and adversely affect our business, financial condition and results of operations. If our customers change their supply chain strategy by reducing their outsourcing of air freight forwarding ground handling services and air cargo terminal operating services and performing such services in-house, it will have a direct negative impact on our business.

Furthermore, adverse developments in our customers’ business performance could reduce their demand for the services we are providing and hence materially and adversely affect our business, financial condition and results of operations. Our customers’ business performance could likely be affected by factors such as global or regional economic conditions, trade restrictions, changes in trade policies, tariff regulations or embargoes. If our customers’ business performance is affected by these factors, their demand for our air freight forwarding ground handling services and air cargo terminal operating services will be accordingly affected.

We rely on the expertise and experience of our key management personnel

Our success and growth depend on our ability to identify, hire, train and retain suitable, skilled and qualified employees, including management personnel with the requisite industrial expertise. Members of our senior management team have extensive management and industrial experience and they have been with us for a significant period of time. We consider that our executive Directors and senior management are important to us. In

RISK FACTORS

particular, we rely on the management and leadership of Mr. Alex Law, Mr. Simon Law and Mr. Albert Chiu, our executive Directors, who has approximately 15, 10 and 30 years of industry experience respectively and they are responsible for the overall strategic management and development of our Group's business operations. Details of the expertise and experience of our executive Directors and senior management team members are set out in the section headed "Directors, Senior Management and Employees" in this prospectus.

If any of our executive Directors or members of senior management ceases to serve our Group in the future and we are unable to find suitable replacement in a timely manner, our future development, business operations and our relationships with our major customers, including Customer C and Customer D, may be adversely affected. Any deterioration in our relationships with our major customers or loss of any major customer may lead to an adverse impact on our business, results of operation and financial performance.

If our customers terminate their existing service agreements with us prior to the respective expiry date, our revenue stream and profitability may be adversely affected

We have entered into service agreements with our customers for the air cargo terminal operating services and air freight forwarding ground handling services. The terms of these service agreements last for a period of time, and some of them are of longer duration of up to three years. However, the customers may terminate the service agreements if our Group is in breach of the terms or conditions thereof. In addition, customers may terminate the service agreements by serving in general one to two months' prior written notice to our Group. If any of the service agreements is terminated by our customers pursuant to the terms and conditions thereunder, our Group's revenue stream and profitability will be adversely affected.

We have recorded negative operating cash flows for the five months ended 31 August 2016

Our Group recorded net cash used in operating activities of approximately HK\$9.4 million for the five months ended 31 August 2016 primarily due to an increase in trade and other receivables of approximately HK\$27.9 million, mainly resulted from the increase in revenue from Customer C and Customer D towards the end of the period and the deposits for our rented warehouses upon the expansion of our warehousing services in July 2016. We cannot assure that we will not experience periods of net cash outflow from operating activities in the future. If we continue to record net operating cash outflows in the future, our working capital may be constrained and may materially and adversely affect our business, financial condition, results of operation and growth prospects.

We may be exposed to delays and/or defaults of payments by our customers which would adversely affect our cash flows, profitability or financial position

We receive payments in arrears from our customers for our services. Nonetheless, we have to incur various costs, including purchases of packaging materials, wages to our workers, service charges to our dispatched labours and rental cost of warehouses. As such, we are subject to credit risks of our customers and our liquidity is dependent on our

RISK FACTORS

customers making prompt payments to us. For details of our payment terms with our customers, please refer to the section headed “Business – Major contractual terms and conditions” in this prospectus.

As at 31 March 2015, 2016 and 2017 and 31 August 2017, our trade receivables amounted to approximately HK\$68.8 million, HK\$76.2 million, HK\$83.3 million and HK\$99.5 million, respectively. Additionally, our trade receivables turnover days were approximately 72.3 days, 70.0 days, 67.7 days and 69.7 days for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, respectively. For details of the fluctuations in our trade receivables from customers and trade receivables turnover days, please refer to the section headed “Financial Information – Analysis of combined statements of financial position selected items – Trade receivables” in this prospectus.

Given that there were only 2, 2, 2 and 2 customers whose debts owed to us collectively accounted for approximately 94%, 95%, 95% and 90% of our total trade receivables as at 31 March 2015, 2016 and 2017 and 31 August 2017, respectively, should the credit worthiness of the aforesaid customers deteriorate and they fail to settle their trade receivables in full or at all for any reason, or in the event that settlements from our customers are not made in a timely manner, the financial position, profitability and cash flow of our Group may be adversely affected.

Our Group may incur losses if we cannot utilise our warehouses sufficiently

Our Group offers cargo warehousing services to our customers as part of our air freight forwarding ground handling services.

During the Track Record Period and up to the Latest Practicable Date, our Group leased warehouses at AFFC for our cargo warehousing services. We intend to further expand and set up warehouse premises in Tuen Mun following the Listing, for details, please refer to the sections headed “Business – Property interests” and “Future Plans and Use of Proceeds – Use of proceeds” in this prospectus. Adverse changes in the economic conditions and any material decline in demand of our warehousing service may lead to excess warehouse capacity. If we are unable to utilise excess warehouse capacity on hand, we may incur losses which could materially and adversely affect our business, financial condition and results of operations.

We are subject to competition in the air freight logistics services industry

According to the F&S Report, our Group is one of the very few relatively large players which could offer sizable labour force and extensive logistics services in the air freight forwarding ground handling services market. Although it is common for large international air freight forwarding companies to subcontract their ground handling works to the same large and reputable service providers with solid experience in serving large international air freight forwarding companies as their major subcontractor, our Directors believe that we still face potential competition from the other relatively large service providers specialising in ground handling services within the value chain.

RISK FACTORS

As for the air cargo terminal operating services market, it was dominated by a few larger players for the last couple of years with the top five service providers, in aggregate, accounting for over 90% of the market shares in terms of revenue in 2016. Although it is an industry norm that air cargo terminal operators prefer to continuously engage the same subcontractors to save operation cost and for consistency and stability of service quality, we still face potential competition from other experienced service providers which also have established relationships with the air cargo terminal operators.

As the contracts terms with our customers in both of our operating segments are generally one to three years and renewable in nature, we cannot assure you that our customers will continue to engage us with the same volume of business or at all in the future. The securing of our customers depends on factors such as our future marketing strategies, quality of our services, market demand for our services and level of competition in the industry. Failure to maintain or enhance our competitiveness within the industry or continue to securing such customers may cause our financial performance and profitability to be adversely affected.

Increases in fuel prices or shortage of fuel supply may reduce our profitability

Since our services involves trucking of ULDs or cargoes to various locations designated by our customers, an increase in fuel prices may increase our direct costs. If we are unable to have corresponding increase in our service rates, our profitability may be adversely affected. In addition, the cost of fuel can fluctuate significantly and is subject to many economic and political factors that are beyond our control, in the absence of hedging system against the fluctuation in fuel prices, our financial performance may be different from what we expected.

It is not uncommon in our industry to have occurrence of accidents causing injury to our employees and thus our performance may be adversely affected by the claims arisen therefrom

It is not uncommon in our industry to have occurrence of accidents causing injury to our employees and the dispatched labours, which subsequently may give rise to the corresponding employees' compensation claims and common law personal injury claims. We may be in disputes with the injured persons in respect of our responsibilities in connection with the injury incidents for various reasons. Such disputes may be in connection with contributory negligence of such injured person or whether the incident occurred during his/her employment with us.

The handling of accidents and subsequent claims, litigations and other legal proceedings may sometimes involve a high degree of our management's attention and input. Handling of litigations and legal proceedings can be both costly and time-consuming, and may significantly divert the efforts and resources of our management. In addition, should any claims, litigation and legal proceedings against us fall outside the scope and/or limit of our insurance coverage, our financial position may be adversely affected.

RISK FACTORS

We may be involved in disputes, legal and other proceedings arising out of our operations from time to time and may face significant legal liabilities as a result

During the course of the ordinary business, we may be involved in disputes with our customers and suppliers from time to time in relation to various matters including damages to the cargoes being handled by us, complaints about the quality of products purchased or damages to the leased machinery. Further, disputes may arise between us and our customers as to the value of services performed by us in a particular period and the service fee that we are entitled to in the relevant period. In some of the service agreements, our service fees are subject to service credit and incentive scheme and be able to meet certain performance measurement levels will allow us to have additional incentive service payments. In the event that we disagree with such measurement results, contractual disputes with our customers may arise.

There is no assurance that we are able to resolve every occasion of disputes amicably by way of negotiation and/or mediation with the relevant parties. If we fail to do so, it may lead to legal and other proceedings against us, and consequently we may have to incur extensive expenditure in defending ourselves in such actions. If we fail to obtain favourable outcome in such proceedings, we may be liable to pay significant sums of damages which may adversely affect our operations and financial results.

Our business is dependent on information technology, failure in our IT systems could adversely affect our operations.

Our provision of air freight forwarding ground handling services and air cargo terminal operating services is highly dependent on our ability to communicate with our customers and manage information and instructions on incoming and outgoing cargoes and ULDs such that we can perform our works effectively and within the time required by our customers. Any failure in the IT systems due to faulty interaction with the systems of our customers or other logistics industry players, viruses, unauthorised access, wear and tear, failures on the part of internet service providers or other unforeseeable factors could have adverse impact on our operation performance.

Costs of compliance with existing or future environmental laws and regulations could significantly increase our costs of operations

As at the Latest Practicable Date, we maintain a fleet of fifty six self-owned vehicles, including one 24 ton truck, forty four 16 ton trucks, six 9 ton trucks, three 5.5 ton trucks and two vans, for our air freight forwarding ground handling services and air cargo terminal operating services. Our motor vehicles are subject to environmental laws and regulations governing, among other things, greenhouse gas emission. As climate change initiatives become more prevalent globally, many governments have increased their focus on reducing greenhouse gas emissions and enhancing environmental sustainability in the business sector. Customers may also demand higher environmental standards with respect to our logistics facilities and motor vehicles. Any change in environmental laws and regulations, including those which require us to modify or retire our existing motor vehicles fleet or require us to

RISK FACTORS

modify our operations, could cause us to incur substantial additional costs, as a result of which we could suffer unexpected increase in costs of operations and a potential short term negative cash flow.

Application of HKFRS 16 may affect our financial performance and cash flows status in the future

HKFRS 16 – Leases issued by the HKICPA will become effective for annual periods beginning on or after 1 January 2019 aiming to set out new principles for the recognition, measurement, presentation and disclosure of lease arrangements. Under HKFRS 16, a lessee is required to recognise present values of a right-of-use asset representing the lessee’s right to use the underlying leased asset and a lease liability representing the lessee’s obligation to make lease payments. In turn, the lessee should recognise depreciation of the right-of-use asset and interest on the lease liability and should also allocate cash payments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows, which is currently recognised as charged to our combined statements of profit or loss and other comprehensive income on a straight-line basis over the period of the lease. The measurement of the right-of-use asset and the lease liability also include payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. Such new accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under existing one we are applying.

Application of HKFRS 16 will result in recognition of the right-of-use assets and corresponding liabilities in respect of our operating lease arrangements, however, these assets and liabilities are currently not required to be recognised. Total operating lease commitment of our Group as at 31 August 2017 amounted to approximately HK\$100.5 million. Upon the application of HKFRS16, it is expected that our Group has to separately recognise the interest expense on the lease liabilities and the depreciation expense on the right-of-use assets, and that certain portion of the future minimum lease payments under its operating leases will be required to be recognised in its combined statement of financial position as right-of-use assets and lease liabilities. Our Group will also need to remeasure the lease liabilities upon the occurrence of certain events, such as change in the lease term, and recognise the amount of the remeasurement of the lease liabilities as an adjustment to the right-of-use assets. In addition, payments for the principal portion of the lease liabilities will be presented within financing activities in our Group’s combined statement of cash flows. We cannot assure that the new accounting treatments of operating lease arrangements under HKFRS 16 will not affect our financial performance and cash flows status upon its application while we need to remeasure our operating leases at that moment.

Prolonged disruptions of business operations due to work stoppages or strikes could adversely affect our business

We employ a large workforce. As at the Latest Practicable Date, we have 543 full-time employees. Industrial action or other labour unrest against us or our suppliers, could directly or indirectly prevent or hinder our normal operating activities, and if not resolved in a timely manner, could lead to delays in satisfying our client orders and decreases in our revenue. These actions are impossible for us to predict or control. Further, we cannot assure

RISK FACTORS

you that labour unrest will not affect general labour market conditions or result in changes to labour laws, which in turn could materially and adversely affect our business, financial condition and results of operations.

Our insurance may be insufficient to cover all losses associated with our business operations

We procure insurance for our operations against third-party liability, transportation risks, property loss and damage, and workers' compensation for injury and death. Our existing insurance coverage may be insufficient to cover all the risks associated with our business and operations. In the case of an uninsured loss or a loss in excess of insured limits, including those caused by natural disasters and other events beyond our control, we may be required to pay for losses, damages and liabilities out of our own funds, which could materially and adversely affect our business, financial condition and results of operations. Even if our insurance coverage is adequate to cover our direct losses, we may not be able to take remedial actions or other appropriate measures to prevent the occurrence of the same. Furthermore, our claim records may affect the premiums which insurance companies may charge us in the future.

Damage to our Group's brand name or failure to protect its brand name may affect the attractiveness of our services

Our Group's business is sensitive to customers' perception of the reliability and quality of our services. Our Group operates under the name "A & S" and as at the Latest Practicable Date, we are the registered owner of three trademarks and one domain name in Hong Kong. However, if there is any misuse by third parties of our brand name or if our Group is unable to detect, deter and prevent misbehaviour and misconduct by our employees or if we fail to effectively protect our brand and trademark, our Group's reputation could be damaged and our business and financial performance may be materially and adversely affected.

Dividends declared in the past may not be indicative in the future

For the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, A & S (HK) declared and paid dividends of nil, HK\$10.0 million, nil and HK\$11.0 million, respectively. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared and paid by our Company to the Shareholders in the future after Listing. The declaration, payment and amount of any future dividends are subject to the discretion of our Board depending on, among other things, our Group's earnings, financial condition and cash requirements and the provisions governing the declaration and distribution as contained in the Articles of Association, applicable laws and other relevant factors. For details of our dividend, please refer to the section headed "Financial Information – Dividend and distributable reserves" in this prospectus. We cannot assure investors when or whether we will pay dividends in the future.

RISK FACTORS

RISKS RELATING TO OUR INDUSTRY

With the implementation of the Minimum Wage Ordinance, our Group may fail to transfer the rising labour costs to its customers or fail to retain the labour force in a cost effective way

Our Group relies heavily on human resources for the provision of our air cargo terminal operating services and air freight forwarding ground handling services, and therefore a substantial proportion of our Group's operating expenses are labour costs. Hong Kong introduced the minimum wage legislation under the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) which dictated a statutory minimum wage of HK\$28.0 per hour with effect from 1 May 2011. On 1 May 2017, the statutory minimum wage has been revised to HK\$34.5 per hour. Pursuant to the Minimum Wage Ordinance, the Minimum Wage Commission must report its recommendation about the amount of the statutory minimum wage at least once in every two years. The statutory minimum wage may be adjusted having regard to such recommendation. For the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, our total direct labour costs and dispatched labour costs amounted to approximately HK\$236.6 million, HK\$258.0 million, HK\$269.6 million and HK\$127.4 million, respectively, representing approximately 64.9%, 68.1%, 62.7% and 63.5% of our Group's revenue. Our Directors anticipate that if our Group is unable to transfer future rising labour costs to our customers, our operating results and hence our profitability will be adversely affected. For details of the sensitivity analysis to the change in our Group's profit if the direct labour costs and dispatched labour costs change, please refer to the section headed "Financial Information – Significant factors affecting the results of operations – Direct labour costs and dispatched labour costs" in this prospectus.

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

We are engaged in a labour intensive industry and there is no assurance that we will not experience any shortage of labour for our services or that the costs of labour will not continue to increase in the future. If we fail to retain our existing labour and/or recruit sufficient staff at the expected rate in a timely manner, we may not be able to shift the extra costs to our customers due to their bargaining power or competitive pricing pressures among our competitors. As such, the increasing labour costs and labour shortage may negatively affect our business, expansion plans, prospects, financial conditions, and results of operations.

RISKS RELATING TO THE SHARE OFFER AND THE SHARES

As there has been no prior public market for the Shares before the Listing, the liquidity and market price of the Shares following the Listing may be volatile

Before the Listing, there has been no public market for our Shares. The Offer Price for the Shares will be the result of negotiations between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and us, which may differ from the market prices of the Shares after the Listing. We have applied to the Stock Exchange for the listing of, and permission to deal in, the Shares. However, there is no assurance that the Listing

RISK FACTORS

will result in the development of an active and liquid public trading market for the Shares following the Listing or in the future or, if it does develop, that it will be sustained after the Listing or that the market price of the Shares will not decline below the Offer Price. The market price, liquidity and trading volume of the Shares may be volatile and may result in substantial losses for investors purchasing the Offer Shares in the Share Offer.

Factors that may affect the volume and price at which the Shares will be traded include, among other things:

- variations in our revenue, earnings and cash flows;
- changes in our pricing policies as a result of the presence of competitors;
- changes in our senior management personnel;
- our new investments;
- investors' perception of us and our future business plans;
- changes in laws, regulations and rules in Hong Kong;
- actual or potential litigation or regulatory investigations; and
- general economic and market conditions or other developments and factors affect us and our industry in Hong Kong.

We can give no assurance that these developments will not occur in the future.

Investors of the Offer Shares in the Share Offer will experience immediate dilution and may experience further dilution if we issue additional Shares in the future

To expand our business, we may consider offering and issuing additional Shares in the future. If additional funds are raised through the issue of new Shares or other equity limited securities other than on a pro-rata basis to the existing Shareholders the shareholding of the Shareholders in our Company may be diluted.

Any actual or perceived sale of Shares in the future by the existing Shareholders may have a material adverse effect on the Share price

Future sales by the existing Shareholders of a substantial number of Shares in the public markets after the Listing may materially and adversely affect the market price of the Shares prevailing from time to time. Only a limited number of Shares currently outstanding will be available for sale immediately after the Listing due to contractual and regulatory restrictions on re-sale. Please refer to the section headed "Underwriting – Undertakings given to the Stock Exchange pursuant to the Listing Rules" in this prospectus for a description of some of the contractual and regulatory restrictions on re-sale. Nevertheless, after these restrictions lapse or if they are waived or breached, future sales of a substantial

RISK FACTORS

number of Shares, or the perception that these sales may occur, may materially and adversely affect the market prices of the Shares and our ability to raise equity capital in the future.

You may face difficulties in protecting your interests because we are incorporated under the Cayman Islands laws, and the laws of the Cayman Islands relating to the protection of minority shareholders may be different in certain respects from those under the laws of Hong Kong or other jurisdictions

We are an exempted company incorporated in the Cayman Islands with limited liability, and the law of the Cayman Islands may differ in some respects from that of Hong Kong or other jurisdictions where investors may be located.

Our corporate affairs are governed by, among other things, our Articles of Association, the Companies Law and the common law of the Cayman Islands. The rights of shareholders to take legal action against us and our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands and our Articles of Association. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive authority on a court in the Cayman Islands. The rights of our Shareholders and the fiduciary responsibilities of our Directors under Cayman Islands law may differ in some respects from those under statutes or judicial precedents in Hong Kong, or other jurisdictions where investors may be located. The remedies available to the minority Shareholders may be limited compared to the laws of other jurisdictions.

Please refer to the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law – 3. Cayman Islands Company Law” in Appendix III to this prospectus for further information.

RISKS RELATING TO THE STATEMENTS MADE IN THIS PROSPECTUS

You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media, some of which may not be consistent with information contained in this prospectus

We wish to emphasise to potential investors that we do not accept any responsibility for the accuracy or completeness of any press articles or other media and that such press articles or other media were not prepared or approved by us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us, or of any assumptions underlying such projections, valuations or other forward-looking information included in or referred to by the media. To the extent that any such statements are inconsistent with, or in conflict with, the information contained in this prospectus, we disclaim them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

RISK FACTORS

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

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

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

A & S (HK) has business transactions with connected persons that are expected to continue after the Listing, which will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon Listing and in preparation for the Listing, we have applied to the Stock Exchange for the following waiver from strict compliance with the relevant provisions of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

We have entered into the Gobo Trade Framework Agreement with Gobo Trade. As Gobo Trade is a connected person of our Company under Chapter 14A of the Listing Rules, transactions contemplated under the agreement which will constitute non-exempt continuing connected transactions for our Company under the Listing Rules. Details of the Gobo Trade Framework Agreement and the transactions contemplated therein are set out in the section headed “Connected Transactions” in this prospectus.

As these business transactions are continuing in nature and are expected to continue after Listing, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement and, where applicable, independent shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the above continuing connected transactions. Further details of the waiver we sought are set out in the section headed “Connected Transactions” in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS IN THIS PROSPECTUS

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

INFORMATION ON THE SHARE OFFER

The Share Offer comprises the Public Offer of 25,000,000 new Shares initially offered by our Company and the Placing of 225,000,000 new Shares initially offered by our Company (subject, in each case, to reallocation on the basis under the section headed "Structure and Conditions of the Share Offer" in this prospectus).

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein.

No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in 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, and the procedures for applying for the Public Offer Shares are set out in the section headed "How to Apply for the Public Offer Shares" in this prospectus and in the relevant Application Forms.

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

UNDERWRITING

This prospectus is published solely in connection with the Share Offer which is sponsored by the Sole Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters on a conditional basis, under the terms and conditions of the Public Offer

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE 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 any agreement on pricing of the Offer Shares between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company. The Share Offer is managed by the Joint Lead Managers.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) by Monday, 12 March 2018, the Share Offer will not proceed. Further information relating to the Underwriters and underwriting arrangement are contained in the section headed “Underwriting” in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it circulated to invite to solicit offers, in any jurisdiction other than Hong Kong or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. Persons who possess this prospectus are deemed to have confirmed with our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters that such restrictions have been observed.

The Public Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the related Application Forms. 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 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, agents, staff or advisers or any other person involved in the Share Offer.

Prospective applicants for the Offer Shares should consult their financial advisers and take legal advice as appropriate, to inform themselves of, and to observe the applicable laws, rules and regulations of any relevant jurisdictions. 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.

Each person acquiring the Offer Shares will be required to confirm, or be deemed by his/her acquisition of the Offer Shares to have confirmed that he/she is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus and that he/she is not acquiring, and has not been offered and sold 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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

authorisation by the relevant securities regulatory authorities or an exception therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the United States.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee for the granting of the listing of and permission to deal in, the Shares in issue, the Shares to be issued as mentioned in this prospectus, and any Shares which may fall to be allotted and issued upon the exercise of options which may be granted under the Share Option Scheme.

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

REGISTER OF MEMBERS AND STAMP DUTY

All the Offer Shares will be registered on the Hong Kong Branch Share Register of members to be maintained by Tricor Investor Services Limited. Dealings in the Offer Shares registered on our Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty. Dealings in the Shares registered on the principal register of members of our Company maintained by Estera Trust (Cayman) Limited in the Cayman Islands will not be subject to the Cayman Islands stamp duty.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m on Wednesday, 14 March 2018. Except for our pending application to the Stock Exchange for listing of and permission to deal in the Offer Shares, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list on any other stock exchange is being or proposed to be sought in the near future.

The Shares will be traded in board lots of 10,000 Shares each. The stock code of the Shares is 1737. Our Company will not issue any temporary documents of title.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or such other date determined by HKSCC.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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 adviser for details of those settlement arrangements as such arrangements will affect their rights, interest and liabilities.

All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Share Offer 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 thereunder. It is emphasised that none of our Group, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, employees, agents, advisers, representatives 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 or disposition of, dealing in, the Shares or exercising any rights thereunder.

PROCEDURES FOR APPLICATION FOR PUBLIC OFFER SHARES

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

STRUCTURE AND CONDITIONS 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.

ROUNDING

Certain amount and percentage figures included in this prospectus have been subject to rounding adjustments or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere in this prospectus between totals and sums of individual amounts listed therein are due to rounding.

WEBSITE

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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

LANGUAGE

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

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential address	Nationality
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Executive Directors

Mr. Law Kwok Leung Alex (羅國樑)	House 10 Westwood Palm Springs Kapok Path Yuen Long New Territories Hong Kong	Chinese
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Mr. Law Kwok Ho Simon (羅國豪)	Flat H, 10th Floor Block 2, Nerine Cove 23 Hang Fu Street Tuen Mun New Territories Hong Kong	Chinese
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Mr. Chiu Tat Ting Albert (趙達庭)	Flat G, 19th Floor Tower 5, Tierra Verde, Phase 1 33 Tsing King Road Tsing Yi New Territories Hong Kong	Chinese
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Independent non-executive Directors

Mr. Ho Chun Chung Patrick (何振琮)	Flat 41B, Block 6 Bellagio 33 Castle Peak Road Sham Tseng New Territories Hong Kong	British
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Mr. Iu Tak Meng Teddy (余德鳴)	Flat A, 18th Floor Fu Chak Yuen 18 Chi Fu Road Pok Fu Lam Hong Kong	Chinese
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Mr. Kwan Ngai Kit (關毅傑)	Flat D, 29th Floor, Block 2 Nob Hill, 8 King Lai Path Lai Chi Kok Kowloon Hong Kong	Chinese
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DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor

Frontpage Capital Limited

26th Floor, Siu On Centre

188 Lockhart Road

Wan Chai

Hong Kong

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

Joint Bookrunners and Joint Lead Managers

Frontpage Capital Limited

26th Floor, Siu On Centre

188 Lockhart Road

Wan Chai

Hong Kong

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

Pacific Foundation Securities Limited

11th Floor, New World Tower II

16-18 Queen’s Road Central

Hong Kong

(A licensed corporation for carrying on type 1 (dealing in securities) and type 9 (asset management) regulated activities under the SFO)

Co-Managers

Aristo Securities Limited

Room 101, 1st Floor

On Hong Commercial Building

145 Hennessy Road

Wan Chai

Hong Kong

Koala Securities Limited

Units 01-02, 13/F Everbright Centre

108 Gloucester Road

Wan Chai

Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Ruibang Securities Limited
9th Floor, Sang Woo Building
227-228 Gloucester Road
Wan Chai
Hong Kong

Legal advisers to our Company *as to Hong Kong law:*
CFN Lawyers in association with Broad & Bright
Units 4101-04, 41st Floor
Sun Hung Kai Centre
30 Harbour Road
Wan Chai
Hong Kong
(Solicitors of Hong Kong SAR)

as to Cayman Islands law:
Appleby
2206-19 Jardine House
1 Connaught Place
Central
Hong Kong
(Legal adviser as to Cayman Islands law)

Legal advisers to the Sole Sponsor and the Underwriters *as to Hong Kong law:*
T. S. Chu Lawyers
Room 1003, 10th Floor
Jubilee Centre
46 Gloucester Road
Wan Chai
Hong Kong
(Solicitors of Hong Kong SAR)

Reporting accountants and auditors **HLB Hodgson Impey Cheng Limited**
31st Floor, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong
(Certified Public Accountants)

Market research consultant **Frost & Sullivan International Limited**
Unit 1706, One Exchange Square
8 Connaught Place
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Internal control consultant

Sam K. M. Ng CPA Limited
Unit 1202, 12th Floor
Tung Chiu Commercial Centre
193 Lockhart Road
Wan Chai
Hong Kong

Receiving bank

DBS Bank (Hong Kong) Limited
16th Floor, The Center
99 Queen's Road Central
Central
Hong Kong

CORPORATE INFORMATION

Registered Office in the Cayman Islands	PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Headquarters and Principal place of business in Hong Kong registered under Part 16 of the Companies Ordinance	Room 11, 14th Floor, Tower 2 Ever Gain Plaza 88 Container Port Road Kwai Chung New Territories Hong Kong
Company's website address	<i>www.asl.hk</i> <i>(information on this website does not form part of this prospectus)</i>
Company secretary	Ms. Tam Kwai Heung (譚桂香) <i>(Certified Public Accountant)</i> Flat 1106, Block E Galaxia Diamond Hill Wong Tai Sin Kowloon Hong Kong
Authorised representatives (for the purpose of the Listing Rules)	Mr. Law Kwok Leung Alex (羅國樑) Kapok Path Palm Springs Westwood House 10 Yuen Long New Territories Hong Kong Ms. Tam Kwai Heung (譚桂香) Flat 1106, Block E Galaxia Diamond Hill Wong Tai Sin Kowloon Hong Kong
Audit committee	Mr. Kwan Ngai Kit (關毅傑) <i>(Chairman)</i> Mr. Ho Chun Chung Patrick (何振琮) Mr. Iu Tak Meng Teddy (余德鳴)

CORPORATE INFORMATION

Remuneration committee	Mr. Ho Chun Chung Patrick (何振琮) (<i>Chairman</i>) Mr. Iu Tak Meng Teddy (余德鳴) Mr. Kwan Ngai Kit (關毅傑) Mr. Law Kwok Leung Alex (羅國樑)
Nomination committee	Mr. Iu Tak Meng Teddy (余德鳴) (<i>Chairman</i>) Mr. Ho Chun Chung Patrick (何振琮) Mr. Kwan Ngai Kit (關毅傑) Mr. Law Kwok Leung Alex (羅國樑)
Compliance adviser	Frontpage Capital Limited 26th Floor, Siu On Centre 188 Lockhart Road Wan Chai Hong Kong
Principal share registrar and transfer office in the Cayman Islands	Estera Trust (Cayman) Limited PO Box 1305 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited Kwai Hing Branch Shop 2, 3/F Sun Kwai Hing Plaza 166 -174 Hing Fong Road Kwai Chung, New Territories Hong Kong Public Bank (Hong Kong) Limited Unit A, 9/F Wanchai Commercial Centre (China Overseas Building) 139 Hennessy Road Hong Kong

CORPORATE INFORMATION

Standard Chartered Bank (Hong Kong) Limited
Shop No. 175 -176
Level 1, Metroplaza
223 Hing Fong Road
Hong Kong

DBS Bank (Hong Kong) Limited
16/F, The Center
99 Queen's Road Central
Central
Hong Kong

INDUSTRY OVERVIEW

The information set forth in this section has been derived from the F&S Report. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is materially false or misleading, and no fact has been omitted that would render such information materially false or misleading. However, the information has not been independently verified by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of the respective directors, officers, employees, advisers, agents or representatives or any other party involved in the Share Offer and no representation is given as to its accuracy. Except as otherwise stated, all the data and forecast in this section are derived from the F&S Report.

The information extracted from the F&S Report reflects estimates of market conditions based on sampling, 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 potential investment of the Shares or in our Group. Our Directors believe that the sources of information extracted from the F&S Report are appropriate sources for such information. We 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 taking reasonable care, there is no adverse change in the market information since the date of the F&S Report.

SOURCE OF INFORMATION

We have engaged and commissioned Frost & Sullivan, an independent global consulting firm founded in 1961 in New York, to prepare the F&S Report including information on macroeconomy, logistics services market and air freight logistics services market in Hong Kong and other economic data for a fee of HK\$450,000. Frost & Sullivan offers industry research and market strategies and provides growth consulting and corporate training. Its industry coverage includes automotive and transportation, chemicals, materials and food, commercial aviation, consumer products, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics, industrial and machinery, and technology, media and telecom.

Frost & Sullivan has conducted detailed primary research which involved discussing the status of the industry with certain leading industry participants. Frost & Sullivan has also conducted secondary research which involved reviewing company reports, independent research reports and data based on its own research database. Frost & Sullivan has obtained the figures for the estimated total market size from historical data analysis plotted against macroeconomic data as well as considered the above-mentioned market key drivers.

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

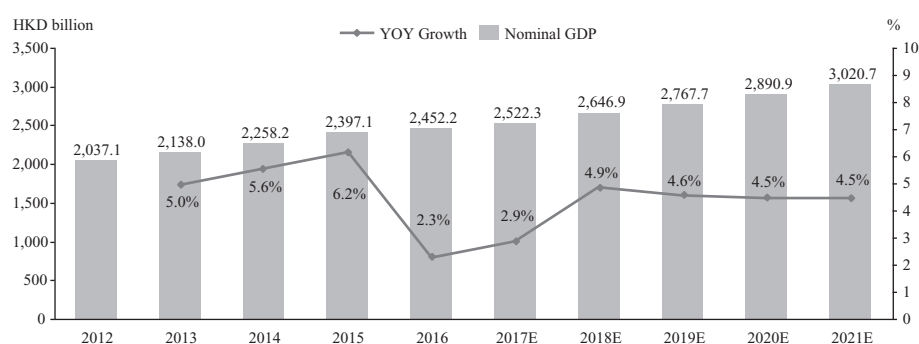
- (a) social, economic and political environment is likely to remain stable in Hong Kong in the forecast period; and
- (b) related industry key drivers are likely to drive the market in the forecast period.

INDUSTRY OVERVIEW

MACROECONOMIC ENVIRONMENT IN HONG KONG

Over the last five years, the economy in Hong Kong has been heavily affected by the weak global economic performances and strong US dollars which affected Hong Kong's competitiveness. Hong Kong experienced an increase in nominal GDP from HKD2,037.1 billion in 2012 to HKD2,452.2 billion in 2016 at a CAGR of 4.7% underpinned by the resilient domestic demand and stable employment market. Amid the unstable global economic environment and the poor performance in tourism and retail sales in Hong Kong in 2015, the nominal GDP growth rate decreased to 2.3% in 2016. It is anticipated that the economy in Hong Kong is expected to recover steadily at a CAGR of 4.3% from 2016 to 2021, driven by the strong domestic consumption with low expected unemployment rate.

Nominal GDP and Forecast (Hong Kong), 2012-2021E



Source: International Monetary Fund, Frost & Sullivan

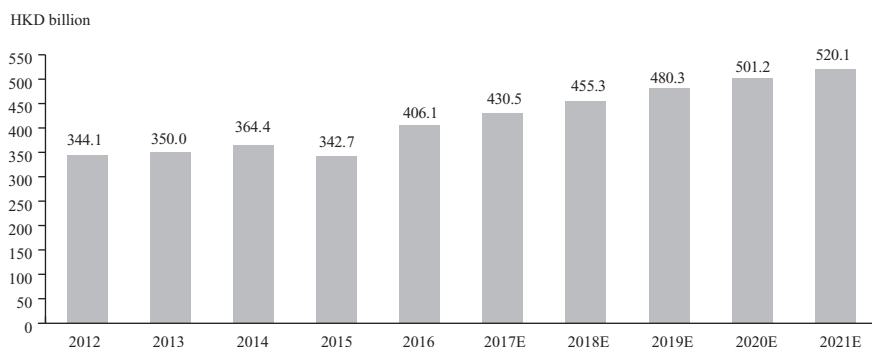
LOGISTICS SERVICES MARKET IN HONG KONG

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

Logistics services industry serves as a major contributor to the economy of Hong Kong. The market size of logistics services industry in Hong Kong increased from HKD344.1 billion in 2012 to HKD406.1 billion in 2016. The year 2015 witnessed a negative growth rate due to the inactive trading activities globally. Logistics services industry is estimated to remain stable in the future, demonstrating its strong support for economic development in Hong Kong. The market size of logistics services industry is expected to grow at a CAGR of 5.1% and reach HKD520.1 billion in 2021, benefiting from the improved transportation infrastructure and network and the resilient merchandise trade market in Asian countries.

INDUSTRY OVERVIEW

Market Size of Logistics Services Industry by Revenue (Hong Kong), 2012-2021E



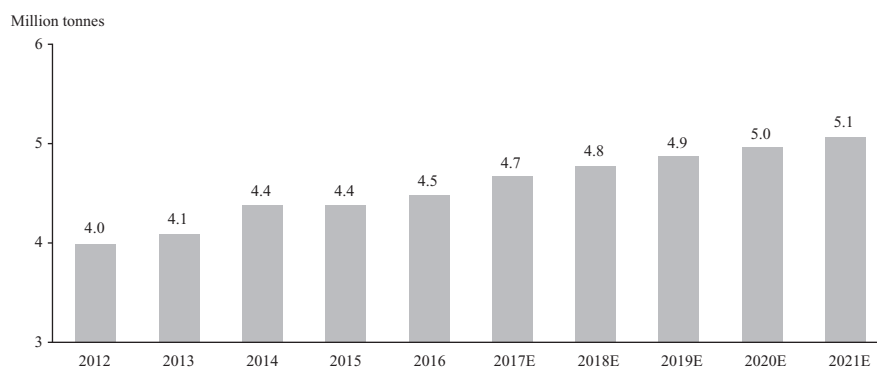
Source: Hong Kong Census and Statistics Department, Frost & Sullivan

AIR FREIGHT LOGISTICS SERVICES MARKET IN HONG KONG

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

As the core of air transport, Hong Kong International Airport plays a dominant role in international air cargo. Currently, there are three air cargo terminals in Hong Kong International Airport. The three cargo terminals altogether contribute a total capacity of approximately 7.4 million tonnes annually on average. The air cargo throughput in Hong Kong increased from 4.0 million tonnes in 2012 to 4.5 million tonnes in 2016 at a CAGR of 3.0%. Both inward and outward air cargoes have increased, which has driven the growth of overall air cargo throughput. It is forecast that with the rapid development of e-commerce due to its convenience, demand for air cargo will keep growing.

Market Size of Air Freight Logistics Services by Air Cargo Throughput (Hong Kong), 2012-2021E

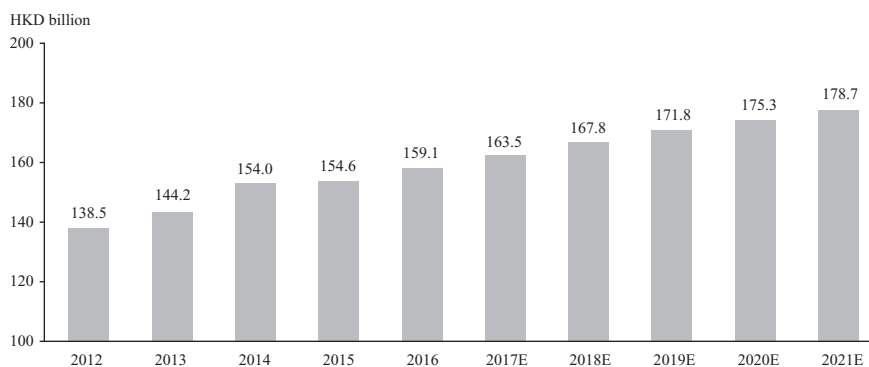


Source: Hong Kong Census and Statistics Department, Frost & Sullivan

INDUSTRY OVERVIEW

The total revenue generated from the air freight logistics services market increased from HKD138.5 billion in 2012 to HKD159.1 billion in 2016, representing a CAGR of 3.5%. Along with the trend of the air cargo throughput in Hong Kong, the market size of air freight logistics services in terms of revenue will demonstrate stable growth in the near future with a CAGR of 2.4%. The revenue generated by air freight logistics services is projected to reach HKD178.7 billion in 2021, driven by the growing demand of cross-border commerce.

Market Size of Air Freight Logistics Services by Revenue (Hong Kong), 2012-2021E



Source: Hong Kong Census and Statistics Department, Frost & Sullivan

Air freight forwarding ground handling services

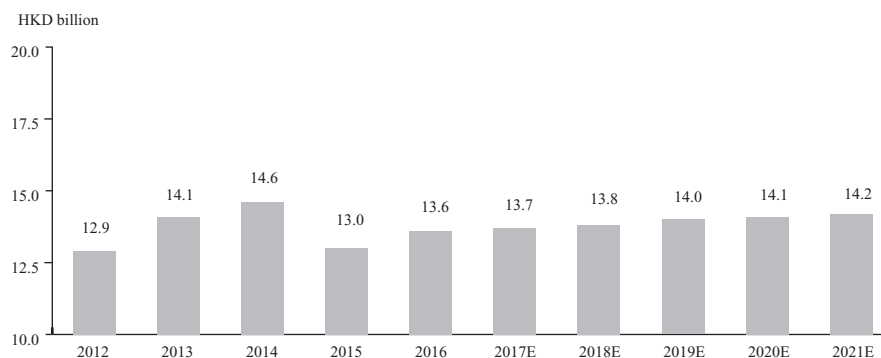
Air freight forwarding is a kind of service that a company organises shipments for individuals or corporations to get goods from the manufacturers or producers to a market, customer or final point of distribution with the airline as the transportation means. Large air freight forwarders in Hong Kong have a wide network of overseas branches.

Ground handling services are an inextricable part of the air freight forwarding services. Air freight forwarding ground handling services usually include activities such as cargo pick-up and delivery, cargo packing and crating services, weighing services, warehouse management and other supporting services. Revenue generated by the provision of air freight forwarding ground handling services increased from HKD12.9 billion in 2012 to HKD13.6 billion in 2016 with a CAGR of 1.3%. Over the period from 2016 to 2021, the market size of air freight forwarding ground handling services is estimated to grow more steadily at a CAGR of 0.9%, which will be in accordance with the growth trend of air freight forwarding services market.

It is an industry norm that large international air freight forwarders prefer to continuously engage the same service providers in order to reduce the fluctuation of labour demand, which varies with the cargo throughput of the air freight forwarders.

INDUSTRY OVERVIEW

Market Size of Air Freight Forwarding Ground Handling Services by Revenue (Hong Kong), 2012-2021E



Source: Frost & Sullivan

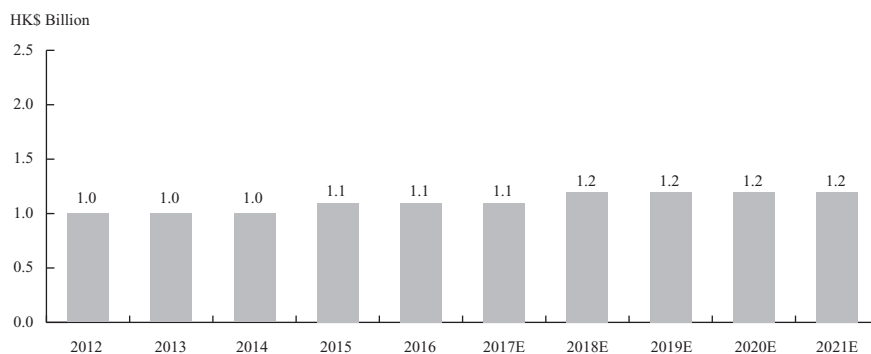
Air cargo terminal operating services

Currently, there are three air cargo terminals in Hong Kong International Airport. The services provided by air cargo terminal operators include the preparation for cross border documents, palletisation (ULD build-up), cargo security screening, etc.

It is a common practice that air cargo terminal operators outsource part of the terminal operating services, including collecting and processing cargoes or ULDs arriving from aircraft, preparing and palletising ULDs for departures, and handling transshipment cargoes to certain specialised services providers. Moreover, it is an industry norm that air cargo terminal operators prefer to continuously engage the same subcontractors over a long period of time in order to save operation cost while at the same time to guarantee the consistency and stability of service quality. The total revenue generated from the air cargo terminal operating services market increased steadily at a CAGR of 2.4%, from HKD1.0 billion in 2012 to HKD1.1 billion in 2016. With the aim to maximise the operation efficiency, air cargo terminal operators tend to continue to outsource part of the air cargo terminal operating services to specialised services providers in the future and thus the market size of air cargo terminal operating services market is likely to keep registering stable growth in the future, demonstrating a CAGR of 1.8% from 2016 to 2021.

INDUSTRY OVERVIEW

Market Size of Air Cargo Terminal Operating Services by Revenue (Hong Kong), 2012-2021E



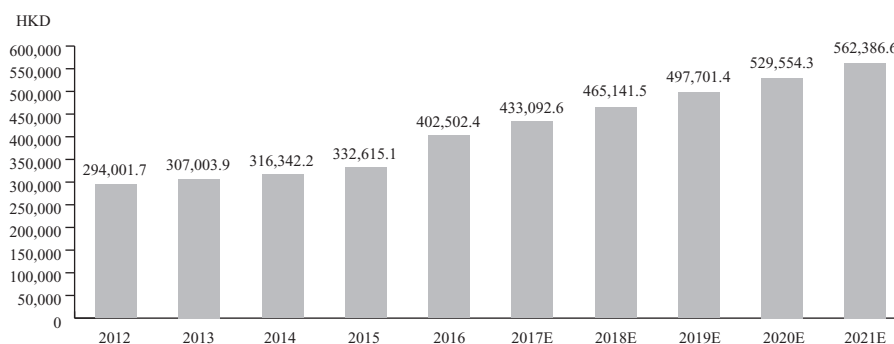
Source: Frost & Sullivan

Major cost components

- **Labour**

As physical labour plays a significant role in air freight logistics services, the cost on labour accounts for the largest component in the whole cost structure. The average annual compensation (incl. salary and allowance) of employees in logistics services industry in Hong Kong recorded stable growth over the period from 2012 to 2016, increasing from HKD294,001.7 in 2012 to HKD402,502.4 in 2016 at a CAGR of 8.2%. It is an industry norm that logistics companies adopt the use of dispatched labour services to fulfill labour intensive tasks because of the shortage in the number of employees in the logistics services industry in order to save cost. Nevertheless, the labour cost is estimated to continuously grow in the future. The average yearly compensation of employees in the logistics services industry is projected to keep growing at a CAGR of 6.9% over the period from 2016 to 2021.

Average Yearly Compensation of Employees in Logistics Services Market (Hong Kong), 2012-2021E



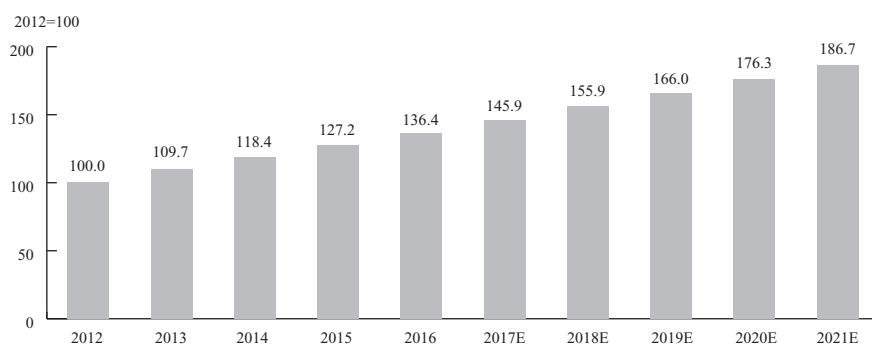
Source: Hong Kong Census and Statistics Department, Frost & Sullivan

INDUSTRY OVERVIEW

- **Warehouse rental**

The average rental index of warehouses for logistics services companies experienced rapid growth rate during the past five years, increasing from 100.0 in 2012 to 136.4 in 2016 at a CAGR of 8.1%, driven mainly by the shortage of land in Hong Kong. Since the land shortage problem cannot be addressed in a short time, it is anticipated that the average rental index of warehouses for the logistics services companies in Hong Kong will continue to grow at a CAGR of 6.5% over the period from 2016 to 2021.

Average Rental Index of Warehouses for Logistics Services Companies (Hong Kong), 2012-2021E



Source: Frost & Sullivan

Market Drivers

- **Increasing demand for air freight logistics services**

The development of the PRC and Southeast Asia has led to the increase in demand for imported raw materials and consumer goods by consumers there, which in turn stimulated the increase of Hong Kong's re-exports to the PRC and Southeast Asia. As air freight logistics can save significant time for both buyers and sellers, it has greatly driven the development of air freight logistics services market.

- **Hong Kong's geographic advantage as an air transport hub**

Located at the centre of Asia Pacific region, Hong Kong has a geographic advantage and has always been used as a transfer station for airlines and air transportation companies. As an ideal gateway to access the PRC, particularly the PRD (Pearl River Delta) manufacturing base, Hong Kong has benefited from being a free port with an international legal regime, a well-renowned business and financial environment, and a mature trading and logistics system.

- **Policy support for air freight logistics services industry**

The competitiveness of logistics industry in Hong Kong also relies largely on the policy commitment of the Government. Facing strong competitors and business bottlenecks, the logistics players in Hong Kong are now at a critical stage of further development. The

INDUSTRY OVERVIEW

Government has taken initiatives to further stimulate the development of air freight logistics services industry, such as to complete the construction of the third runway in Hong Kong International Airport with the target to improve the operation efficiency by increasing and reallocating the available traffic volume of the air freight logistics services. According to the government, the Hong Kong International Airport could handle a maximum of 8.9 million tonnes of cargo by 2030 with the establishment of the third runway, which therefore, further creates new development opportunities for the air freight logistics services industry in Hong Kong.

COMPETITIVE LANDSCAPE OF AIR FREIGHT LOGISTICS SERVICES MARKET IN HONG KONG

Air Freight Forwarding Ground Handling Services Market

Air freight forwarding ground handling services compose an integral part of the value chain of the air freight forwarding industry. As ground handling services are labour-intensive operations, large international air freight forwarding companies such as DHL and UPS often outsource the ground handling section to specialised services providers so as to reduce the fluctuation of labour demand and the related risk, which varies with the cargo throughput of the air freight forwarders.

The air freight forwarding ground handling services market is considered to be fragmented in nature with more than 500 business establishments engaged in ground handling services, with the largest service provider owning not more than 5.0% of market share in terms of turnover. A number of mid-sized air freight forwarders offer integrated air freight forwarding services including flight booking arrangements, cartage, crating, warehouse management, overseas shipment handling, etc. Some of the market players in the air freight forwarding industry specialise in a particular function such as ground handling services within the value chain. The air freight forwarding ground handling services market players offer specialised ground handling service solutions to large air freight forwarding companies.

Based on Frost & Sullivan's estimates, our Group's revenue from air freight forwarding ground handling services accounts for approximately 1.4% of Hong Kong's air freight forwarding ground handling services market for the year ended 31 December 2016. We are one of the very few relatively large players, which could offer sizable labour force and extensive logistics services in this market. It is common for large international air freight forwarding companies, such as DHL, UPS, FedEx, DB Schenker and Kuehne + Nagel, to subcontract their ground handling works to the same large and reputable service providers with solid experience in serving large international air freight forwarding companies as their major subcontractor. As an industry norm, many of these large international air freight forwarding companies continuously engage the same providers for services to save operation cost and at the same time to guarantee the consistency and stability of service quality. It is also normal that these large service providers would focus their resources on serving large air freight forwarding companies to develop long term business relationship and take advantage of the stable stream of income. DHL has subcontracted more than 90% of its global forwarding's ground handling services to our Group for over 10 years continuously which gives our Group a competitive advantage against competitors as we have become very

INDUSTRY OVERVIEW

familiar with the system and operations of DHL and substituting us, would be extremely burdensome and time-consuming for DHL. In addition, UPS and FedEx have subcontracted some of their ground handling works to our Group since 2016 and 2017, respectively.

Air Cargo Terminal Operating Services Market

Currently, there are three air cargo terminals in Hong Kong International Airport, and all three air cargo terminals sub-contract their operating services to certain specialised service providers. Moreover, it is an industry norm that air cargo terminal operators prefer to continuously engage the same subcontractors over a long period of time in order to save operation cost while at the same time to guarantee the consistency and stability of service quality. In 2016, the total revenue generated from air cargo terminal operating services in Hong Kong reached HKD1.1 billion. The air cargo terminal operating services market was concentrated with less than 20 companies in the industry, and is dominated by a few larger players for the last couple of years with the top five service providers, in aggregate, account for over 90% of market shares in terms of revenue in 2016. According to the F&S Report, CPCT is the largest employer, with a market share of approximately 40% in terms of subcontracting expenses, in the air cargo terminal operating services market. There are a total of three subcontractors in CPCT and our Group individually and in aggregate with Company C have contributed more than 45% and 85%, respectively, of the total throughput of CPCT. F&S Report has compiled the following table of the top five air cargo terminal operating services providers in Hong Kong in 2016:

Rank	Company name	Company description	Revenue (HK\$ million)	Market share (%)
1	Company A	The subsidiary of Hong Kong's largest independent air cargo terminal operator specialising in air cargo terminal operating services. It is the sole operator for Hong Kong Air Cargo Terminals Limited	389.2	35.1
2	Company B	A logistics company offering integrated logistics services including but not limited to air freight forwarding, warehousing and air cargo terminal operating services. The company is one of the service providers for Asia Airfreight Terminal	205.9	18.5
3	Our Group	Principally engaged in the provision of (i) air freight forwarding ground handling services; and (ii) air cargo terminal operating services in Hong Kong. Our Group is one of the service providers for CPCT	184.9	16.7

INDUSTRY OVERVIEW

Rank	Company name	Company description	Revenue (HK\$ million)	Market share (%)
4	Company C	A logistics company offering diversified logistics services including but not limited to air freight and sea freight forwarding, road transportation, warehousing and air cargo terminal operating services. The company is one of the service providers for CPCT	162.7	14.7
5	Company D	A logistics company offering import, export, logistics and transportation services including but not limited to air freight forwarding, warehousing, local and cross boundary transportation services and air cargo terminal operating services. The company is one of the service providers for Asia Airfreight Terminal	82.7	7.4
	Others		84.7	7.6
	Total		1,110.1	100.0

It is common for air cargo terminals to cooperate with the same subcontractors over a long period in the industry. Company A is estimated to have started the provision of air cargo terminal operating services in Hong Kong Air Cargo Terminals Limited since the operation of the airport began in 1998 and is still serving as the mere service provider in this terminal as of today. Company C and our Group have become the subcontractors for CPCT since its commencement of operations in 2012 and its full operation in 2013, respectively. Company B has been cooperating with Asia Airfreight Terminal for more than ten years and the relationship is expected to continue in the future. Given that none of the air cargo terminal operating services providers serve more than one of the air cargo terminal operators at the same time and since all of them have become very familiar with the operations of the terminals respectively over time, it is unlikely that these service providers will abandon their current operations at the respective terminals.

Opportunities

- **Rapid development of manufacturing industry in Southeast Asia**

The global manufacturing center has been gradually shifted to Southeast Asian countries during recent years because of the comparatively lower labour cost in those countries, which further suggests the increasing trading business from Southeast Asia. In light of this, Hong Kong's logistics and air freight logistics services market is expected to embrace a variety of opportunities serving as a logistics hub benefiting from its location advantage.

INDUSTRY OVERVIEW

- **Expanding cross-border commerce market**

With the development of cross-border commerce, distribution channels are moving from dealership models to multi-channel and direct sales models, requiring higher-density networks with quicker response which offers great opportunity for logistics companies that could offer comprehensive services, demonstrating the potential growth in the logistics industry.

Threats

- **Insufficient land and labour forces**

The limited land resources in Hong Kong lead to the high cost for land use or rental. The short-term contract conditions further make it difficult for the warehouse operators to plan for long-term development. Meanwhile, labour shortage of both workers and professional talents exists in the industry, thus resulting in the shortage of workforces to match the positions and result in higher labour costs.

- **Slowdown of global economy**

Hong Kong has always been playing a significant role in global trade and logistics due to its advantageous location on the East-West trade route and its trading partnership with many countries in the world. Thus, the prospect of logistics market in Hong Kong is inextricably related to the dynamics of global economy. Time remains being needed for most developed countries in the world to recover from the slumping economy, which is another threat to the logistics industry in Hong Kong.

Entry Barriers

- **Skilled labour**

In Hong Kong, the basic salary of the labour in logistics and air freight logistics services industry is usually higher than that in other industries, but there is limited young labour force willing to enter this industry. Moreover, skilled labour with extensive knowledge and expertise is one of the most important factors that help logistics and air freight logistics services companies to compete in the market. As a result, it is not easy for new entrants to hire these skilled labour where supply is limited.

- **Strong business network and track records**

Strong business network has great impact on air freight logistics services providers' operations, cost control and pricing strategy. For instance, players who have established strong cooperative relationship with airline companies, shipping companies and agents are able to negotiate for preferential prices and cooperative conditions, which converts to cost saving advantages for logistics and air freight logistics service providers in the long run.

REGULATORY OVERVIEW

This section summarises the principal laws and regulations applicable to our operations and the business of our Group in Hong Kong.

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

The Factories and Industrial Undertaking Ordinance (“**FIUO**”) provides for the safety and health protection of workers in an industrial undertaking. Under the FIUO, “industrial undertaking” includes but not limited to the loading, unloading, or handling of goods or cargo at any dock, quay, wharf, warehouse or airport; and a “proprietor” means the person for the time being having the management or control of the business carried on, inter alia, an industrial undertaking, or the occupier or the agent of the occupier of an industrial undertaking.

Under section 6A of the FIUO, a proprietor of a relevant industrial undertaking must ensure the safety and health at work of all his employees. A proprietor who contravenes its duty under the FIUO commits an offence and is liable to a fine of HK\$500,000. In the case of a willful contravention without reasonable excuse, such proprietor commits an offence and is liable to a fine of HK\$500,000 and to imprisonment for six months.

Under the FIUO, there are 30 sets of subsidiary regulations covering various aspects of hazardous work activities in factories, building and engineering construction sites, catering establishments, cargo and container handling undertakings and other industrial workplaces. The subsidiary regulations prescribe detailed safety and health standards on work situations, plant and machinery, processes and substances.

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

Under section 3 of the Factories and Industrial Undertakings (Loadshifting Machinery) Regulation (the “**FIU(LM)R**”), the responsible person of a loadshifting machine shall ensure that the machine is only operated by a person who has attained the age of 18 years and holds a valid certificate applicable to the type of loadshifting machine to which that machine belongs. Under the FIU(LM)R, loadshifting machines used in industrial undertakings refer to fork-lift trucks. Under section 8 of the FIU(LM)R, a responsible person who without reasonable excuse contravenes section 3 commits an offence and is liable to a fine at level 5 (currently at HK\$50,000).

As our Group uses fork-lift trucks for the provision of our the air cargo terminal operating services and air freight forwarding ground handling services, compliance with the FIU(LM)R is required. As at the Latest Practicable Date, our staff responsible for operating the fork-lift trucks held valid certificates.

REGULATORY OVERVIEW

The Convention of International Civil Aviation and the Aviation Security Ordinance (Chapter 494 of the Laws of Hong Kong)

To safeguard aircraft against acts of unlawful interference, the International Civil Aviation Organisation (the “**ICAO**”) has laid down standards and recommended practice in Annex 17 to the Convention on International Civil Aviation (the “**CICA**”) on the security measures required to be implemented by contracting states.

As a result, the Aviation Security Ordinance made provisions for the prevention and suppression of acts of violence against civil air transport and for connected purposes, it constitutes the comprehensive legislation for implementation of the conventions and agreements on aviation security promulgated by the ICAO.

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

Under the Dangerous Goods (Consignment By Air) (Safety) Regulations (“**DGR**”), if the relevant cargo contains dangerous goods such as drugs, chemicals or explosives, the consignor shall ensure all dangerous goods are properly classified, packed, marked, labelled and documented before they are offered for air transportation. Pursuant to regulation 6 of the DGR, the consignor should complete a dangerous goods transport document which contains the classification and description of the dangerous goods and a declaration signed by or on behalf of the consignor. On the other hand, we shall complete the air waybill in accordance with the specifications stated in the dangerous goods transport document completed by the consignor. So, in the context of dangerous goods, we are not liable for the composition of the cargoes but may still be liable if we accept cargoes containing dangerous goods without proper and sufficient documentation.

International Conventions – Carriage of Goods by Air

In relations to carriage of goods by air, the relevant international conventions are the Warsaw Convention for the Unification of Certain Rules Relating to International Carriage by Air 1929 (“**Warsaw Convention**”) and the Montreal Convention for the Unification of Certain Rules for International Carriage by Air 1999 (“**Montreal Convention**”).

The Warsaw Convention

The Warsaw Convention was an international convention which regulates liability for international carriage of persons, luggage or goods performed by aircraft for reward. It was originally signed in 1929 in Warsaw and was amended in 1955 by the Hague Protocol. Hong Kong still applies the Amended Warsaw Convention to international air carriages with countries that have adopted the Amended Warsaw Convention but not the Montreal Convention.

REGULATORY OVERVIEW

The Montreal Convention

The Montreal Convention was designed to establish worldwide uniformity in liability rules governing air carriage of persons, baggage and cargo for compensation between two countries which are parties to it. Hong Kong ratified the Montreal Convention on 15 December 2006. The Montreal Convention was put into force in Hong Kong under the Carriage by Air Ordinance (Chapter 500 of the Laws of Hong Kong).

The provisions of the Montreal Convention, as set out in Schedule 1A of the Carriage by Air Ordinance, so far as they relate to the rights and liabilities of carriers, carriers' servants and agents, passengers, consignors, consignees and other persons, and subject to the Carriage by Air Ordinance, have the force of law in relation to any carriage by air to which the Montreal Convention applies, irrespective of the nationality of the aircraft performing that carriage.

Article 18 of the Montreal Convention determines the extent of the carriers' liability during carriage of cargoes, Article 18(1) states that the carrier is liable for damage sustained in the event of the destruction or loss of, or damage to, cargo upon condition only that the event which caused the damage so sustained took place during the carriage by air. Article 18(2) provides the following four defences to the carrier:–

- (a) inherent defect, quality or vice of that cargo;
- (b) defective packing of that cargo performed by a person other than the carrier or its servants or agents;
- (c) an act of war or an armed conflict; and/or
- (d) an act of public authority carried out in connection with the entry, exit or transit of the cargo.

Our Group is not liable for damage sustained in the event of the destruction or loss of, or of damage to, any registered baggage or any cargo, if the occurrence which caused the damage so sustained took place during the carriage by air. Our Group may, however, be held contractually liable to our customers for the loss or damage of their cargoes if such loss or damage is caused by our servants, employees or the independent contractors employed by our Group while the cargoes are within their custody or possession or by defective packing of the cargoes performed by our servants, employees or the independent contractors.

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

The Air Pollution Control (Non-Road Mobile Machinery) (Emission) Regulation (“**NRMM Regulation**”) came into effect on 1 June 2015 to introduce regulatory control on the emissions of non-road mobile machinery (“**NRMM**”), including non-road vehicles and regulated machines that are subject to the NRMM Regulations (the “**Regulated Machines**”).

REGULATORY OVERVIEW

Unless exempted, NRMMs which are regulated under this provision are required to comply with the emission standards prescribed under this regulation. Under section 5 of the NRMM Regulation, starting from 1 December 2015, only approved or exempted NRMMs with a proper label are allowed to be used in specified activities and locations including construction sites. However, existing NRMMs which are already in Hong Kong on or before 30 November 2015 will be exempted from complying with the emission requirements pursuant to section 11 of the NRMM Regulation.

Under section 5 of the NRMM Regulation, any person who uses or causes to be used a Regulated Machine in specified activities or locations without (i) exemption or the EPD's approval is liable to a fine of up to HK\$200,000 and imprisonment for up to six months, and (ii) a proper label is liable to a fine of up to HK\$50,000 and imprisonment for up to three months.

As confirmed by our Directors, to the best of their knowledge, all Regulated Machines we leased or used in the ordinary course of our business as at the Latest Practicable Date had obtained approval or exemption in accordance with the relevant requirement.

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

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

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

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

The Occupational Safety and Health Ordinance (“**OSHO**”) provides for the safety and health protection to employees in workplace, both industrial and non-industrial. Under section 6 of the OSHO, every employer must, so far as reasonably practicable, ensure the safety and health at work of all the employer's employees by:

- (a) providing and maintaining plant and systems of work that are safe and without risks to health;
- (b) making arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant and substances;

REGULATORY OVERVIEW

- (c) providing information, instruction, training and supervision as may be necessary to ensure the safety and health at work of the employees;
- (d) as regards any workplace under the employer's control, maintaining the workplace in a condition that is safe and without risks to health or providing or maintaining means of access to and egress from the workplace that are safe and without any such risks; and
- (e) providing or maintaining a working environment for the employees that is safe and without risks to health.

Under section 6 of the OSHO, 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 for six months.

The Commissioner for Labour may serve an improvement notice on an employer against contravention of the OSHO or the FIUO, or a suspension notice against activity or condition or use of workplace or of any plant or substance located on the workplace which may create an imminent risk of death or serious bodily injury to the employees. Failure to comply with a requirement of an improvement notice or contravenes a suspension notice without reasonable excuse constitutes an offence and the employer is liable on conviction to a fine of HK\$200,000 and HK\$500,000, respectively, and to imprisonment up to 12 months.

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

The Employees' Compensation Ordinance ("ECO") establishes a no-fault and non-contributory employee compensation system for work injuries and lays down the rights and obligations of employers and employees in respect of injuries or deaths caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

Under the ECO, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, an employee who suffers incapacity or dies arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

According to section 40 of the ECO, all employers are required to take out insurance policy to cover their liabilities both under the ECO and at common law for injuries at work in respect of all employees (including full-time and part-time employees) for an amount not less than the applicable amount specified under the ECO.

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

REGULATORY OVERVIEW

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

The Minimum Wage Ordinance (“MWO”) provides for a prescribed minimum hourly wage rate (currently set at HK\$34.5 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) (except those specified under section 7 of the MWO). A provision of a contract of employment that purports to extinguish or reduce any right, benefit or protection conferred on the employee by the MWO is void.

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

The Mandatory Provident Fund Scheme Ordinance (“MPFSO”) provides for, inter alia, the establishment of a system of privately managed, employment related mandatory provident fund schemes for members of the workforce to accrue financial benefits for retirement. Under the MPFSO, the employer and its relevant employee, meaning an employee of 18 years of age or over and below retirement age which is 65 years of age, are each required to make contributions to the plan at 5% of the relevant employees’ relevant income, meaning any wages, salary, leave pay, fee, commission, bonus, gratuity, perquisite or allowance expressed in monetary terms, paid or payable by an employer to the relevant employee in consideration of his employment under his contract of employment.

COMPLIANCE

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

HISTORY, DEVELOPMENT AND REORGANISATION

THE CORPORATE HISTORY

The history of our Group's business can be traced back to 2002 when Mr. Alex Law and his father Mr. Law Wan Hung, established A & S (HK) to provide transportation and warehousing services in Hong Kong. In 2006, with an aim to seize the opportunities from the air freight forwarding ground handling services industry in Hong Kong, Mr. Alex Law and Mr. Simon Law established ASWC with two independent third parties. In 2007, A & S (HK) was appointed by Customer D as its service provider for air freight forwarding ground handling services in Hong Kong. Mr. Albert Chiu joined our Group in 2010 and has contributed to the expertise in strategic planning, management and business development of our Group. Leveraging on their experiences and knowledge in the air freight logistics services industry, both A & S (HK) and ASWC had grown into a reputable air freight logistics services provider over the years. In 2012, as part of the corporate restructuring for expansion of business, Mr. Alex Law and Mr. Simon Law decided to acquire the remaining 50% shareholding of ASWC from the other two then shareholders and had gradually transferred its air freight forwarding ground handling services business to A & S (HK) to consolidate the business for efficient management and maximise the flexibility of allocating manpower resources, which is considered to be critical in our industry. ASWC had ceased all business operations since 1 April 2014 and was subsequently deregistered in 2016. As advised by CFN Lawyers, our legal adviser as to Hong Kong law, ASWC was not involved in any legal proceedings or litigation and as confirmed by our Directors, it has been in compliance with all the applicable laws and regulations in relation to its business operations in any material respect prior to its deregistration in 2016. In 2013, we were appointed by the operator of CPCT as its air cargo terminal operating services provider for the first time. Since then, A & S (HK) has gathered industry experience, built up reputation and further expanded its range of services as an integrated air freight logistics service provider.

IMPORTANT BUSINESS MILESTONES

The following illustrates certain key milestones and achievements in the business development of our Group:

Year	Event
2002	A & S (HK) was established and commenced its operation of transportation and warehousing services
2003	A & S (HK) commenced its operation of providing air freight logistics services in Hong Kong
2007	A & S (HK) was appointed by Customer D as its service provider for air freight forwarding ground handling services in Hong Kong
2013	A & S (HK) was appointed by the operator of CPCT at Hong Kong International Airport as its air cargo terminal operating services provider

HISTORY, DEVELOPMENT AND REORGANISATION

Year	Event
2017	A & S (HK) was accredited with ISO 9001:2015 quality management system standard and OHSAS 18001:2007 occupational health and safety management system specification

OUR GROUP

Our Group has one direct subsidiary incorporated in Seychelles and one indirect subsidiary incorporated in Hong Kong. Details of the members of our Group and their respective corporate history are set out below.

OUR COMPANY

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 7 July 2016 with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On 7 July 2016, one nil-paid Share was allotted and issued to the initial subscriber to the memorandum and articles of association of our Company, which was subsequently transferred to Dynamic Victor at nil consideration on the same day.

As part of the Reorganisation, on 21 February 2018, our Company (i) credited the one nil-paid Share in the Company held by Dynamic Victor as fully-paid and (ii) further allotted and issued 9,999 Shares, credited as fully-paid, to Dynamic Victor in consideration for the acquisition of the entire issued share capital of Metro Talent from Dynamic Victor. Immediately following the above share allotment, our Company was wholly owned by Dynamic Victor.

Immediately after completion of the Reorganisation, our Company became the holding company of our Group with its business being conducted through the principal operating subsidiary of our Group, namely A & S (HK).

OUR SUBSIDIARIES

A & S (HK)

A & S (HK) was incorporated in Hong Kong with limited liability on 9 October 2002 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On 9 October 2002, one and one share of A & S (HK) was allotted and issued to Mr. Alex Law and Mr. Law Wan Hung (father of Mr. Alex Law and Mr. Simon Law), respectively.

On 3 December 2012, A & S (HK) allotted and issued four, three and one share(s) to Mr. Alex Law, Mr. Simon Law and Mr. Albert Chiu, respectively, at nominal value. Immediately after the said share allotments, A & S (HK) was owned as to 50%, 30%, 10% and 10% by Mr. Alex Law, Mr. Simon Law, Mr. Law Wan Hung and Mr. Albert Chiu, respectively.

HISTORY, DEVELOPMENT AND REORGANISATION

On 20 December 2012, due to family arrangement, Mr. Law Wan Hung transferred one share in A & S (HK) to Mr. Alex Law at a nominal value. Immediately after the said share transfer, A & S (HK) was owned as to 60%, 30% and 10% by Mr. Alex Law, Mr. Simon Law and Mr. Albert Chiu, respectively.

As part of the Reorganisation, on 19 May 2017, Mr. Alex Law, Mr. Simon Law and Mr. Albert Chiu transferred six, three and one share(s) in A & S (HK) (together representing its entire issued share capital) to Metro Talent, respectively, in consideration of which Metro Talent allotted and issued in aggregate 99 shares in Metro Talent, credited as fully-paid, to Dynamic Victor.

Metro Talent

Metro Talent was incorporated in Seychelles with limited liability on 15 March 2016, and is authorised to issue a maximum of 1,000,000 shares of US\$1.00 each. On 14 June 2016, one fully-paid share of Metro Talent, representing the entire issued share capital of Metro Talent at the relevant time, was allotted and issued to Dynamic Victor.

As part of the Reorganisation, on 21 February 2018, Dynamic Victor transferred the entire issued share capital of Metro Talent to our Company, in consideration of which our Company (i) credited the one nil-paid Share held by Dynamic Victor as fully-paid and (ii) allotted and issued 9,999 Shares, credited as fully-paid, to Dynamic Victor.

Metro Talent is an investment holding company and had no substantive business activities as at the Latest Practicable Date.

REORGANISATION

1. Incorporation of Metro Talent

On 15 March 2016, Metro Talent was incorporated in Seychelles and is authorised to issue a maximum of 1,000,000 shares of a single class with a par value of US\$1.00 each. One fully-paid share of Metro Talent, representing its entire issued share capital of Metro Talent, was allotted and issued at par to Dynamic Victor on 14 June 2016.

2. Incorporation of our Company

On 7 July 2016, our Company was incorporated in the Cayman Islands with limited liability and with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares. On 7 July 2016, one nil-paid Share was allotted and issued to the initial subscriber to the memorandum and articles of association of our Company, which was subsequently transferred to Dynamic Victor at nil consideration on the same day.

3. Acquisition of A & S (HK)

On 19 May 2017, Metro Talent acquired the entire issued share capital in A & S (HK), pursuant to which Metro Talent acquired six, three and one share(s) in A & S (HK) from Mr. Alex Law, Mr. Simon Law and Mr. Albert Chiu, respectively. Upon the acquisition, A & S (HK) became a wholly-owned subsidiary of Metro Talent.

HISTORY, DEVELOPMENT AND REORGANISATION

4. Transfer of shares of Metro Talent from Dynamic Victor to our Company

On 21 February 2018, our Company acquired the entire issued share capital in Metro Talent from Dynamic Victor in consideration of which our Company (i) credited as fully-paid the one nil-paid Share held by Dynamic Victor and (ii) allot and issue 9,999 Shares, credited as fully-paid, to Dynamic Victor.

After the aforesaid transactions, our Company became the holding company of our Group with its business being conducted through the principal operating subsidiary of our Group, namely A & S (HK).

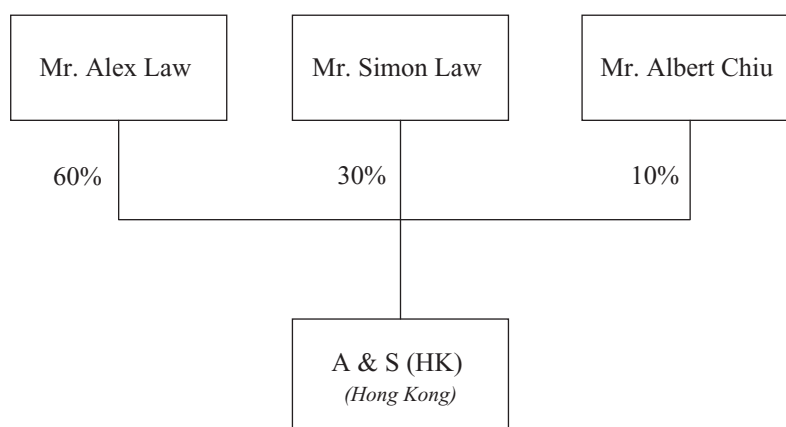
5. Capitalisation Issue and Share Offer

Subject to (i) all the Shareholders passing the necessary shareholders resolutions; and (ii) the Share Offer becoming unconditional and (iii) the share premium account of our Company having sufficient balance, our Directors were authorised to capitalise the amount of approximately HK\$7,499,900 standing to the credit of the share premium account of our Company by applying such sum in paying up a total at par of 749,990,000 Shares for allotment and issue to the then Shareholders as at 21 February 2018 in proportion to their respective shareholdings in our Company.

Our Company will offer 25,000,000 Public Offer Shares under the Public Offer for subscription by the public of Hong Kong and 225,000,000 Placing Shares for subscription by professional, institutional and other investors, representing a total of 25% of the enlarged issued share capital of our Company upon Listing.

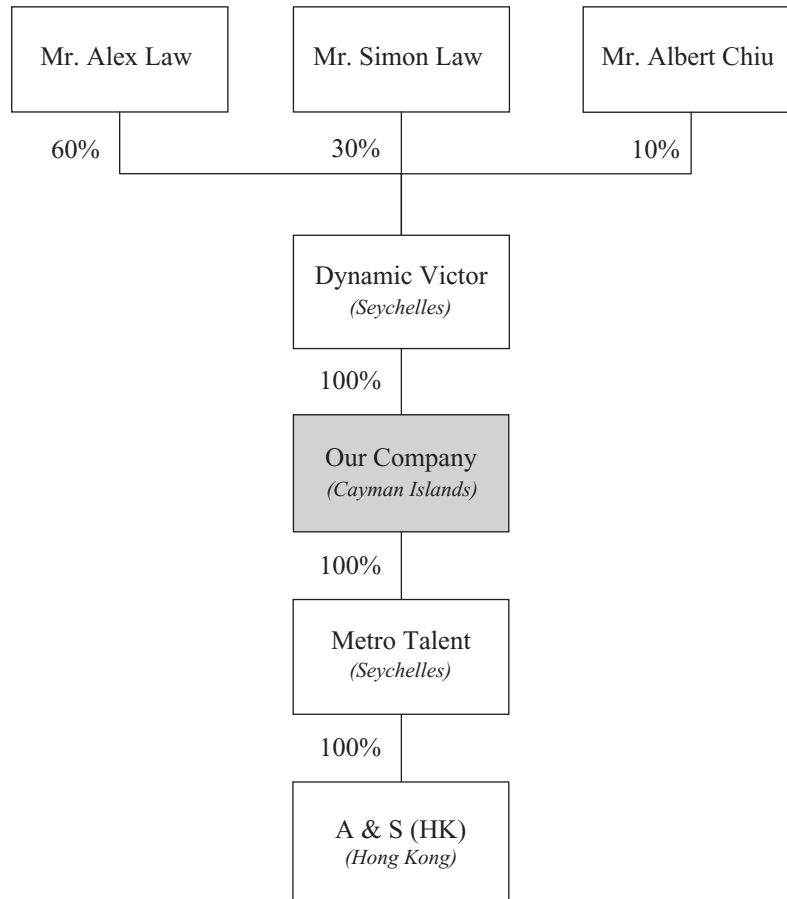
THE CORPORATE STRUCTURE OF OUR GROUP

Set out below is the corporate structure of our Group immediately before the Reorganisation:



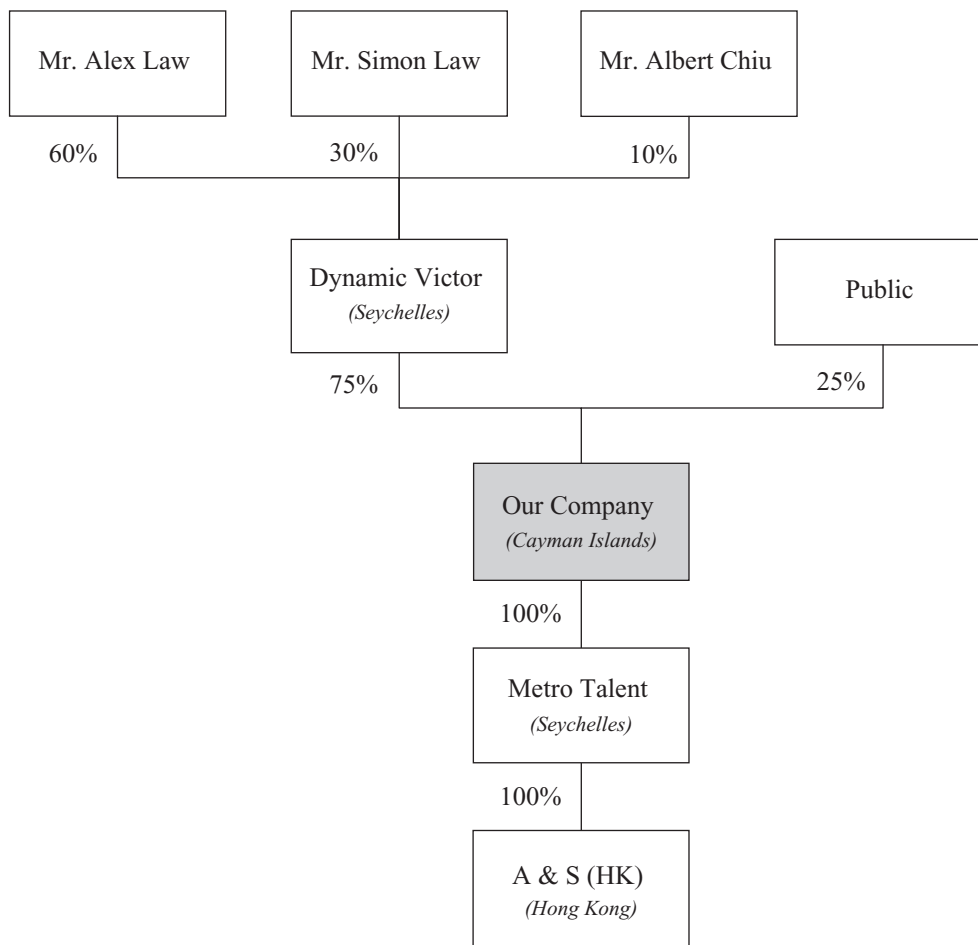
HISTORY, DEVELOPMENT AND REORGANISATION

The following diagram sets out the corporate structure of our Group immediately after completion of the Reorganisation but before completion of the Capitalisation Issue and the Share Offer:



HISTORY, DEVELOPMENT AND REORGANISATION

The following diagram sets out the corporate structure of our Group immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme):



LOCK-UP UNDERTAKINGS

Each of our Controlling Shareholders, namely, Dynamic Victor, Mr. Alex Law, Mr. Simon Law and Mr. Albert Chiu, has undertaken to our Company that, it/he will not, at any time during the 24-month period following the Listing Date (the first 12 months of which is required under Rule 10.07 of the Listing Rules while the second 12 months of which is provided to our Company voluntarily by the Controlling Shareholders and can only be waived by majority of our Company's independent shareholders), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of the Shares in respect of which it or he is shown by this prospectus to be the beneficial owner if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interest or encumbrances, it/he would cease to be a Controlling Shareholder. Please refer to the sections headed "Relationship with our Controlling Shareholders – Lock-up undertakings" and "Underwriting – Voluntary lock-up undertaking by our Controlling Shareholders" in this prospectus for further details.

BUSINESS

OVERVIEW

Our Group is principally engaged in the provision of (i) air freight forwarding ground handling services and (ii) air cargo terminal operating services in Hong Kong. We provide air freight forwarding ground handling services to our customers, who are generally global logistics companies and major freight forwarding agents, with our facilities at our own rented warehouse premises in the AFFC. As such, we may incur losses if we cannot utilise our warehouses sufficiently. We also provide air cargo terminal operating services at the CPCT, being one of the three air cargo terminals operating in Hong Kong, to work with its built-in various computerised handling systems.

Founded in 2002, we have accumulated extensive industry experience in air freight forwarding ground handling services and we provide quality reliable services to save time and cost for our customers. We operate our air freight forwarding ground handling services at our rented warehouses in AFFC, which is approximately 235,293 sq. ft. in total. We maintain a fleet of 56 cargo trucks and vans being installed with GPS tracking system as at the Latest Practicable Date to support our daily operations. These facilities and related setup allow us to provide reliable and efficient air freight forwarding ground handling services to leading global logistics companies, many of whom rely on outsourced service providers like us to support their daily operations.

We also participate in the daily operations of CPCT, which forms the other segment of our business. In order to operate a large complex like CPCT, we are engaged by our client to assist in their air cargo terminal operations. Our main scope of operations in CPCT is the handling of cargoes upon their arrival from aircrafts and to process them for storage or pick-up promptly. We believe that our dedication to provide professional, reliable and efficient services to our customers is the key to our success and our reputation in doing so has resulted in us winning significant contracts from customers including leading global logistics companies and the operator of CPCT.

As a testament to our service quality, we received various awards including “Most Valuable Services Award in Hong Kong 2016 – Asia’s Most Reputed and Reliable Logistics Company of the Year” by MediaZone Group. We were accredited the OHSAS 18001:2007 and ISO 9001:2015 in relation to the provision of airfreight, logistics and warehouse services and we were also accredited the TAPA Freight Security Requirements (Classification A) Certificate. For details of our awards and accreditation, please refer to the paragraph headed “Awards and accreditation” in this section.

For the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, our revenue was approximately HK\$364.5 million, HK\$378.8 million, HK\$430.1 million and HK\$200.7 million, respectively. Our net profit for the corresponding periods was approximately HK\$18.5 million, HK\$19.1 million, HK\$34.2 million and HK\$7.9 million, respectively. For the same periods, approximately HK\$199.3 million, HK\$193.9 million, HK\$214.2 million and HK\$104.2 million, representing approximately 54.7%, 51.2%, 49.8% and 51.9% of our total revenue were generated from the provision of air freight forwarding ground handling services, and approximately HK\$165.2 million, HK\$184.9 million, HK\$215.9 million and HK\$96.5 million, representing approximately 45.3%, 48.8%, 50.2% and 48.1% of our total revenue were generated from the provision of air cargo terminal operating services.

BUSINESS

COMPETITIVE STRENGTH

We believe that the following competitive strengths allow us to achieve sustainable growth of our business:

We have maintained long-standing relationship with sizable customers and have established a solid reputation in the air freight logistics industry in Hong Kong

Founded in 2002, our Group is an established air freight forwarding ground handling services and air cargo terminal operating services provider in Hong Kong. Through years of development, we have built up the scale and capacity to serve sizable clients with a fleet of 56 cargo trucks and vans being installed with GPS tracking system and 543 full-time employees as at the Latest Practicable Date, and the ability to process approximately over 620,000 tons of cargo per year. We have successfully established a stable and long term relationship with our major customers through our insistence of reliable and quality services. For example, we have been appointed by Customer C as its air cargo terminal operating service provider in Hong Kong since the commencement of full operation of CPCT in 2013. We have entered into a service contract with Customer C in 2013 for a term of three years and the service contract has been renewed to 2019. We have also been appointed by Customer D for the provision of air freight forwarding ground handling services since 2007. We have not received any material complaints from our customers and we believe that our long-standing business relationship with these customers is an indication of their recognition of the quality of our services and we consider this recognition and goodwill give us considerable competitive advantages in renewing our service contracts with these sizable customers and obtaining other new service contracts over many other logistics service providers in Hong Kong, which in turn will be a key factor leading to our success in the logistics industry.

We provide quality and reliable services to save the time and cost for our customers

Established in 2002, our Group has been providing all-round air freight forwarding ground handling services and air cargo terminal operating services to our customers, which are mainly sizable logistics companies. Our Directors believe that, based on our industry experiences and knowledge and proven records in providing efficient and reliable services, our customers could benefit from the services provided by us for a higher efficiency and lower operating cost. We are able to follow the standard operating procedures or key performance indicators of our customers and we have not experienced any major disputes with our major customers, including Customer C and Customer D, since our appointments and our Directors consider that we have established a stable relationship with our customers and are of the view that there are no major obstacles to the continual renewal of our service contracts with our major customers. As a recognition of our performance, our Group was granted various awards, including the “Most Valuable Services Award in Hong Kong 2016 – Asia’s Most Reputed and Reliable Logistics Company of the Year” and the “TAPA Freight Security Requirements (Classification A) Certificate”. For more detailed description of awards and certificates granted to our Group and the quality control measures adopted by us, please refer to the paragraphs headed “Awards and accreditation” and “Quality assurance” in this section.

BUSINESS

We also strive to understand the evolving needs of our customers and cater our services to match their needs in air freight forwarding ground handling services and air cargo terminal operating services. With increasing demand from our customers for our logistics services, we believe our emphasis on quality service will contribute to our continuing success in winning our customers' confidence in our services, which we consider is essential to our long-term development in the logistics industry.

We have strong and experienced management personnel

Our Group has an experienced and talented management team, which possesses extensive and solid operating experience and industry knowledge. For example, Mr. Alex Law, our Chairman and executive Director, has approximately 15 years of experience in warehouse management and logistics industry. Mr. Alex Law was awarded the "Asia Pacific Entrepreneurship Award – Outstanding Entrepreneurship", organised by Enterprise Asia in September 2014, a regional award for outstanding entrepreneurship. Mr. Albert Chiu, our Chief Executive Officer and executive Director, has more than 30 years of experience in cargo hub operations, quality assurance, terminals & traffic operations and warehouse management and he has held various senior management positions in global logistics and transportation companies. Mr. Simon Law, our executive Director, has gathered extensive experience in the logistics industry. For detailed information about the industry experience of our Directors and senior management, please refer to the section headed "Directors, Senior Management and Employees" in this prospectus. Our Directors are of the view that the industry experience and knowledge of our Directors and our senior management give us a distinctive competitive edge over our competitors as we are able to efficiently manage and enhance our Group's performance, and build our Group's reputation.

BUSINESS STRATEGIES

Setting up new warehouse premises to cater for increasing business demand

Currently, we lease several warehouses at the AFFC for our air freight forwarding ground handling services. For details of the warehouses we leased at the AFFC, please refer to the paragraph headed "Property interests" in this section. Our Directors consider that it would be in our best interest to set up new warehouse premises in Tuen Mun to cater for the increasing business demand of our services. We intend to set up new warehouses with an area of around 130,000 sq. ft.

Our Directors consider that the cost for setting up new warehouse premises will be approximately HK\$30.0 million. As at the Latest Practicable Date, we had not yet identified any target new warehouse premises. Based on the current market conditions, we estimate our investment of the total capital expenditure for the premises to be approximately HK\$20.0 million and we expect this to be financed by the net proceeds raised from the Share Offer. Please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus for further details.

BUSINESS

Upgrading existing facilities and acquiring additional trucks and equipment

We intend to expand the scale of our current logistics services, including express freight services, contract logistics services, transportation and other value added services by upgrading our existing warehouses and offices and by acquiring additional trucks and equipment. In light of the growing demand of our logistics services as demonstrated by various invitations for services from various existing customers and new customer received by our Group, our Directors believe that the expansion will allow us to enhance our operational capacity and effectiveness in our service delivery. For details of such invitations, please refer to section headed “Future plans and use of proceeds” in this prospectus. As such, we have the ability to take on additional business opportunities in the logistics services market. Our Group is also of the view that, by acquiring additional facilities and trucks, we will place less reliance on and save costs in engaging transportation services from other parties going forward. We plan to invest and spend approximately HK\$30.0 million for the expansion.

Implementing new information technology system to streamline management process and enhance our overall efficiency

Along with the business development of our Group, the size of our Group grows and we feel the increasingly need to monitor and manage our resources and labour efficiently. After the Listing, we plan to invest and implement a new information technology system aiming at streamlining our management process, and enhancing our operational efficiency, cost and inventory management and quality of services.

The new information technology system will be operated by implementing an enterprise resources planning system which is planned to be carried out across our organisation and involve both hardware and software upgrade. Our Directors believe that specialised personnel will be required for operating the new information technology system and we will recruit them through various channels. We intend to recruit two information technology technicians for the operation of our information technology system. We plan to invest and spend approximately HK\$12.0 million for the acquisition of the information technology system abovementioned, which will be financed by the net proceeds raised from the Share Offer. Please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus for further details.

OUR SERVICES

Our services can be categorised into two main segments, namely (i) air freight forwarding ground handling services and (ii) air cargo terminal operating services.

Air freight forwarding ground handling services

We provide air freight forwarding ground handling services to our customers, who are generally global logistics companies and major freight forwarding agents. The works involved in our air freight forwarding ground handling services include trucking, warehousing, repacking, labeling services of cargoes and ULDs and other relevant

BUSINESS

supporting services, such as processing the necessary documentations. We also collect ULDs from air cargo terminals in Hong Kong or deliver processed ULDs to air cargo terminals in Hong Kong for our customers.

For cargoes destined to be exported from Hong Kong, we collect the aforesaid cargoes from different locations in Hong Kong as requested by our customers utilising our trucks, or our customers may deliver them to our warehouse at AFFC. After arriving at our warehouse at AFFC, we proceed to pack the cargoes into ULDs, weigh them and prepare the necessary documentation. After the ULDs are prepared and processed, they are sent to one of the three air cargo terminals in Hong Kong, where they will be loaded onto their designated aircraft by the respective air cargo terminal operators.

For cargoes arriving into Hong Kong, we collect the cargoes or ULDs from one of the three air cargo terminals in Hong Kong, process the necessary documentation and deliver them to our warehouse at AFFC. For cargoes or ULDs that need to be broken down, we break them into smaller packaging at our warehouse at AFFC before delivering them to locations designated by our customers. For cargoes that need to be delivered immediately to our customers, we deliver them directly upon leaving the respective air cargo terminals.

The following images show the works involved in our air freight forwarding ground handling services:



1. Customers delivering cargoes to/picking up cargoes from AFFC



2. Checking and weighing cargoes



3. Packing cargoes into ULDs/breaking down cargoes or ULDs



4. Picking up or delivering cargoes by our trucks

BUSINESS

Air cargo terminal operating services

We provide air cargo terminal operating services to Customer C, the operator of CPCT. We have entered into a service contract with Customer C since 2013 and the service contract has been renewed for a 3-year period up to 2019. Under the contractual agreement, we are contracted to handle the air cargoes arriving from aircraft into the terminal and deliver them to the appropriate warehouses within CPCT for storage or to be picked up by customers of CPCT if destined for immediate release or pick up. Our import services provided at CPCT include receiving ULDs arriving at the CPCT, breaking down the ULDs, labelling the cargoes and delivering the broken down cargoes or whole ULDs to the appropriate warehouse section or to customer awaiting pick up or for transshipment.

We are also contracted to handle customer awaiting pick up at the CPCT. Customers of CPCT who wish to pick up their cargoes at the CPCT are required to submit necessary documentation for us to process their collection orders. Once we receive all necessary documentation, we are required to deliver the cargoes to the awaiting customer within a specified time limit. Our cargoes collection services provided at CPCT include receiving collection orders from customers arriving at the CPCT, escorting the customers for customs or regulatory clearance, and delivering the cargoes to their assigned loading docks and releasing the cargoes to the customers after checking all relevant documentation.

The following images show the works involved in our air cargo terminal operating services:



1. Transferring cargoes or ULDs arriving from aircrafts to our docks



2. Breakdown or sorting of cargoes onto pallet or bins



3. Cargoes storage



4. Releasing cargoes

BUSINESS

The table below sets out our revenue by the types of services we provided during the Track Record Period:

	Year ended 31 March						Five months ended 31 August			
	2015		2016		2017		2016		2017	
	As a percentage of total revenue	As a percentage of total revenue	As a percentage of total revenue	As a percentage of total revenue	As a percentage of total revenue	As a percentage of total revenue	As a percentage of total revenue	As a percentage of total revenue	As a percentage of total revenue	As a percentage of total revenue
	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)
	(Unaudited)									
Air freight forwarding ground handling services	199,318	54.7	193,901	51.2	214,189	49.8	80,072	49.6	104,199	51.9
Air cargo terminal operating services	165,173	45.3	184,860	48.8	215,904	50.2	81,342	50.4	96,484	48.1
Total	364,491	100.0	378,761	100.0	430,093	100.0	161,414	100.0	200,683	100.0

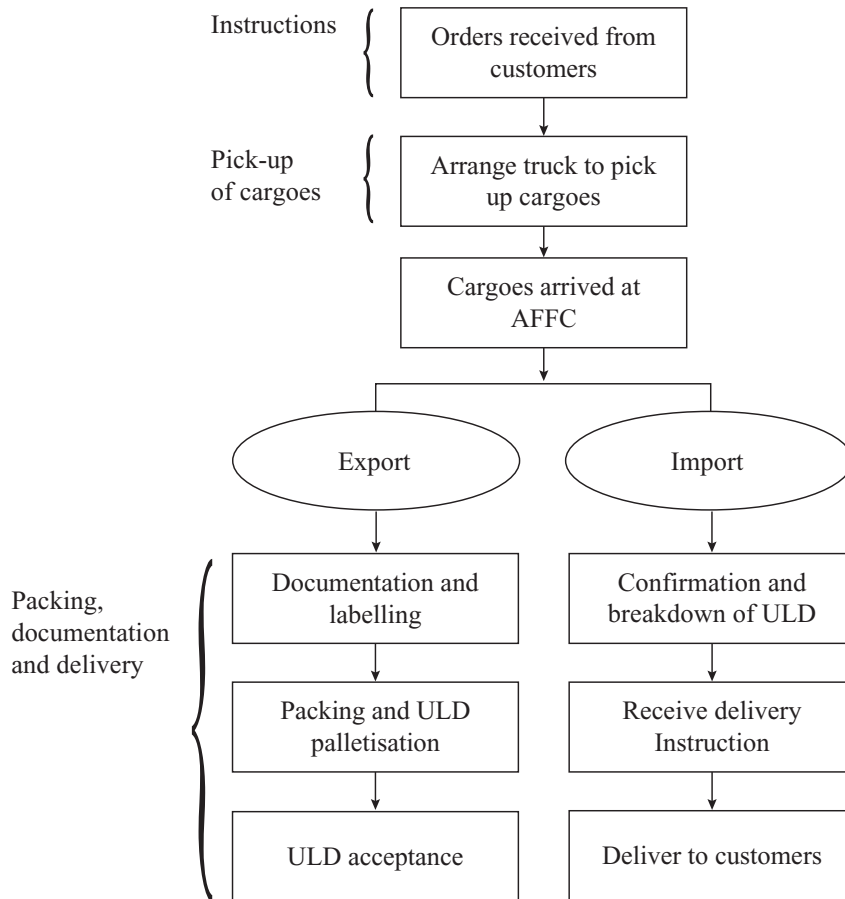
The table below sets forth our cargo volume processed and average service fees per kg by the types of services we provided during the Track Record Period:

	Year ended 31 March						Five months ended 31 August			
	2015		2016		2017		2016		2017	
	Average Cargo volume processed	Average service fees per kg	Average Cargo volume processed	Average service fees per kg	Average Cargo volume processed	Average service fees per kg	Average Cargo volume processed	Average service fees per kg	Average Cargo volume processed	Average service fees per kg
	(tonnes)	HK\$	(tonnes)	HK\$	(tonnes)	HK\$	(tonnes)	HK\$	(tonnes)	HK\$
Air freight forwarding ground handling services										
Overall	213,785	0.9	214,315	0.9	192,364	1.1	79,116	1.0	82,574	1.3
Air cargo terminal operating services										
Overall	411,276	0.4	450,607	0.4	516,672	0.4	203,993	0.4	221,980	0.4
Total	625,061	0.6	664,922	0.6	709,036	0.6	283,109	0.6	304,554	0.7

OUR OPERATING PROCESS

Air freight forwarding ground handling services

Our customers for air freight forwarding ground handling services are generally global logistics companies and major freight forwarding agents. Set out below are the detailed descriptions of the operation flow for our air freight forwarding ground handling services:



Instructions

Our customers will normally send us an email with details of cargoes arriving into Hong Kong such as the cargo size and weight, content of the cargoes, airway bill number and flight details. With these information, our team will make plans on the collection of the cargoes and if possible, consolidate the collection of multiple cargoes from a single air cargo terminal to reduce multiple trips to the terminal. We will assist in preparing the necessary documentation for the collection of the cargoes and also assist in clearing the cargoes through customs, if needed. Once these cargoes are picked up from the air cargo terminals and our trucks will deliver them to our warehouse at the AFFC.

BUSINESS

Pick-up of cargoes

For import air freight forwarding ground handling services, we will pick up the cargoes from air cargo terminals and deliver them back to our warehouse at the AFFC. Our warehousing team will check the cargoes against our order sheet to ensure the correct cargoes have been collected. These cargoes are then moved to the appropriate storage area in our warehouses while awaiting delivery instructions where we would then breakdown the ULDs, if needed. Once delivery order is received, our trucks will deliver the cargoes to the locations designated by our customers. Alternatively, our customers may arrange for their own local transport and collect the cargoes from our warehouse at the AFFC.

For export air freight forwarding ground handling services, we will pick up the cargoes from locations designated by our customers, and truck the cargoes back to our warehouse at the AFFC. Cargoes collected or sent to our warehouse will be checked against a daily list of cargoes acceptance orders before they are acknowledged and received.

Packing, documentation and delivery

For export air freight forwarding ground handling services, once the export packing plans are received, our packing team will proceed to pack the cargoes into ULDs according to the plans. The export cargo plans may involve bulk or co-loading plans, which require different handling procedures compared to ULD packing. Safe operation of aircraft requires all hold cargoes to be weighed, loaded correctly and securely to prevent movement in flight. As such, our knowledge of the correct packing procedure is critical to the safety of not just the cargoes but also the aircrafts. All completed ULDs, bulk and co-load cargoes are subsequently documented, labelled with their respective airway bill and then sent to air cargo terminals for acceptance.

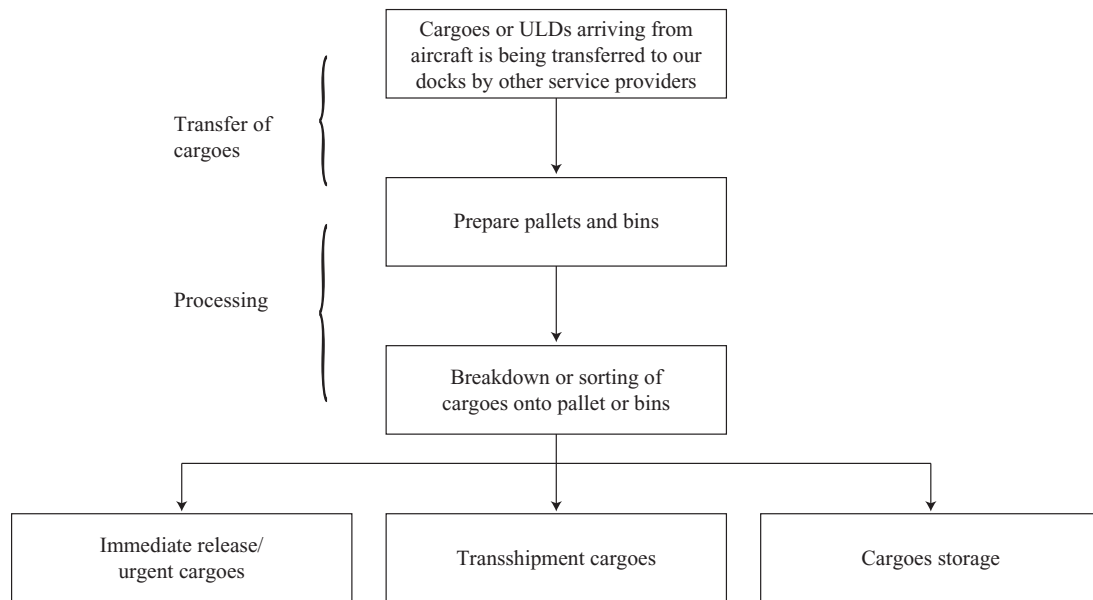
Aside from arranging cargoes for delivery, we also deliver empty ULDs to premises designated by customers if they require these ULDs for cargoes to be packed. These pre-packed ULDs will be delivered to our warehouse and then forwarded to the air cargo terminals.

BUSINESS

Air cargo terminal operating services

We are one of the contracted service providers to the operator of CPCT. CPCT is one of the three air cargo terminals in Hong Kong that handles cargoes flying in and out of Hong Kong International Airport. The types of air cargoes handled by CPCT include mail, courier packages, cold or temperature control cargoes, vulnerable cargoes that are of high value, oversized or bulky, live animals, perishable cargoes, diplomatic mails and other immediate release cargoes. There are different types of handling procedures for different types of cargoes and they have to be performed in accordance with standard operating procedures to ensure safety of cargoes and personnel, integrity of the cargoes and also high level of efficiency within CPCT can be maintained. Detailed documentation and recording is also involved during the handling of cargoes at CPCT to ensure everything is traceable and accountable. Our staff are trained to adhere to the handling procedures and policies of CPCT and also understand their scope of works. Our scope of services within CPCT involves processing cargoes arriving at the CPCT and also delivery of cargoes to customers arriving at CPCT to collect their cargoes.

Set out below is a summary of works for our air cargo terminal operating services:



Transfer of cargoes

When cargoes are unloaded from aircrafts whether in the form of ULD or not, they are transported by other service providers from the aircraft to the staging area at the CPCT. Our employees who are responsible for breaking down of cargoes would be waiting with a list of action items, which was prepared prior to the arrival of the cargoes by our supervisors. Any missing or non-arrival of cargoes from our action list for over 60 minutes of aircraft arrival is notified and reported to the supervisors promptly.

BUSINESS

Processing

Various types of storage pallets, bins or containers at CPCT are ready to be used to store the cargoes that are broken down temporarily as they are sent to other parts of CPCT for transshipment or export, storage or immediate collection. There are specific loading instructions for the pallets and bins to ensure safety.

The ULDs arriving at our workstation are visually inspected for their conditions and to ensure any inconsistency or damage is reported. Any sign of pilferage before or during the breakdown process is reported. Broken down cargoes are loaded into bins or pallet depending on the types of cargoes. Loaded bins or pallet are sent to the CHS or BHS depending on the container type, or placed on the designated floor area if they are too bulky. Completed breakdown process is then recorded in the system and the supervisors will recheck everything is in order.

Aside from the above standard procedures, certain cargoes will require special handling and our workers will pay extra attention to during their breakdown process. Perishable cargoes are required to be broken down within 30 minutes upon their ULDs arrival and moved to perishable cargo area to be released to consignee directly. Dangerous goods need to be handled with additional care and the use of forklift for these ULDs needs to be supervised. If damage to the shipment is found, our workers need to stop immediately and inform supervisors to assess the situation. Within CPCT, there is a room designated for the handling of dangerous goods, as well as a room for checking radioactivity and a location assigned for explosive shipment. Other cargoes which require special handling include, frozen or temperature control cargoes, vulnerable cargoes, mini shipment, extremely bulky or long or heavy, live animals, diplomatic mail, human remains, immediate release and damaged cargoes.

Cargoes collection

We manage the collection of cargoes at the CPCT, which is opened 24 hours per day and 7 days per week. Customers of CPCT arriving at collection counter are required to produce the necessary documents to collect their cargoes. Our employees will then execute their work according to work orders retrieved from the IT system.

Orders initiated in the IT system need to be completed within a specified time limit, such as pre-packed ULDs are to be completed within 30 minutes and bulk cargo release needs to start within 15 minutes of customer's arrival. Our employees will ensure the correct cargoes are extracted from the respective storage of the CPCT and delivered to correct loading bay. For cargoes such as perishable goods or ULDs designated for immediate release, our employees will arrange for the customers of CPCT to collect them from the areas designated for such cargoes. Occasionally, certain cargoes having product codes that need to be checked by CED/AFCD/FEHD. These usually involve taxable items, live animals, plants or food ingredients. Our employees will accompany the customers of CPCT, together with the respective authority's personnel to inspect the cargoes involved. After obtaining the necessary clearance of the relevant authorities, the customer is then allowed to collect the cargoes together with the clearance documentation.

BUSINESS

Once the necessary documentations are in order, the cargoes are loaded onto the trucks of the customers and transported to their consignees. Alternatively, the customer of CPCT may send the cargoes to AFFC next door to be handled by their respective freight forwarding agents, who may further process the cargoes for transshipment or send them to the consignees' warehouses or designated locations.

CUSTOMERS

Our customers consist mainly of freight forwarding agents and major global logistics companies. They are recurring customers that we have established long-term business relationships with and we believe they have a good understanding of our strengths and capabilities. We enter into contracts with our customers to specify our scope of services, charges and rates of our services.

Some of our individual customers are considered as affiliated entities amongst themselves and hence our Directors view them as a group of customers. For the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, our top five customers were Independent Third Parties, and the total revenue attributable to them amounted to approximately HK\$360.7 million, HK\$373.2 million, HK\$427.4 million and HK\$198.0 million, representing approximately 98.9%, 98.5%, 99.4% and 98.7% of our total revenue, respectively. During the same periods, the total revenue attributable to our largest customer amounted to approximately HK\$167.1 million, HK\$184.9 million, HK\$215.9 million and HK\$96.5 million, representing approximately 45.8%, 48.8%, 50.2% and 48.1% of our total revenue, respectively.

One of our major suppliers, namely Supplier D, which provided forklifts rental, repair and maintenance services to us during the Track Record Period, are affiliated entities of Customer C. For further details about Supplier D, please refer to the paragraph headed "Business – Suppliers" in this section.

None of our Directors, their close associates, or any Shareholders who or which, to the knowledge of our Directors, owned more than 5% of the issued Shares of our Company as at the Latest Practicable Date had any interest in any of the top five customers of our Group during the Track Record Period.

BUSINESS

The following tables set forth the details of our top five customers during the Track Record Period:

For the year ended 31 March 2015

Rank	Customer	Background	Services provided	Approximate years of business relationship with our Group	Credit term	Payment method	Revenue (HK\$'000)	Approximate % of our total revenue (%)
1	Customer D	Global logistics company that offers logistics services including national and international parcel delivery, e-commerce shipping, international express, road, air and ocean transport	Air freight forwarding ground handling services	8	60 days	Bank Transfer	167,082	45.8
2	Customer C	Operator of CPCT	Air cargo terminal operating services	2	45 days	Bank Transfer	165,173	45.3
3	Customer A	A Hong Kong based company that offers air, ocean and road freight forwarding, warehousing, distribution and specialised service in project logistics	Air freight forwarding ground handling services	3	60 days	Cheque	25,835	7.1
4	Customer S	An air freight forwarder based in Hong Kong	Air freight forwarding ground handling services	2	30 days	Cheque	1,451	0.4
5	Customer L	An Europe based mid-sized, full-range logistics service provider focusing on air and sea freight	Air freight forwarding ground handling services	4	30 days	Cheque	1,204	0.3
							360,745	98.9

BUSINESS

For the year ended 31 March 2016

Rank	Customer	Background	Services provided	Approximate years of business relationship with our Group	Credit term	Payment method	Revenue (HK\$'000)	Approximate % of our total revenue (%)
1	Customer C	Operator of CPCT	Air cargo terminal operating services	3	45 days	Bank Transfer	184,860	48.8
2	Customer D	Global logistics company that offers logistics services including national and international parcel delivery, e-commerce shipping, international express, road, air and ocean transport	Air freight forwarding ground handling services	9	60 days	Bank Transfer	161,426	42.6
3	Customer A	A Hong Kong based company that offers air, ocean and road freight forwarding, warehousing, distribution and specialised service in project logistics	Air freight forwarding ground handling services	4	60 days	Cheque	16,039	4.2
4	Customer U	One of the world's largest package delivery company and supply chain and freight services provider	Air freight forwarding ground handling services	1	30 days	Cheque/ Bank Transfer	8,346	2.2
5	Customer P	One of the world leading providers of supply chain solutions with air freight, ocean freight and logistics as its core product	Air freight forwarding ground handling services	1	60 days	Bank Transfer	2,507	0.7
							373,178	98.5

BUSINESS

For the year ended 31 March 2017

Rank	Customer	Background	Services provided	Approximate years of business relationship with our Group	Credit term	Payment method	Revenue (HK\$'000)	Approximate % of our total revenue (%)
1	Customer C	Operator of CPCT	Air cargo terminal operating services	4	45 days	Bank Transfer	215,904	50.2
2	Customer D	Global logistics company that offers logistics services including national and international parcel delivery, e-commerce shipping, international express, road, air and ocean transport	Air freight forwarding ground handling services	10	60 days	Bank Transfer	187,890	43.7
3	Customer U	One of the world's largest package delivery company and also supply chain and freight services provider	Air freight forwarding ground handling services	2	30 days	Cheque/ Bank Transfer	18,061	4.2
4	Customer P	One of the world leading providers of supply chain solutions for air freight, ocean freight and logistics	Air freight forwarding ground handling services	2	60 days	Bank Transfer	4,192	1.0
5	Customer S	An air freight forwarder based in Hong Kong	Air freight forwarding ground handling services	4	30 days	Cheque	1,357	0.3
							427,404	99.4

BUSINESS

For the five months ended 31 August 2017

Rank	Customer	Background	Services provided	Approximate years of business relationship with our Group	Credit term	Payment method	Revenue (HK\$'000)	Approximate % of our total revenue (%)
1	Customer C	Operator of CPCT	Air cargo terminal operating services	5	45 days	Bank Transfer	96,484	48.1
2	Customer D	Global logistics company that offers logistics services including national and international parcel delivery, e-commerce shipping, international express, road, air and ocean transport	Air freight forwarding ground handling services	10	60 days	Bank Transfer	79,773	39.8
3	Customer F	Global logistics company that provides international freight forwarding services including air and ocean freight forwarding, customs brokerage, trade and customs advisory services	Air freight forwarding ground handling services	1	45 days	Bank Transfer	10,100	5.0
4	Customer U	One of the world's largest package delivery company and also supply chain and freight services provider	Air freight forwarding ground handling services	2	30 days	Cheque/ Bank Transfer	9,195	4.6
5	Customer P	One of the world leading providers of supply chain solutions for air freight, ocean freight and logistics	Air freight forwarding ground handling services	2	60 days	Bank Transfer	2,485	1.2
							198,037	98.7

During the Track Record Period and up to the Latest Practicable Date, our Group had no dispute with or claim from our customers which would have had a material impact on our business, financial condition or results of operations.

BUSINESS

Customer concentration

For the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, the percentage of our total revenue attributable to our two largest customers, namely Customer C and Customer D, amounted to approximately 91.1%, 91.4%, 93.9% and 87.9%, respectively.

Our relationship with Customer C

Background of Customer C

Customer C is principally engaged in air cargo handling and related services at the Hong Kong International Airport and is the operator of the CPCT, one of the three air cargo terminals in Hong Kong. It is a wholly-owned subsidiary of an international airline operator based in Hong Kong which is listed on the Main Board of the Stock Exchange.

Business relationship with Customer C

Since the commencement of full operation of CPCT in 2013, we have been continuously appointed as one of the service providers to the terminal and have established stable and long-term relationship with Customer C. According to the F&S Report, we are the largest, out of three, service provider to CPCT in terms of revenue and additionally, we have contributed more than 45% of the total throughput of the terminal in 2016.

Customer C requires us to follow the prescribed standard operating procedures, which set out details of operation flow and service requirements, and it conducts regular inspection and assessment on our performance and set performance standards for us to follow. Our revenue attributable to Customer C amounted to approximately HK\$165.2 million, HK\$184.9 million, HK\$215.9 million and HK\$96.5 million for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, which accounted for approximately 45.3%, 48.8%, 50.2% and 48.1% of our total revenue for the same periods, respectively.

Contractual arrangements with Customer C

As at the Latest Practicable Date, we have entered into two service agreements with Customer C and its subsidiary, both related to provision of air cargo terminal operating services (collectively, the “Terminal Service Agreements”). The Terminal Service Agreements have a term of three years and our Group has an option, subject to mutual agreement, to renew the Terminal Service Agreements for another three years. Our Directors confirm that the Terminal Service Agreements with Customer C had not been terminated or suspended since its commencement and there is no material breach by us. Our service fees are charged according to the rate set out in the Terminal Service Agreements and thus, upon expiry of which, the rate of our service fees will be subject to review and further negotiation with Customer C. For details of the Terminal Service Agreements, please refer to the paragraph headed “Major contractual terms and conditions” in this section.

BUSINESS

Renewal of the Terminals Service Agreements

The Terminal Service Agreements we have entered into with Customer C and its subsidiary will expire in September 2019 and the Group has an option, subject to mutual agreement, to renew the Terminal Service Agreements for an additional three years. Based on our past experience, Customer C would negotiate with us for the renewal of the Terminal Service Agreements and the commercial terms thereof around three to six months before the expiration date thereof for the relevant period. Having considered the cost effectiveness of changing a service provider and tremendous volume of air freight cargoes being handled by Customer C, our Directors are of the view that there is no incentive triggering Customer C to replace us with other service providers and are confident that we will be able to renew the Terminal Service Agreements and continue the business relationship with Customer C for the next term and going forward. Furthermore, taking into account the facts that (i) we have been continuously engaged to provide cargo terminal operating services to Customer C, with increasing service scopes, since CPCT commenced full operation in 2013, and we are currently the largest service provider in CPCT according to the F&S Report; (ii) sizable service providers with solid experiences in air cargo terminal operations, particularly in CPCT, is very limited in the market and is considered to be crucial in selecting terminal service providers and Customer C's intention to keep on engaging us as its service provider; (iii) we have passed its key performance indicators, including truck release lead time, receiving lead time, data entry lead time, ULD irregularity, and number of mishandled case, and achieve Customer C's quality assurance key elements and we do not have any material disagreement with Customer C since our cooperation with Customer C; and (iv) according to the F&S Report and to our Directors' best knowledge, it is an industry norm for air cargo terminal operators in Hong Kong to continuously engage the same service providers over a long period of time in order to save operation cost while at the same time to guarantee the consistency and stability of service quality. Therefore, our Directors take the view that there should not be any major obstacle or impediment for us to renew the Terminal Service Agreements with Customer C when they expire in September 2019.

Mutual and complementary reliance between Customer C and our Group

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

- (i) Customer C and other terminal operators in Hong Kong tend to continue to outsource its terminal operating services to maximize the operation efficiency. We believe that Customer C could benefit from us providing terminal operating services to CPCT at a higher efficiency and lower operating cost and our stable relationship with Customer C was mainly due to the quality of services we offer and our experience in air cargo terminal operating services, our ability to meet their requirements as well as our high standard of service quality.
- (ii) our Directors consider that the process of identifying and approving new sizable terminal service providers with solid experience in air cargo terminal operations might be difficult since (i) sizable service providers with solid experience in air cargo terminal operations, particular in CPCT, is very limited in the market, and other sizable service providers already have a long term and stable business

BUSINESS

relationship with their respective air cargo terminal operators according to the F&S Report; and (ii) Customer C has developed a comprehensive set of standard operating procedures to guide its business operations and regulate its service providers. It takes substantial time and cost to set up and train new service providers to familiarise themselves with Customer C's systems and the standard operating procedure and integrate the same to the new service provider systems. Under such circumstances, Customer C may need to go through numerous rounds of selection and inevitably incur additional time and cost.

- (iii) according to the F&S Report, we are the largest out of the three service providers in terms of revenue to the operator of CPCT since it commenced its full operations in 2013. Our Directors believe that Customer C intends to maintain the current subcontracting relationship with all service providers to avoid any unforeseen disruption to its operations. By using a replacement service provider without proven track record of working with Customer C, Customer C will bear the risk of CPCT running into disruption and facing delays. Additionally, trainings on new service providers may not yield successful and desirable result, and might even result in unforeseen operational problems. Therefore, our Directors are of the view that these operational risks will in return pose reputational risk to Customer C, who is most likely unwilling to take.

Our relationship with Customer D

Background of Customer D

Customer D is one of the largest global logistics group, offering logistics services ranging from local and international parcel delivery, e-commerce shipping, international express to road, air and ocean transport. It is wholly-owned by a German postal service and international courier service company, which is listed on the Frankfurt Stock Exchange of Germany.

Business relationship with Customer D

Since 2007, Customer D has continuously engaged us as its major ground handling services provider for air freight forwarding business in Hong Kong. Over 10 consecutive years of cooperation, we have established stable and long-term relationship with various business units of Customer D in Hong Kong. As at the Latest Practicable Date, we mainly provide air freight forwarding ground handling services in Hong Kong for Customer D. According to the F&S Report, Customer D has subcontracted more than 90% of its global forwarding's ground handling services to our Group for over 10 years.

Customer D conducts regular inspection and assessment on our performance and set performance standards for us to follow. Our revenue attributable to Customer D amounted to approximately HK\$167.1 million, HK\$161.4 million, HK\$187.9 million and HK\$79.8 million for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, which accounted for approximately 45.8%, 42.6%, 43.7% and 39.8% of our total revenue for the same periods, respectively.

BUSINESS

Contractual arrangements with Customer D

As at the Latest Practicable Date, we have several service agreements with Customer D, all related to provision of air freight forwarding ground handling services and other logistics services. Our service agreements with Customer D (collectively the “Logistics Service Agreements”) typically have a term of one to two years and ten months with an option to renew. Our Directors confirm that the Logistics Service Agreements with Customer D had not been stopped or suspended since we commenced business relationship with Customer D. Our service fees are charged according to the rate set out in the Logistics Service Agreements and thus, upon expiry of which, the rate of our service fees would be subject to review and further negotiation with Customer D. For details of the Logistics Service Agreements, please refer to the paragraph headed “Major contractual terms and conditions” in this section.

Renewal of the Logistics Service Agreements

The Logistics Service Agreements we entered into with Customer D will expire in 2018 and 2019 and pursuant to which Customer D has an option to renew the term for one year with respect to our provision of air freight forwarding ground handling services and other logistics services on the same terms and conditions. Based on our past experience, Customer D would negotiate with us for the renewal of the Logistics Services Agreements and the commercial terms thereof within six months before the expiration date of the relevant period. In addition, having considered that Customer D has increased our service scope in 2016 and no material event has occurred during our cooperation with Customer D to trigger replacement of our service provider role for the sake of cost and time effectiveness, our Directors are of the view that we will be able to renew the Logistics Service Agreements and continue the business relationship with Customer D for the next term and going forward. Furthermore, taking into account the facts that (i) we have been continuously providing air freight forwarding ground handling services and other logistics services to Customer D for 10 consecutive years, with increasing service scopes; (ii) sizable service providers with solid experiences in providing ground handling services to large international air freight forwarders is very limited in the market and such factor is considered to be crucial in selecting such service providers, (iii) Customer D’s intention to keep on engaging us as its service provider as we have passed its key performance indicators and achieved Customer D’s quality assurance key elements and we do not have any material disagreement with Customer D since our cooperation; and (iv) according to the F&S Report and to our Directors’ best knowledge, it is an industry norm that large international air freight forwarders prefer to continuously engage the same service providers over a long period of time in order to reduce the fluctuation of labour demand, which varies with the cargo throughput of the air freight forwarders; our Directors take the view that there should not be any material obstacle or impediment for us to renew the Logistics Service Agreements with Customer D when they expire.

BUSINESS

Mutual and complementary reliance between Customer D and our Group

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

- (i) According to the F&S Report, Customer D and other large international air freight forwarders tend to outsource their ground handling services to reduce the fluctuation of labour demand, which varies with their cargo throughput. During the Track Record Period, the average monthly variation in tonnage of our services to Customer D was approximately +/- 10%, which we believe was in line with Customer D's cargo throughput in Hong Kong. In addition, it is an industry norm for large international air freight forwarders, including Customer D, to sub-contract their ground handling works to the same large and reputable service providers with solid experience in serving large international air freight forwarders. We understand that Customer D does not have its own ground handling team in Hong Kong for at least ten years, and we believe that it could benefit from engaging us as the ground handling service provider to achieve lower operating cost. We believe that our stable relationship with Customer D over 10 consecutive years of cooperation was mainly due to our extensive knowledge and solid experience in providing air freight logistics services, in particular, we are also one of the very few air cargo terminal operating service providers with such ability to meet their requirements as well as our high standard of service quality.
- (ii) Over the 10 consecutive years of cooperation, we kept expanding the area of our warehouses in the AFFC in order to accommodate Customer D's needs and there were over 190,000 sq. ft. of our warehouses in the AFFC for such purpose as at the Latest Practicable Date. On the other hand, we believe other potential service providers may have to invest more than HK\$10 million to set up or modify their facilities to cater for Customer D's needs and standards. In addition, it may take substantial time and cost to set up and train new service providers to familiarise themselves with Customer D's systems and integrate the same to the new service provider own systems. Under such circumstances, our Directors take the view that Customer D may need to go through numerous rounds of selection and inevitably incur additional time and cost, but we, as the current service provider having a team of considerable size of over 500 well trained workers and integrated system having been fine-tuned for 10 consecutive years since our cooperation, should have considerable competitive advantages over other potential service providers.
- (iii) Customer D has developed a comprehensive set of standard operating procedures to guide its business operations and regulate its service providers. Our Directors believe that Customer D, being a reputable multi-national logistics group, will not risk its reputation and business by engaging a new service provider without a proven track record, who may fail to provide the same quality of service or cause disruption to its operations in Hong Kong. According to the F&S Report, our Group has taken up more than 90% of Customer D's ground handling services in Hong Kong, our Directors are of the view that there is no incentive triggering Customer D to take uncertainties of business by replacing us with other service provider.

BUSINESS

Sustainability of our business

Our Directors consider that the concentration of customers would not render our Company unsuitable for listing after considering the following:

Mutual and complementary business relationship with our major customers

As discussed above in this section, our Directors believe that we could benefit from our proven track records and we have established a mutual and complementary business relationship with our major customers, including Customer C and Customer D. To our Directors' best knowledge, our major customers do not have their own ground handling or cargo terminal operating service team in Hong Kong. We, as the current logistics service provider, provide full-range of ground handling or terminal operating services to our customers, from which they can enjoy our professional services at a lower operating and opportunity cost compared to developing their own sizeable logistics service team. Our Group has already acquired sufficient understanding on the daily logistics flow with these customers. In this regard, it is commercially and technically unreasonable to change the current business relationship with our Group as both Customer C and Customer D may need to adapt to the operation model of the new service provider and face the risk of interruption in operation. Furthermore, both Customer C and Customer D had verbally expressed their intention to keep on engaging us as their operating service provider. Our Directors are confident that the Company will be able to renew the services agreements and continue the business relationship with both Customer C and Customer D for the next term and going forward and there would not be any material obstacle to the renewal of the service agreements upon expiry.

Capability of maintaining our revenue growth

According to the F&S Report, the outlook of Hong Kong's freight logistics industry remains positive and the market for service providers is expected to continue to grow, mainly due to (i) rapid development of manufacturing industry in Southeast Asia; and (ii) expanding cross-border commerce market. Our Directors believe that we would be able to maintain a stable revenue growth in view of the growth drivers and opportunities, details of which are set out in the section headed "Industry Overview" in this prospectus.

Introduction of new customers

Given our proven track record to both air cargo terminal and large international logistics companies, our Directors believe that our Group is able to expand the scope of our logistics services to both existing and new customers. During the Track Record Period and up to the Latest Practicable Date, we were engaged by 9 new customers, including sizable international air freight forwarders and other logistics companies. Our new customers are mainly (i) referred from our existing customers; and (ii) walk-in customers who engaged us to provide logistics services due to our reputation and track record. Our Directors believe that referrals reflect our customers' satisfaction in our services. In addition, most of our existing customers including Customer C and Customer D, increased our service scope

BUSINESS

during the Track Record Period. Our Directors are of the view that the markets in which we operate are fragmented and therefore, offer enormous opportunities for us to expand, and we are able to reduce the extent of customer concentration in the future.

Our extensive experiences and knowledge in the industry are transferable

Our Group's experiences and knowledge in the industry allows us to serve various freight forwarding and logistics companies. Found in 2002, we have vast experiences and resources in the logistics industry to serve our existing customers and other new customers in a timely manner. Our Directors are of the view that, provided that our Group has sufficient resources, our services can be readily transferred to serve other potential new customers and satisfy their needs.

Continue to expand our scope of services

As one of our business strategies, we intend to expand our scope of services to provide higher quality and increase the variety of logistics services, including express freight services, contract logistics services, transportation and other value added services, by upgrading our existing warehouses and by acquiring additional trucks and equipment. With the increased service capacity upon setting up our new warehouse premises and upgrading of our existing facilities, we will be able to capture more business opportunities from various logistics areas, such as express pick-up and distribution, parcel and courier distribution, return and inventory management and other value added services, including product labeling, bar coding and X-ray scanning. Based on the understanding on the current market, our Directors are of the view that the new business opportunities will be raised from both our existing customers and other potential new customers, including international logistics companies, manufacturers, distributors and other commercial companies. For further information regarding our plans and timeline for our expansion, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus. In light of the growing opportunities in the logistics services market, our Directors believe that such expansion not only reduces our reliance on Customer C and Customer D, but also generate steady growth of our business with additional revenue streams at the same time.

On the basis of the above, our Directors believe that our reliance on Customer C and D would not affect our business prospect and there are plenty of market opportunities available for our Group to further develop our business and customer base in the long run.

BUSINESS

MAJOR CONTRACTUAL TERMS AND CONDITIONS

Air freight forwarding ground handling services

Set out below are the principal contractual terms of the Logistics Services Agreements with Customer D, who engaged our Group for our air freight forwarding ground handling services during the Track Record Period:

- Scope of Service : A wide range of freight-forwarding services including import bulk cargo, export bulk cargo and outbound transshipment cargo, and other related services.
- Contract period : The contract period is generally for a term of one year to two years and ten months with an extension option under the same terms and conditions upon the Customer D discretion.
- Service charge : Our Company provides services as per charges on fixed headcount services, incentive and other service items we are required to provide.
- Payment terms : The period for settlement of our services after we submit our monthly invoice varies contract by contract. Depending on the terms and conditions of the contracts, the credit term is within 60 days from the date of each invoice submitted by us to Customer D.
- Insurance : In general, during the term of the agreement, our Company is responsible for maintaining proper insurance policies including employer's liability, employees' compensation, motor vehicle, comprehensive general liability, public liability, cargo liability and property damage.
- Occupation Health and Safety : Our Company is responsible for ensuring that all applicable occupational safety and health laws and regulations are observed.
- Termination : Generally, our customer is entitled to terminate our contract immediately under certain circumstances, including but not limited to (i) changes in ownership of our Company that would render us incapable of performing the obligations in the agreement; (ii) insolvency of our Company; and (iii) breach of any of the terms of the agreement.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that we did not experience any early termination of contracts by Customer D.

BUSINESS

Key performance indicators : we are required to meet the key performance indicators (“KPI”) set by Customer D.

The details of KPI are set out below:-

KPI	Descriptions
On time pick up and delivery	98% to 99.5% of the pick up and/or delivery should be conducted within the prescribed time requirement, depending on the terms of the specific agreement
Cargoes damage or loss	percentage for cargoes damages or loss should be 0% or not exceed 0.1%, depending on the terms of the specific agreement
Invoicing and job sheet submission	all invoicing and job sheet submission should be completed on time
Invoicing and job sheet accuracy	all invoices and job sheet should contain accurate and complete information
Order fulfillment	99% of the orders should be fulfilled

Our quality assurance officers will have meetings with our staff regularly to discuss and ensure the compliance of KPI. We are required to submit a KPI report showing self-evaluated scores together with supporting documents to Customer D on a monthly basis for their review. Customer D will provide feedbacks on our performance and our Group will follow up with the any matters pursuant to the instructions as indicated in the feedbacks to Customer D’s satisfaction. During the Track Record Period, there was no material breach of KPI by our Group.

Air cargo terminal operating services

Set out below are the principal contractual terms of the Terminal Service Agreements with Customer C during the Track Record Period.

Scope of Service : A wide range of logistics services including collection and consolidation of import cargoes, export bulk cargoes, attend to all the required Customs & Excise examination and documentation, provide temporary and secured storage, and other related services.

Contract period : The contract period is generally for a term of three years with an option, subject to mutual agreement, to renew or extend for up to three years upon expiry of the term.

BUSINESS

- Service charge : Our Company provides services based on (i) unit rate for the service items which are easily quantifiable, for example our cargo handling services are charged based on cargo volume processed; and (ii) fixed monthly rate for the other service items, such as ULDs handling and cargo clearance services. In addition, extra service incentive bonus would be payable by Customer C to us if our service level achieves certain scores. The charges basis is subject to annual price adjustment, which is determined yearly by the parent group of Customer C.
- Payment terms : Our Company is required to submit our monthly invoice in arrears for the month concerned, the credit term is 45 days from the date of receipt of the invoice submitted by us to Customer C.
- Insurance : In general, during the term of the agreement, our Company is responsible to effect proper insurance policies including error and omission, employees' compensation, public liability and cargo liability. Our Company is also required to name Customer C and/or the assignee of the insurance policy and ensure that the insurance policy contains a direct indemnity clause to keep Customer C be indemnified.
- Occupation Health and Safety : Our Company shall fully comply with the applicable occupational health and safety regulations and provide a work environment that is safe and conducive.
- Termination : Generally, Customer C is entitled to terminate the agreement by giving no less than 30 days written notice.
- Customer C is entitled to terminate our contract immediately under certain circumstances, including but not limited to (i) changes in control of our Company; (ii) insolvency of our Company; and (iii) our material breach of any of the terms of the agreement and failure to remedy such breach within 30 days of being notified in writing.
- During the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that we did not experience any early termination of contracts by Customer C.

SALES AND MARKETING

We currently do not maintain a sales and marketing team. Our executive Directors participate in the sales and marketing activities such as business conferences hosted by other industry players. We contact our customers to maintain a good relationship with them, to

BUSINESS

obtain market and industry information, and to seek business opportunities. We also rely on word-of-mouth by providing quality service in our projects to attract referral or for retaining our customers. In addition, from time to time, we participate in the sales and marketing activities and social events hosted by other industry players to keep abreast of the latest market developments and industry information.

We operate our website at www.asl.hk where we introduce and promote our Group and services. Our Directors believe that our past performance will continue to support our reputation and hence our future business in the industry.

SEASONALITY

Our Directors believe that the industry that we are engaged in does not exhibit any significant seasonality.

PRICING STRATEGY

The Group determines its service fee mainly with reference to the expected costs to be involved, such as staff costs and administrative fees (including transportation cost, cost of equipment and other operating costs), whereas the administrative fees were typically determined based on a certain percentage of the staff costs. The Group also takes into consideration the length of contract, relevant skills required, special requests from customers and the urgency of the tasks.

SUPPLIERS

Our suppliers mainly include landlord of warehouses, companies providing dispatched labours, transportation services, packaging materials and forklifts rental. We select our suppliers from our approved supplier list based on factors including the (i) quality of product or services; (ii) delivery time; (iii) previous working experience with the supplier; and (iv) reputation of the supplier.

In general, we do not enter into any long-term contract with our suppliers. The price for products or services provided is determined with reference to a pre-agreed quotation subject to fluctuations and delivery date as agreed by the parties on an order-by-order basis. The terms of our supply contract generally include the type of materials or services required, the price, the quantity of materials or duration of service and the payment terms. Our suppliers generally grant us credit period of 7 to 60 days for settling their invoices and we generally settle the payment by cheque. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulties or delays in performing our works due to material shortages or delays in supply of the required materials or services.

We generally provide the materials or equipment required for our services unless otherwise stated in the agreement with our customers. During the Track Record Period, the packaging materials were generally delivered to our warehouse for direct consumption and we do not stock up excess inventory of packaging materials.

BUSINESS

Since there are a number of suppliers of the required materials or services in Hong Kong, our Directors consider that it is feasible to engage alternative suppliers of the required materials or services for our Group and we do not overly rely on our suppliers of the required materials or services.

Among our five largest suppliers during the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, Gobo Trade was our related party. Packaging materials that our Group purchased from Gobo Trade include paper corner, foam board, plastic sheets and tape which are consumed by our Group to pack customers' products for transportation, distribution and storage. For details of its transactions with our Group, please refer to the section headed "Financial Information – Related party transactions" in this prospectus. For the same periods, our total direct costs attributable to our five largest suppliers amounted to approximately HK\$108.9 million, HK\$136.3 million, HK\$180.5 million and HK\$101.4 million, representing approximately 35.9%, 42.8%, 52.0% and 60.2% of our total direct costs, respectively. During the same periods, our direct costs attributable to our largest supplier amounted to approximately HK\$50.6 million, HK\$98.0 million, HK\$128.3 million and HK\$72.6 million, representing approximately 16.7%, 30.8%, 37.0% and 43.1% of our total direct costs, respectively.

Save for Gobo Trade, none of our Directors, Shareholders (who to the knowledge of our Directors owns more than 5% of the issued share capital of our Company) or their respective associates had any interest in any of our top five suppliers during the Track Record Period.

The following tables set forth the details of our top five suppliers during the Track Record Period:

For the year ended 31 March 2015

Rank	Supplier	Background	Types of products/ services provided by our supplier	Approximate years of business relationship with our Group	Credit term	Payment method	Direct costs incurred (HK\$'000)	Approximate % of our total direct costs incurred (%)
1	Supplier B	A company that provides manpower for logistics business	Dispatched labours	2	60 days	Cheque	50,615	16.7
2	Supplier Y	A partnership that provides manpower for logistics business	Dispatched labours	3	60 days	Cheque	26,907	8.9
3	Gobo Trade Limited	A company principally engaged in trading of materials for logistics business	Packaging materials	3	60 days	Cheque	14,134	4.7
4	Supplier M	Landlord of Modern Terminals	Rental of parking spaces and warehouse	4	N/A	Cheque	10,757	3.5
5	Supplier A	Landlord of AFFC	Rental of parking spaces and warehouse	5	N/A	Cheque	6,491	2.1
							108,904	35.9
Total								

BUSINESS

For the year ended 31 March 2016

Rank	Supplier	Background	Types of products/ services provided by our supplier	Approximate years of business relationship with our Group	Credit term	Payment method	Direct costs incurred (HK\$'000)	Approximate % of our total direct costs incurred (%)
1	Supplier B	A company that provides manpower for logistics business	Dispatched labours	3	60 days	Cheque	97,973	30.8
2	Gobo Trade Limited	A company principally engages in trading of materials for logistics business	Packaging materials	4	60 days	Cheque	14,423	4.5
3	Supplier Y	A partnership that provides manpower for logistics business	Dispatched labours	4	60 days	Cheque	9,784	3.1
4	Supplier A	Landlord of AFFC	Rental of parking spaces and warehouse	6	N/A	Cheque	8,271	2.6
5	Supplier N	A company that provides transportation services for logistics business	Transportation services	3	60 days	Cheque	5,809	1.8
Total							136,260	42.8

For the year ended 31 March 2017

Rank	Supplier	Background	Types of products/ services provided by our supplier	Approximate years of business relationship with our Group	Credit term	Payment method	Direct costs incurred (HK\$'000)	Approximate % of our total direct costs incurred (%)
1	Supplier B	A company that provides manpower for logistics business	Dispatched labours	4	60 days	Cheque	128,317	37.0
2	Supplier A	Landlord of AFFC	Rental of parking spaces and warehouse	7	N/A	Cheque	28,653	8.3
3	Gobo Trade Limited	A company principally engaged in trading of materials for logistics business	Packaging materials	5	60 days	Cheque	12,258	3.5
4	Supplier D (Note 1)	Companies that provide a wide array of professional services for the equipment of the global aviation industry	Rental, repair and maintenance of forklifts	4	30 days	Cheque	6,353	1.8
5	Supplier N	A company that provides transportation services for logistics business	Transportation services	4	60 days	Cheque	4,894	1.4
Total							180,475	52.0

BUSINESS

For the five months ended 31 August 2017

Rank	Supplier	Background	Types of products/ services provided by our supplier	Approximate years of business relationship with our Group	Credit term	Payment method	Direct costs incurred (HK\$'000)	Approximate % of our total direct costs incurred (%)
1	Supplier B	A company that provides manpower for logistics business	Dispatched labours	4	60 days	Cheque	72,570	43.1
2	Supplier A	Landlord of AFFC	Rental of parking spaces and warehouse	7	N/A	Cheque	18,899	11.2
3	Gobo Trade Limited	A company principally engaged in trading of materials for logistics business	Packaging materials	5	60 days	Cheque	4,359	2.6
4	Supplier D (Note 1)	Companies that provide a wide array of professional services for the equipment of the global aviation industry	Rental, repair and maintenance of forklifts	4	30 days	Cheque	2,898	1.7
5	Supplier N	A company that provides transportation services for logistics business	Transportation services	5	60 days	Cheque	2,661	1.6
Total							101,387	60.2

Note:

- Supplier D consists of two companies, each of which is incorporated and operating in Hong Kong and is indirectly wholly-owned by two companies whose issued shares are listed on the Main Board of the Stock Exchange.

Transactions with Gobo Trade

Gobo Trade is owned as to 20% by Mr. Anthony Law and 80% by a company owned as to 40%, 30% and 30% by Mr. Alex Law, Mr. Simon Law and Mr. Anthony Law, respectively. Thus, Gobo Trade is a connected person of our Company pursuant to Chapter 14A of the Listing Rules.

We have established good and long-standing relationship with Gobo Trade and have purchased packaging materials from Gobo Trade since 2012. For the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, our purchases from Gobo Trade amounted to approximately HK\$14.1 million, HK\$14.4 million, HK\$12.3 million and HK\$4.4 million, respectively, representing 4.7%, 4.5%, 3.5% and 2.6% of our total direct costs for the same periods. For the same periods, to the best knowledge and belief of our Directors, Gobo Trade who was one of our major suppliers for the respective years was also our customer. Revenue generated from Gobo Trade, for the logistics services provided by our Group to transport the packaging materials Gobo Trade supplied, for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, was approximately HK\$429,000, HK\$364,000, HK\$760,000 and HK\$56,000, respectively or 0.1%, 0.1%, 0.2% and 0.0%, respectively, of our total revenue. For further details of our Group's

BUSINESS

transactions with Gobo Trade, please refer to the sections head “Connected Transactions – Non-exempt continuing connection transactions – Gobo Trade Framework Agreement” and “Financial Information – Related party transactions” in this prospectus.

TRANSPORTATION FLEET

Our Group has a trucking fleet with equipment to provide our air freight forwarding ground handling services and air cargo terminal operating services. The following table sets out a breakdown of our transportation fleet owned by our Group as at the Latest Practicable Date:

	As at the Latest Practicable Date
5.5 ton trucks	3
9 ton trucks	6
16 ton trucks	44
24 ton truck	1
Vans	<u>2</u>
Total	<u><u>56</u></u>

Age and life cycle of our transportation fleet

For the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, we acquired new trucks and motor vehicles in the amount of approximately HK\$3.1 million, HK\$5.8 million, HK\$1.3 million and HK\$5.2 million, respectively. The following table sets forth the average age of our transportation fleet as at the Latest Practicable Date:

	Average age Years
5.5 ton trucks	8.3
9 ton trucks	2.4
16 ton trucks	7.1
24 ton trucks	1.6
Vans	12.2

Note: According to our depreciation policy, our transportation fleet and operation equipment are depreciated over three to four years. Despite the average age of some of our trucks, vans and pallet trucks was over three to four years, in view of the current status of our transportation fleet and operation equipment, our Directors are of the view that our transportation fleet and operation equipment are still in good operating condition.

We do not have a pre-determined or regular replacement cycle for our machinery and replacement decisions are made on a case-by-case basis having regard to the operating condition of individual unit of machinery.

BUSINESS

Although our Directors consider that our existing machinery were in good conditions in general, the probability and frequency of breakdown or malfunction of our existing machinery will increase as such machinery ages. Our Directors consider that continued investments in new and high quality machinery are necessary in order to cope with our business development, strengthen our brand name and increase our overall efficiency and capacity in performing our services. Our Group intends to take advantage of the Ex-gratia Payment Scheme issued by the Environmental Protection Department of the Government to phase out and replace at least 10 of our existing 16 ton trucks, which are aged well over the average useful life of our transportation fleets, before the application deadline at the end of 2019. By voluntarily participating in the scheme and receiving the subsidies granted, our Group would be able to replace those aged 16 ton trucks in our transportation fleets, which may require considerable repair and maintenance, at a much lower cost. In addition, (i) having considered that all of our transportation fleet are fully engaged in providing our existing services and we are not able to take up further transportation services from our major customers or other potential new customers, our Directors consider that our existing trucking capacity are practically fully utilised; and (ii) to cope with our strategy to expand the scale of our current logistics services and scope of services, including express freight services and other contract logistics services, in the future, our Directors are of the view that there is a practical need to further expand our trucking team by acquiring additional trucks. For further information regarding our plan to acquire new machinery, please refer to the paragraph headed “Business strategies” above as well as the section headed “Future Plans and Use of Proceeds” in this prospectus.

Repair and maintenance and replacement

During the Track Record Period, when our machinery was out-of-order, it was either (i) sent to the authorised dealer for repairs if the machinery was still under warranty; or (ii) sent to other third party repair companies. Our Directors believe that good conditions of machinery are important to the efficient and smooth performance of our services and to our workplace safety. Our trucks and vans are inspected and serviced on an as-needed basis and they are generally serviced approximately one to three times a year, depending on how frequent they are used and their working conditions. For the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, the expenses incurred in repair and maintenance of machinery was approximately HK\$2.4 million, HK\$2.5 million, HK\$4.0 million and HK\$1.8 million, respectively. The increased spending on machinery repair and maintenance was generally consistent with our additions of machinery during the Track Record Period as discussed above. We replace aged machinery only when the replacement is necessary.

Leasing of machinery

From time to time, we may lease machinery from our machinery suppliers for flexibility to supplement our fleet of machinery. In considering leasing instead of acquiring machinery, our Directors primarily take into account such factors as the financial condition of our Group, the availability of our machinery and the amount and the size of the cargo to be transported. During the Track Record Period, we mainly leased forklifts to carry out our operations in our warehouse and the CPCT. For the years ended 31 March 2015, 2016 and

BUSINESS

2017 and the five months ended 31 August 2017, we incurred forklift rental expenses of approximately HK\$9.1 million, HK\$9.2 million, HK\$9.8 million and HK\$4.8 million, respectively.

Compliance with NRMM Regulation

From time to time, we may lease non-road mobile vehicles in the form of forklifts for the provision of our air cargo terminal operating services and air freight forwarding ground handling services. To the best knowledge of our Directors and upon their reasonable enquiry, we confirm that all of the leased forklifts have complied with the requirements specified in the NRMM Regulation.

INFORMATION TECHNOLOGY

Our Group has implemented information technology systems in managing its operations particularly our human resources management system, customer relationship management system and attendance system. The human resources management system and the attendance system contain the records of our employees' personal details, salary payments, mandatory provident fund payments, rosters, attendances and leaves. The systems allow our Group to keep track of our sizeable workforce and reduce the manpower for administrative purpose. The customer relationship management system, on the other hand, facilitates our Group to organise, track, and automate key aspects of the sales activities by keeping a database of all client visitation reports, risk assessment reports, contracts and quotations. Our Group also maintains a record of complaints and incidents so that all complaints and incidents are properly dealt with and to provide the customers with updates of such complaints and incidents. In addition, our Group has subscribed for a system with global positioning system that are installed in our logistics trucks. This enables our back office to trace the location of each truck and hence able to estimate the time for delivery or arrivals of cargoes, and hence ensure the reliability and efficiency of our services.

AWARDS AND ACCREDITATION

We have received a number of awards or certificates during our operating history in recognition of our contributions to the society and our work performance. The table below set out our major awards or certificates obtained by our Group during the Track Record Period and up to the Latest Practicable Date:

Year of Grant	Awards/Certificates	Issued or granted by
2011	Carbon Reduction Certificate	Energys Group Limited – Greenlight Project
2013 – 2016	TAPA Freight Security Requirements (Classification: A) Certificate	Transported Asset Protection Association

BUSINESS

Year of Grant	Awards/Certificates	Issued or granted by
2014	Certificate of Commendation of its active support to Recognition of Prior Learning	Education Bureau of the Government of the Hong Kong Special Administrative Region
2015 – 2016	Corporate Member	Hong Kong Sea Transport and Logistics Association
2015 – 2016	Friends of EcoPark Certificate of Appreciation	Environment Bureau of the Government of the Hong Kong Special Administrative Region
2016	Caring Company for five years	The Hong Kong Council of Social Service
2016	Silver Award – Yan Oi Tong Plastic Recycling Partnership Scheme 2015-2016	Yan Oi Tong EcoPark Plastic Resources Recycling Centre
2016 – 2017	2016/17 Partner Employer Award	The Hong Kong General Chamber of Small and Medium Business
2016	“Most Valuable Services Awards in Hong Kong 2016 – Asia’s Most Reputed and Reliable Logistic Company of the Year”	Mediazone Group

CORPORATE SOCIAL RESPONSIBILITIES

We realise that the success of enterprise and corporate social responsibilities are closely linked. As part of its endeavours to assume corporate social responsibilities, our Group participated in corporate social responsibilities activities such as recycling programs, community volunteer services, donations as well as environmental protection activities. Having been recognised for its community involvement, our Group has been awarded as a Caring Company by the Hong Kong Council of Social Service for 5 years since 2011.

QUALITY ASSURANCE

Our Directors consider that the ability to maintain the quality of our services is crucial to the long-term growth of our Group. Particularly with air cargo terminal operator and global logistics companies as our customers, our Company places great emphasis to ensure the quality of our service can meet their stringent quality standards.

BUSINESS

Our quality control measures are implemented by our quality assurance team lead by Mr. Albert Chiu, our Chief Executive Officer and executive Director. Our quality assurance team is responsible for formulating and implementing systematic quality control policies and standard operating procedures integrated into our operational processes in order to maximise the overall quality consistency of our services. When there is a deviation from the standard operating policy, our quality assurance supervisors will be able to step in to rectify the situation immediately.

Our quality control policy mainly includes the following processes:

- Purchase of packaging materials – Unless specified by our customers, we usually select our suppliers for packaging materials based on the quality of their packaging materials supplied, pricing and our internal procurement standards of raw materials.
- Operation – Every stage of our operation process is monitored by our quality assurance team to ensure that the operation process conforms to specific quality control requirements. Supervisors of different operation processes also carry out regular inspection.
- Machinery and equipment management – Regular inspections and maintenance are carried out by us to ensure the up-to-standard performance of our machinery and equipment.
- Staff quality awareness – Regular trainings and continuous assessments of the performance of staff are conducted.

To satisfy key performance indicators required by our customers, our quality assurance team regularly reviews the key performance indicators and further provides improvements on our own standard operating policy. For instance, the key performance indicators for our air cargo terminal operating services include (i) truck release lead time; (ii) receiving lead time; (iii) data entry lead time; (iv) ULD irregularity; and (v) number of mishandled case. The key performance indicators for our air freight forwarding ground handling services include (i) the number of mishandling and irregularities; (ii) the rate of delay in delivery of ULD; (iii) overall productivity and tonnage record; and (iv) safety performance overview. These key performance indicators are reflected in our monthly management report to comply with customer's standard operating procedure. To maintain high quality performance in our operations, on-going internal and external training on operations is provided to our staff and especially to new recruits.

As at the Latest Practicable Date, our Company had not experienced any material complaints or disputes from our customers in relation to the quality of our services during the Track Record Period.

As a testament to commitment to provision of quality services, we have been awarded the following certificates:

BUSINESS

Certificates/Description	Awarding organisation	Date of grant	Date of expiration
Certificate for compliance with the requirements of OHSAS 18001:2007 occupational health and safety management system	SGS Hong Kong Limited	14 July 2017	13 July 2020
Certificate for compliance with the requirements of ISO 9001:2015 quality management system	SGS United Kingdom Limited	1 June 2017	31 May 2020

OCCUPATIONAL, HEALTH AND SAFETY

We place strong emphasis on occupational health and work safety not only to uphold our value on corporate social responsibility and maintain our reputation, but also not to put our employees as well as the general public in situation that threatens their health and safety. Due to the nature of works in logistics industry which very often involves carrying heavy objects and usage of machinery, workers are constantly subjected to risks of accidents or injuries. To mitigate such risks, our Group has established procedures to provide our staff with a safe and healthy working environment by setting out a series of work safety rules in the staff manual for our staff to follow. In addition, our Group provides our employees with occupational safety education and trainings to enhance their awareness of safety issues. Our Group follows the health and safety-related rules and regulations in accordance with the Occupational Safety and Health Ordinance and devise a series of requirements for workplace environmental control and hygiene at workplaces pursuant to the Occupational Safety and Health Ordinance. Our occupational health and safety management system has completed the on-site assessment required by OHSAS 18001:2007 on 25 May 2017.

ENVIRONMENTAL MATTERS

Due to the nature of our business, our Group's operations do not directly generate industrial pollutants, and as such our Group did not incur direct costs of compliance with applicable environmental protection rules and regulations during the Track Record Period. Our Directors expect that our Group will not directly incur significant costs for compliance with applicable environmental protection rules and regulations in the future. As at the Latest Practicable Date, our Group had not come across any material non-compliance issues in respect of any applicable laws and regulations on environmental protection.

INSURANCE

Our Group maintains insurance coverage against inherent risks arising out of our ordinary course of business, such as employees' compensation for personal injuries, property damages or losses, third-party liability and various other areas. Certain types of risks, such as natural disasters, adverse weather conditions, political unrest and terrorist attacks, are generally not covered by insurance because they are either uninsurable or it is not cost

BUSINESS

justifiable to insure against such risks. For the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, our Group incurred insurance expenses of approximately HK\$7.0 million, HK\$5.9 million, HK\$5.3 million and HK\$2.1 million, respectively. The decreasing trend is mainly attributable to the lower employee compensation insurance expenses due to the decrease in number of staff employed with the increasing usage of dispatched labour for which the employment related insurance is borne by the dispatched work agencies. For details, please refer to the paragraph headed “Employees, management and staff training” in this section. Our Directors consider that our insurance coverage is adequate for carrying out normal business operations and consistent with industry norm.

MARKET AND COMPETITION

According to the F&S Report, the air freight forwarding ground handling services market is considered to be fragmented in nature with more than 500 business establishments engaged in ground handling services, with the largest service provider owning not more than 5.0% of market share in terms of turnover. Our Group accounted for approximately 1.4% of the total revenue of the air freight forwarding ground handling services market in 2016.

As for the air cargo terminal operating services market, it is considered to be concentrated with less than 20 companies in the industry and with the top five players accounting for approximately 92.4% market share in 2016. Our Group accounted for approximately 16.7% of the total revenue in the air cargo terminal operating services market and ranked third amongst the top five players in 2016.

As advised by the F&S Report, there are three major entry barriers to the air freight logistics services market in Hong Kong, including (i) skilled labour; (ii) operational experiences and management capability; and (iii) business network.

We consider that our competitive advantages have contributed to our success. As such, even though competition within the air freight logistics services industry in Hong Kong may intensify in the future, we are confident that we are able to withstand the intense competition with our competitive advantages. For further details of our competitive advantages, please refer to the paragraph headed “Competitive Strength” in this section. Please also refer to the section headed “Industry Overview” in this prospectus for details of the competitive landscape of air freight logistics services market in Hong Kong.

BUSINESS

PROPERTY INTERESTS

As at the Latest Practicable Date, we did not own any land or property and we leased the following properties for our business operations:

Address	Approximate monthly rental expenses <i>HK\$</i>	Approximate floor area <i>sq.ft.</i>	Use of the property	Tenancy
Room 11, 14th Floor Ever Gain Plaza Tower 2 88 Container Port Road Kwai Chung, New Territories Hong Kong	30,000	1,879	Office	From 1 July 2017 to 31 March 2020
Units 48, 49 and 50 and the Mezzanine Floors thereof on 1st Floor Airport Freight Forwarding Centre No. 2 Chun Wan Road Chek Lap Kok Hong Kong	283,444	Warehouse: 18,536 Mezzanine Floor: 1,834	Warehouse	From 1 July 2016 to 30 June 2019
Unit 51 and the Mezzanine Floor thereof on 1st Floor Airport Freight Forwarding Centre No. 2 Chun Wan Road Chek Lap Kok Hong Kong	188,220	Warehouse: 12,001 Mezzanine Floor: 1,147	Warehouse	From 1 June 2016 to 30 June 2019
Unit 51 and the Mezzanine Floor thereof on 2nd Floor Airport Freight Forwarding Centre No. 2 Chun Wan Road Chek Lap Kok Hong Kong	182,151	Warehouse: 12,001 Mezzanine Floor: 1,017	Warehouse	From 1 July 2016 to 30 June 2019

BUSINESS

Address	Approximate monthly rental expenses <i>HK\$</i>	Approximate floor area <i>sq.ft.</i>	Use of the property	Tenancy
Units 01, 02, 03, 05, 06 and 07 on 5th Floor and Units 08, 09, 10, 11, 12 and 13 on 6th Floor of Commercial Building of Airport Freight Forwarding Centre No. 2 Chun Wan Road Chek Lap Kok Hong Kong (<i>Note</i>)	290,352	18,147	Office	From 1 July 2016 to 30 June 2019
Units 01, 02, 03, 05, 06 and 07 and the Mezzanine Floors thereof on Ground Floor and Units 08, 09, 10, 11, 50, 51, 52 and 53 on Ground Floor of Airport Freight Forwarding Centre No. 2 Chun Wan Road Chek Lap Kok Hong Kong	2,333,688	Warehouse: 157,280 Mezzanine Floor: 6,641	Warehouse	From 1 July 2016 to 30 June 2019
Units 52 and 53 and the Mezzanine Floors thereof on 2nd Floor Airport Freight Forwarding Centre No. 2 Chun Wan Road Chek Lap Kok Hong Kong	348,331	Warehouse: 23,022 Mezzanine Floor: 1,814	Warehouse	From 16 August 2017 to 15 August 2019

Note: We have sub-licensed such premises to Customer D for office use for the remaining tenancy since 1 July 2016.

As at the Latest Practicable Date, all of our leased warehouses were leased from Supplier A, who is the landlord of the AFFC and a subsidiary of a Hong Kong listed company, which is principally engaged in the property development business. The tenancy agreements typically have a term of three years.

Since 1 July 2016, we have licenced certain premises under operating lease arrangements at cost of approximately HK\$370,000 including management fee and administration fee per month to Customer D for office use for the remaining period of the corresponding tenancy agreement with the permission given by the landlord, namely Supplier A. Given our other leasing arrangements in the AFFC, we are able to attain more favorable terms for leasing such offices than Customer D could. Despite we do not derive any net income from such licencing arrangement, our Directors are of the view that such arrangement would benefit Customer D by attaining a lower rental expense, and also further strengthen the business relationship between Customer D and us.

BUSINESS

Based on our Directors' experience, the renewal negotiation with Supplier A usually commences six months prior to the expiry of the tenancy agreements. Our Group intends to renew all the leases upon expiry. We did not have significant difficulties in renewing our tenancy agreements in a timely manner during the Track Record Period. We are not aware of any difficulty in renewing these leases.

In the event that Supplier A does not renew the tenancy agreements with us, our Directors are of the view that it would not have any material and adverse impact on our business and operations because (i) we can find comparable properties to relocate the relevant logistics facilities, if necessary; and (ii) we do not anticipate any material practical difficulties in relocating these facilities and the estimated time and cost for relocation are not substantial.

INTELLECTUAL PROPERTIES

As at the Latest Practicable Date, our Group is the registered owner of three trademarks and one domain name in Hong Kong. Please refer to the section headed "Statutory and General Information – B. Further information about the business of our Group – 2. Intellectual property rights" in Appendix IV to this prospectus for further details.

As at the Latest Practicable Date, we had not engaged in any material dispute, litigation or legal proceedings relating to the violation of intellectual property rights, and our Group was not aware of any infringement by it of any intellectual property rights owned by third parties nor by any third parties of any intellectual property rights of our Group.

LICENSES, PERMITS AND REGISTRATION

Our legal advisor as to Hong Kong law has confirmed that there are no specific licensing requirements for conducting our business in Hong Kong, except those applicable to all body corporate conducting business in Hong Kong such as a business registration certificate and a registration with the Companies Registry of Hong Kong. During the Track Record Period and up to the Latest Practicable Date, we had obtained all the necessary licenses and permits necessary for the operation of our business in which we operate, and such licenses and permits are still valid and in force. We have not experienced any refusal of the renewal application of any material licenses or permits necessary for the operation of our businesses. Please refer to the section headed "Regulatory Overview" in this prospectus for the discussion of the regulatory requirements of our business.

RESEARCH AND DEVELOPMENT

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

BUSINESS

EMPLOYEES, MANAGEMENT AND STAFF TRAINING

As at the Latest Practicable Date, we had 543 full-time employees (excluding our Directors) who were directly employed by our Group in Hong Kong. A breakdown of our number of employees by function as at the Latest Practicable Date is set forth in the table below:

	As at the Latest Practicable Date
Management	15
Administration and Human Resources	6
Finance and Accounting	11
Quality Assurance	9
Operation	<u>502</u>
Total	<u><u>543</u></u>

Our Group generally recruits our staff through placing advertisements in the open market and recruitment websites after assessing the candidates' experience, expertise and qualifications required for our different functions. Our Group generally pays our employees a fixed salary and a discretionary performance based bonus. For the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, our Group's employee benefit expenses, including Directors' emoluments, were approximately HK\$164.1 million, HK\$157.1 million, HK\$149.9 million and HK\$59.7 million, respectively. In order to attract and retain valuable employees, our Group reviews the performance of our employees and such review results will be taken into account during the annual salary review and promotion appraisal period. It is our objective to maintain good employer-employee relationship and have constructive plans to attract, retain and incentivise our employees with a view to promote sense of belonging and encouraging them to commit to our goals. Our human resources staff is responsible for handling all employment issues and complaints.

In order to increase our flexibility and cost effectiveness in carrying out our services, we engaged dispatched work agencies during the Track Record Period and used dispatched labour from such dispatched work agencies from time to time to fulfil our need. We typically use dispatched labour for positions that require less technical skills, such as warehouse operator and casual worker and the dispatched labour are supervised by our Group. There is no direct contract between the dispatched labour and our Group. Our Group would not be liable to the salaries, benefits, and employment related insurance for the dispatched staff. For the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, the cost incurred for dispatched labour by our Group amounted to

BUSINESS

approximately HK\$83.7 million, HK\$112.4 million, HK\$131.8 million and HK\$72.7 million, respectively. The table below sets forth the level of operation labour deployed by our Group as at each year/period end as indicated:

	As at 31 March			As at 31
	2015	2016	2017	August
	<i>Level of labour</i>	<i>Level of labour</i>	<i>Level of labour</i>	<i>Level of labour</i>
Air freight forwarding ground handling services	538	522	469	524
Air cargo terminal operating services	<u>550</u>	<u>556</u>	<u>626</u>	<u>703</u>
Total	<u>1,088</u>	<u>1,078</u>	<u>1,095</u>	<u>1,227</u>

Note: Level of labour represents the number of full-time operation labour equivalent by aggregating the man-hours of our Group's labour and the dispatched labour deployed.

Our Directors are of the view that the engagement of dispatched work agencies is common within the logistics industry. These dispatched work agencies charge us based on the pre-determined price for each type of labourers they provided during the term of the agreement. There is no minimum requirement nor are we required to pay these dispatched work agencies minimum fees for the services. Set out below are the key terms contained in a typical dispatched work service agreement with our major dispatched work agencies during the Track Record Period:

Scope of Service	Provision of labour dispatching services as per our Group's requests from time to time during the term of the agreement.
Service charge	Based on the number of pre-determined man-hours slot and at specific pre-agreed price.
Payment terms	Dispatched work agency is required to submit monthly invoice, and a credit term of 60 days from the date of invoice is received.
Obligations	Dispatched work agency is responsible to ensure all the requirements under any applicable laws in relation to the employment of the dispatched workers are fulfilled.
Termination	Both our Group and the dispatched work agency is entitled to terminate the agreement by giving 30 days written notice.

BUSINESS

To the best knowledge of our Directors, all of the dispatched work agencies engaged by us during the Track Record Period are Independent Third Parties and they have been in compliance with all the applicable laws and regulations in relation to its employment of the dispatched labour in any material respect during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period, we did not experience any material difficulties in utilising dispatched labour in our operations nor having sufficient dispatched labour from these agencies. In the event that any dispatched work service agreement is terminated for whatever reason, our Directors do not anticipate there would be any material difficulties in sourcing new agencies for replacement as there are many comparable agencies in the market.

We value our employees as human capital and invest resources to educate and maintain their standards so they can make a greater contribution to our Group's success. Employees are provided with appropriate training to enhance their skills, knowledge and capability. Our Group provides in-house training courses regarding the basic logistics knowledge, relevant regulations and regulatory requirements, internal quality audit and other useful topics. In addition, our Group provides on-site trainings to ensure our employees could understand and follow the standard operating procedures and KPI of our customers. For new recruits, our Group provides an induction training programme followed by on-the-job training during their probation period, and continually monitors their progress throughout the probation period. Our department managers are generally responsible for identifying and evaluating the training needs of their subordinates.

During the Track Record Period and up to the Latest Practicable Date, save as disclosed in the paragraph headed "Litigation and potential claims" in this section below, we did not encounter any material difficulties in hiring staff or complaints by or disputes with our staff which would have had a material impact on our business, financial condition or results of operations. There was no labour union established by our employees as at the Latest Practicable Date.

LITIGATION AND POTENTIAL CLAIMS

As at the Latest Practicable Date, our Group was involved in a number of claims and litigations. Set out below is a summary of the outstanding claims and litigations against our Group as at the Latest Practicable Date arising in the ordinary and usual course of our business.

a) Outstanding employees' compensation claims against our Group as at the Latest Practicable Date

As at the Latest Practicable Date, there were 21 outstanding employees' compensation claims submitted to the Labour Department against our Group. These accidents were caused during the usual and ordinary business of our Group and did not cause material disruption to our Group's business.

All of the 21 outstanding employees' compensation claims were fully covered by the relevant insurance taken out by our Group.

BUSINESS

b) Civil litigations against our Group as at the Latest Practicable Date

As at the Latest Practicable Date, there were 8 outstanding civil litigations against our Group, relating to which legal proceedings have been commenced and our Group has received the relevant pleadings documents from the respective plaintiffs or applicants. The injury incidents were caused during the usual and ordinary business of our Group but did not cause material disruption to our Group's business.

Nature of claim	Date of incident	Status
1. It was purported that the plaintiff suffered an injury to her lower back and right forearm after being struck by a lorry. The plaintiff has made a personal injury claim under common law	18 October 2013	The insurer has taken over conduct of the proceedings
2. It was purported that the plaintiff suffered an injury to her left foot after being struck by a forklift. The plaintiff has made a personal injury claim under common law	14 February 2012	The insurer has taken over conduct of the proceedings
3. It was purported that the applicant suffered an injury to her neck and sprain while unpacking goods. The applicant has made a claim under the Employees' Compensation Ordinance	13 June 2016	The insurer has taken over conduct of the proceedings
4. It was purported that the plaintiff suffered an injury to his left leg after being hit by a pallet. The plaintiff has made a personal injury claim under common law	29 August 2014	The insurer has taken over conduct of the proceedings
5. It was purported that the applicant suffered an injury to his left ankle while jumping from the truck tail onto the ground. The Applicant has made a claim under the Employees' Compensation Ordinance	16 September 2015	The insurer has taken over conduct of the proceedings
6. It was purported that the plaintiff suffered an injury to his right foot after being struck by a forklift. The plaintiff has made a claim under the Employees' Compensation Ordinance	26 October 2016	The insurer has taken over conduct of the proceedings

BUSINESS

Nature of claim	Date of incident	Status
7. It was purported that the plaintiff suffered an injury to his ribs when moving a stack of wooden planks. The plaintiff has made a claim under the Employees' Compensation Ordinance.	29 January 2016	It is expected that the claim will be fully covered by insurance
8. It was purported that the plaintiff suffered an injury to his right femur after slipping and tripping over a metal pole while getting off a truck. The plaintiff has filed a personal injury claim under common law but not yet served to us.	27 December 2014	The insurer will take over conduct of the proceedings

Besides the civil litigations set out above, all injured individuals may commence their claims under the Employees' Compensation Ordinance and/or their personal injury claims under common law within the limitation period of two years (for employees' compensation claims) or three years (for personal injury claims) from the date of the relevant injury incidents. As these potential claims have not yet been filed, we are not in a position to assess the likely amount of such potential claims. Our Directors confirm that our Group has insurance coverage for its liabilities resulting from all these injury incidents and notices of such incidents have been given to the insurers as at the Latest Practicable Date and therefore are of the view that such claims as disclosed above have no material adverse impact on the operation or financial position or business of our Group. Our Directors further confirm that these cases were caused during usual and ordinary course of our business and have not caused disruption to our Group's business or have an adverse impact on our Group to obtain any licenses or permits for our operation.

To the best knowledge of our Directors, all injured persons under these employees' compensation claims and personal injury claims have suffered insignificant bodily injuries. During the Track Record Period and up to the Latest Practicable Date, our Group is required under the Employees' Compensation Ordinance to take out and had taken out a compulsory insurance policy in Hong Kong for an amount of no less than HK\$200 million per accident. Therefore, all such employees' compensation claims and personal injury claims are expected to be fully covered by the insurance policies maintained by our Group. For details, please refer to the paragraph headed "Insurance" in this section.

Our Directors further confirm that they were not personally involved, whether collectively or individually, in any of the above claims and litigations.

BUSINESS

No provision for litigation claims

Having considered, among other things, (i) the nature and the degree of injuries of the incidents; and (ii) the coverage of our insurance policy(ies), our Directors consider that no provision for contingent liabilities in respect of current, pending and potential litigations is necessary.

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders have entered into a Deed of Indemnity on 21 February 2018 whereby our Controlling Shareholders have agreed to indemnify our Group, pursuant to the terms of the Deed of Indemnity, in respect of all liabilities and penalties which may arise as a result of any outstanding and potential litigations and claims of our Group on or before the date on which the Share Offer becomes unconditional. Please refer to the paragraph headed “E. Other Information – 1. Tax and other indemnities” in Appendix IV to this prospectus for details.

LEGAL AND REGULATORY COMPLIANCE

Our Directors have confirmed that, save as disclosed in the paragraph headed “Litigation and potential claims” above, we had no material non-compliance of applicable laws and regulations in Hong Kong that would affect our Group’s operation and financial position during the Track Record Period and up to the Latest Practicable Date.

RISK MANAGEMENT

Our Directors have confirmed that during the ordinary course of our business, we are primarily exposed to (i) control risks relating to our overall monitoring system; (ii) regulatory risks in relation to our business; (iii) operational risk; and (iv) market risk relating to changes in macroeconomic environment.

In order to continuously improve our Group’s internal control and risk management system in the future, our Group has established an on-going process for identifying, evaluating and managing the significant risks faced by our Group. The key procedures that our Group has established and implemented are summarised as follows:

- (i) segregation of duties and functions of the respective operational departments of our Group;
- (ii) monitoring the budget and financial performance;
- (iii) reviewing systems and procedures to identify, measure, manage and control reputational, legal, credit, market and operational risks;
- (iv) handling price-sensitive information by setting out the procedures and policies;
- (v) updating the staff handbook, internal control manual and compliance manual when there are changes to business environment or regulatory guidelines; and

BUSINESS

(vi) updating the risk register to follow up any identified risk.

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

The following set out the key risks for our business and the mitigating internal control procedures thereof:

Operational risk management

A cross-departmental team is responsible for maintaining our operations and assessing the operational risks of our business. They are responsible for implementing our risk management policies and procedures. Emphasis are placed on the occupational safety, that we have implemented safety guidelines based on applicable regulations and require our employees to strictly comply with such guidelines. We carry out regular safety checks on our production facilities and equipments to ensure that it is thoroughly tested and safe for use. In addition, we require operators of our processing equipment to attend training sessions on the required safety standards and provide our employees with regular safety trainings.

Risk control

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

Regulatory risk management

Upon Listing, our Group may be exposed to the risks of non-compliance with the Listing Rules. We have assigned our company secretary Ms. Tam Kwai Heung, to update the context of compliance manual at least annually and to distribute to all Directors and employees new amendments of the Listing Rules. We have engaged Frontpage Capital as our compliance adviser as required under Rule 3A.19 of the Listing Rules. All directors and employees are required to acknowledge their understanding of staff handbook, internal control manual and compliance manual at least annually. Our Group will also retain a Hong Kong legal adviser to advise us on compliance matters with applicable Hong Kong laws and regulations.

INTERNAL CONTROL

We endeavor to maintain sound and effective internal control system to safeguard Shareholders' value and our assets. In preparing for the Listing and efforts to improve our internal control system, in September 2016, we engaged Sam K. M. Ng CPA Limited (the "IC Consultant"), an independent internal control adviser and a corporate practice registered with the Hong Kong Institute of Certified Public Accountants, to perform evaluation under the Committee of Sponsoring Organizations of the Treadway Commission's 2013 framework

BUSINESS

of the adequacy and effectiveness of our Group's internal control system, covering areas such as entity level control, revenue and receivables, procurement to pay, inventory management, treasury management, financial reporting and information technology, operation, corporate governance, compliance and risk management.

The IC Consultant has been engaged by a few listing applicants of the Stock Exchange to perform similar internal control review. The IC Consultant performed an internal control review in December 2016. Upon completion of such review, the IC Consultant identified certain findings in relation to our internal control policies and procedures, and the details of the major findings and recommendations provided by the IC Consultant are set out below:

Internal control review findings	Recommendations
1. Our Group did not have a declaration mechanism for avoidance and handling of potential conflict of interest	Our Group should require all Directors and members of senior management to make annual declaration in the event that any conflict of interest arises
2. Our Group did not establish a formalised authorisation limit table	Our Group should develop a formal written authorisation matrix for the payment approval
3. Our Group did not properly maintain the fixed asset register	Our Group should include all necessary information in the register and update it regularly in a timely manner

We have fully implemented all the recommended measures suggested by the IC Consultant. The IC Consultant has also performed a follow-up review in June 2017 to understand the status of our implementation of the recommended measures. The IC Consultant has formed its view that we have satisfactorily implemented all the recommended measures based on its follow-up review.

CORPORATE GOVERNANCE

In addition, it is the responsibility of our Board to ensure that we maintain a sound and effective internal control and corporate governance system to safeguard the Shareholders' interest and our assets at all time. As such, we have adopted a series of corporate governance measures which are set out in the section headed "Relationship with our Controlling Shareholders – Corporate governance measures" in this prospectus. Our Directors are of the view, and the Sole Sponsor concurs, that our Group has adequate and effective internal control measures for our operations, compliance and corporate governance.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued under the exercise of any options that may be granted under the Share Option Scheme), Mr. Alex Law, Mr. Simon Law and Mr. Albert Chiu through Dynamic Victor will control more than 30% of our Company's issued share capital. For the purpose of the Listing Rules, Mr. Alex Law, Mr. Simon Law, Mr. Albert Chiu and Dynamic Victor are a group of Controlling Shareholders.

Each of our Controlling Shareholders confirms that he/it does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with our business.

INDEPENDENCE OF OUR GROUP

In the opinion of our Directors, our Group is capable of carrying on our business independently of, and does not place undue reliance on, our Controlling Shareholders, their respective close associates or any other parties, taking into account the following factors:

(i) Financial independence

Our Group has an independent financial system and makes financial decisions according to the business needs. As at 31 December 2017, the amounts due to directors is approximately HK\$18.7 million and the sum will be settled by cash before the Listing. In addition, all of the personal guarantees or securities provided by Mr. Alex Law and Mr. Simon Law and his close associates in favour of our Group will be released before Listing. Our Group has sufficient capital to operate its business independently, and has adequate internal resources and credit profile to support our daily operations. During the Track Record Period and up to the Latest Practicable Date, our Group relied principally on cash generated from operations to carry on its business and this is expected to continue after the Listing.

(ii) Operational independence

Our Group has established its own organisational structure comprising individual departments, each with specific areas of responsibilities. Our Group has not shared its operational resources, such as suppliers, customers, marketing, sales and general administration resources with the Controlling Shareholders and/or their close associates. Our Directors are of the view that there is no operational dependence on the Controlling Shareholders.

(iii) Management independence

Our Company aims at establishing and maintaining a strong and independent Board to oversee our Group's business. The main functions of our Board include the approval of its overall business plans and strategies, monitoring the implementation of these policies and strategies and the management of our Company. Our Company has

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

an independent management team, which is led by a team of senior management with substantial experience and expertise in its business, to implement our Group's policies and strategies.

Our Board comprises of three executive Directors and three independent non-executive Directors. Mr. Alex Law, Mr. Simon Law and Mr. Albert Chiu are executive Directors. Mr. Alex Law, Mr. Simon Law and Mr. Albert Chiu, who are the directors of Dynamic Victor, are the overlapping directors between our Group and the Controlling Shareholders. None of the other Directors nor members of senior management hold any directorship or position in the Controlling Shareholders.

Each of our Directors is aware of his fiduciary duties as a director which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest to exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meeting in respect of such transactions and shall not be counted in the quorum. In addition, the senior management of our Group are independent from the Controlling Shareholders. Our Directors are of the view that our Board and senior management are capable of managing our Group's business independently from the Controlling Shareholders.

RULE 8.10 OF THE LISTING RULES

Save as otherwise disclosed, 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 and is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

LOCK-UP UNDERTAKINGS

Our Controlling Shareholders have entered into a deed of lock-up undertaking with our Company (for itself and as trustee of its subsidiaries) on 21 February 2018. Pursuant to the deed of lock-up undertaking, each of the Controlling Shareholders has undertaken to the Company that it or he shall not at any time during the 24-month period following the Listing Date (the first 12 months of which is required under Rule 10.07 of the Listing Rule while the second 12 months of which is provided to our Company voluntarily by the Controlling Shareholders and can only be waived by majority of our Company's independent Shareholders), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it or he is shown by this prospectus to be the beneficial owner if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interest or encumbrances, he/it would cease to be a Controlling Shareholder.

The Controlling Shareholders believe that the above arrangement, apart from satisfying the lock-up requirement under Rule 10.07 of the Listing Rules, demonstrates their long-term commitment to our Group and confidence in its future development.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

NON-COMPETITION UNDERTAKINGS

In order to avoid any possible future competition between our Group and the Controlling Shareholders, Mr. Alex Law, Mr. Simon Law, Mr. Albert Chiu and Dynamic Victor (each a “**Covenantor**” and collectively the “**Covenantors**”) have entered into the Deed of Non-competition with our Company (for itself and as trustee of its subsidiaries) on 21 February 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 of its subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its close associates (other than any member of our Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of our Group.

Each of the Covenantors further undertakes that if any of he/it or his/its close associates other than any member of our Group is offered or becomes aware of any business opportunity which may compete with the business of our Group, he/it shall (and he/it shall procure his/its close associates to) notify our Group in writing and our Group shall have a right of first refusal to take up such business opportunity. Our Group shall, within 6 months after receipt of the written notice (or such longer period if our Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the Covenantor(s) whether our Group will exercise the right of first refusal or not.

Our Group shall only exercise the right of first refusal upon the approval of all our independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of our Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of our independent non-executive Directors for considering whether or not to exercise the right of first refusal.

The undertakings contained in the Deed of Non-competition are conditional upon the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in the Shares on the Stock Exchange and all conditions precedent under the Underwriting Agreement having been fulfilled (or where applicable, waived) and the Underwriting Agreement not having been terminated in accordance with its terms. If any such condition is not fulfilled 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 lapse 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 (i) in relation to any Covenantor, the date on which he/it together with his/its close associates, whether individually or taken together, ceases to be interested in 30% (or such other amount as may from time to time be specified in the Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of our Company; or (ii)

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

the date on which the Shares shall cease to be listed and traded on the Stock Exchange (except for temporary trading halt or suspension of trading of the Shares on the Stock Exchange due to any reason).

CORPORATE GOVERNANCE MEASURES

To avoid potential conflicts of interest, our Group will implement the following measures:

- (i) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors (or their close associates), the interested Directors shall abstain from voting at the relevant Board meeting and shall not be counted in the quorum;
- (ii) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself/herself from the board meetings on matters in which such Director or his/her close associates has/have a material interest, unless the attendance or participation of such Director at such meeting of our Board is specifically requested by a majority of the independent non-executive Directors;
- (iii) the Covenantors will make an annual confirmation as to compliance with his/its undertaking under the Deed of Non-competition;
- (iv) 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;
- (v) we are committed that our Board should include a balanced composition of executive Directors and independent non-executive Directors. Our independent non-executive Directors represent half of the composition of our Board and they are professionals in different industries. We believe that the presence of our independent non-executive Directors provides a balance of view and independent judgment in the decision making process of our Board and that they will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in the section headed “Directors, Senior Management and Employees – Independent non-executive Directors” in this prospectus; and
- (vi) we have appointed Frontpage Capital as our 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 corporate governance.

CONNECTED TRANSACTIONS

OVERVIEW

The following transactions have been carried out by our Group and connected persons of our Company during the Track Record Period and are expected to be continued following the Listing.

CONNECTED PERSONS

Mr. Alex Law and Mr. Simon Law are our Directors and Controlling Shareholders, and therefore each of them is a connected person of our Company under the Listing Rules.

Hung Kee is a company wholly-owned by Mr. Law Wan Hung, the father of Mr. Alex Law and Mr. Simon Law, and therefore is a connected person of our Company under the Listing Rules. The principal business of Hung Kee is provision of vehicle repair and maintenance services.

Gobo Trade is a company owned as to 20% by Mr. Anthony Law and 80% by a company owned as to 40%, 30% and 30% by Mr. Alex Law, Mr. Simon Law and Mr. Anthony Law, respectively. Gobo Trade is therefore a connected person of our Company under the Listing Rules. The principal business of Gobo Trade is trading of commercial packaging materials.

FULLY EXEMPTED CONTINUING CONNECTED TRANSACTIONS

The following transactions will be regarded as continuing connected transactions exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under the Listing Rules.

EGP Tenancy Agreement

On 1 July 2017, A & S (HK) entered into the EGP Tenancy Agreement with Mr. Alex Law and Mr. Simon Law pursuant to which Mr. Alex Law and Mr. Simon Law agreed to rent out and A & S (HK) agreed to rent EGP Office commonly owned by Mr. Alex Law and Mr. Simon Law for office usage for a term of three years from 1 July 2017 to 31 March 2020 at a monthly rental fee of HK\$30,000.

Reasons for and benefits of the transaction

Since 2009, our Group has been renting the abovementioned property for use and we have no present plan for a relocation. The EGP Office is used as our headquarters and principal place of business in Hong Kong.

For the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, the aggregate amount of rents paid by our Group to Mr. Alex Law and Mr. Simon Law in relation to the EGP Office amounted to HK\$0.3 million, HK\$0.3 million, HK\$0.3 million and HK\$0.1 million, respectively. The maximum annual amount of rental

CONNECTED TRANSACTIONS

fee to be payable to Mr. Alex Law and Mr. Simon Law by our Group under the EGP Tenancy Agreement for the years ending 31 March 2018, 2019 and 2020 will be HK\$0.36 million, HK\$0.36 million and HK\$0.36 million, respectively.

Pricing policy

The monthly rental fee payable under the EGP Tenancy Agreement by our Group to Mr. Alex Law and Mr. Simon Law was determined after arm's length negotiation. In order to ensure that the rental fee is fair and reasonable and in line with prevailing market rate, we have obtained quotations from Independent Third Parties for similar properties in the vicinity.

Our Directors (including our independent non-executive Directors) opine, and the Sole Sponsor concurs, that the terms of the EGP Tenancy Agreement are on normal commercial terms or better (as defined in Chapter 14A of the Listing Rules) comparing with the prevailing market rent on the date of the EGP Tenancy Agreement and are entered into in the ordinary and usual course of business of our Group, which are fair and reasonable, and are in the interests of our Company and our Shareholders as a whole.

Listing Rules implications

As it is expected that the highest relevant percentage ratio (other than the profits ratio) in respect of the rental fee to be payable by our Group to Mr. Alex Law and Mr. Simon Law under the EGP Tenancy Agreement will be, on an annual basis, less than 5%, and the total consideration will be less than HK\$3.0 million in aggregate, and is on normal commercial terms, the transactions contemplated under the EGP Tenancy Agreement is exempted from independent Shareholders' approval, annual review and all disclosure requirements under the Listing Rules by virtue of Rule 14A.76(1)(c) of the Listing Rules.

Hung Kee Framework Agreement

On 21 February 2018, A & S (HK) entered into the Hung Kee Framework Agreement with Hung Kee, a company wholly-owned by Mr. Law Wan Hung, pursuant to which Hung Kee has agreed to provide vehicle repair and maintenance services to our Group upon request for a term from the Listing Date and ending on 31 March 2020.

Reasons for and benefits of the transaction

Prior to Listing, our Group had received vehicle repair and maintenance services from Hung Kee.

The purpose of the Hung Kee Framework Agreement is to enable our Group to engage Hung Kee to provide all technical and professional labour, materials for the repair and maintenance services for our Group's vehicles.

For the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, the aggregate amount of maintenance fee paid by our Group to Hung Kee in relation to the vehicle repair and maintenance services amounted to approximately HK\$0.1

CONNECTED TRANSACTIONS

million, HK\$1.2 million, HK\$1.5 million and HK\$0.9 million, respectively. The maximum annual amount of service fees to be payable to Hung Kee for its repair and maintenance services by our Group under the Hung Kee Framework Agreement for the years ending 31 March 2018, 2019 and 2020 will be HK\$1.7 million, HK\$1.9 million and HK\$2.1 million, respectively. In arriving at the above amount, our Directors have considered (i) the historical amount paid by our Group to Hung Kee; (ii) the estimated demand of our Group for the services from Hung Kee; and (iii) the estimated market rates for similar services for the years ending 31 March 2018, 2019 and 2020, respectively.

Pricing policy

The price payable for the services under the Hung Kee Framework Agreement by our Group to Hung Kee shall be agreed after arm's length negotiation between the parties with regard to the prevailing market rates of similar services from time to time.

Our Directors (including our independent non-executive Directors) opine, and the Sole Sponsor concurs, that the terms of the Hung Kee Framework Agreement are on normal commercial terms or better (as defined in Chapter 14A of the Listing Rules) and are entered into in the ordinary and usual course of business of our Group, which are fair and reasonable, and are in the interests of our Company and our Shareholders as a whole.

Listing Rules implications

As it is expected that the highest relevant percentage ratio (other than the profits ratio) in respect of the repair and maintenance fee to be payable by our Group to Hung Kee under the Hung Kee Framework Agreement is, on an annual basis, less than 5%, and the total consideration will be less than HK\$3.0 million in aggregate, and is on normal commercial terms, the transactions contemplated under the Hung Kee Framework Agreement is exempted from independent Shareholders' approval, annual review and all disclosure requirements under the Listing Rules by virtue of Rule 14A.76(1)(c) of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Gobo Trade Framework Agreement

Principal terms

On 21 February 2018, A & S (HK) entered into the Gobo Trade Framework Agreement with Gobo Trade for a term from the Listing Date and ending on 31 March 2020, pursuant to which Gobo Trade has agreed to provide packaging materials to our Group from time to time in respond to purchase initiated by our Group by sending corresponding purchase orders.

Reason for and benefits of the transactions

Our Group has established good and long-standing relationship with Gobo Trade and has purchased packaging materials from Gobo Trade since 2012. Packaging materials that our Group purchased from Gobo Trade include paper corner, foam board, plastic sheets and

CONNECTED TRANSACTIONS

tape which are consumed by our Group to pack customers' products for transportation, distribution and storage. The packaging materials purchased from Gobo Trade in the past satisfied our quality requirement and was delivered in accordance with our specified time frame without major delay. Our Directors (including our independent non-executive Directors) opine, and the Sole Sponsor concurs, are of the view that it will be in the interest of our Group to continue such transaction upon Listing with Gobo Trade to maintain a cost effective and stable supply of required packaging materials to our Group.

Pricing policy

The price to be payable for the packaging materials under the Gobo Trade Framework Agreement by our Group to Gobo Trade shall be determined after arm's length negotiation between the parties with regard to the prevailing market rates of similar providers from time to time. In order to ensure that the prices are fair and reasonable and in line with prevailing market rates, we will obtain quotations of packaging materials which are of similar nature, quantity and delivery time frame from Independent Third Parties packaging materials providers, at a frequency not less than on a quarterly basis.

Annual caps

For the years ending 31 March 2018, 2019 and 2020, the estimated maximum purchase costs to be payable by our Group to Gobo Trade for its packaging materials will be HK\$14.0 million, HK\$15.5 million and HK\$17.0 million, respectively.

Basis of the annual caps

For the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, the aggregate fees paid by our Group to Gobo Trade for its packaging materials amounted to approximately HK\$14.1 million, HK\$14.4 million, HK\$12.3 million and HK\$4.4 million, respectively.

The annual caps are mainly determined with reference to (i) historical transaction amount of packaging materials purchased by our Group from Gobo Trade; (ii) the prevailing average market price of different types of packaging materials being offered by Gobo Trade to Independent Third Parties having regard to the quantity, quality, specifications, time frame and/or other conditions of the packaging materials similar to those purchased by our Group; (iii) our estimated demand for packaging materials; and (iv) the expected growth of the logistics industry in Hong Kong and our business. In determining the annual caps, our Directors also considered the volume of air freight forwarding ground handling services and air cargo terminal operating services which we may render and our Group's efforts in procurement management aiming to select and purchase more cost-efficient packaging materials.

Listing Rules implication

Since one of the applicable percentage ratios (other than the profits ratio) for the Gobo Trade Framework Agreement is expected to be more than 5% on an annual basis and the annual consideration to be payable by our Group under the Gobo Trade Framework

CONNECTED TRANSACTIONS

Agreement is expected to exceed HK\$10.0 million, the transactions contemplated under the Gobo Trade Framework Agreement are subject to the reporting, announcement, annual review requirements, circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

WAIVERS

As the above non-exempt continuing connected transactions under the Gobo Trade Framework Agreement are expected to continue on a recurring and continuing basis, our Directors consider that strict compliance with the announcement and independent shareholders' approval requirements will be impractical and unduly burdensome and would impose unnecessary administrative costs upon us.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement and independent shareholders' approval requirements. The waiver from strict compliance with the Listing Rules in respect of the continuing connected transactions under the Gobo Trade Framework Agreement is subject to the conditions that (a) the above non-exempt continuing connected transactions will be carried out in compliance with the requirements of the Listing Rules and we shall comply with the relevant requirements for continuing connected transactions in accordance with Chapter 14A of the Listing Rules; and (b) the aggregate value of each of these non-exempt continuing connected transactions for the years ending 31 March 2018, 2019 and 2020 will not exceed the relevant annual caps set out above.

DIRECTORS' VIEW

Our Directors, including our independent non-executive Directors, consider that all of the continuing connected transactions above and their respective annual caps are fair and reasonable, and that such transactions have been and will be entered into in the ordinary and usual course of the business of our Group, on normal commercial terms, are fair and reasonable, and in the interests of our Group and our Shareholders as a whole.

SPONSOR'S VIEW

The Sole Sponsor is of the view that the non-exempt continuing connected transactions as disclosed in this section have been and will be entered into in the ordinary and usual course of business, are and will be on normal commercial terms, fair and reasonable, and in the interests of our Group and our Shareholders as a whole. The Sole Sponsor is also of the view that the respective annual caps are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

BOARD OF DIRECTORS

Our Board is responsible for and has general powers in overseeing the management and conduct of our Group's business. Our Board consists of six Directors, including three executive Directors and three independent non-executive Directors. The following table sets forth certain information of our Directors:

Name	Age	Present position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors and senior management
<i>Executive Directors</i>						
Mr. Law Kwok Leung Alex (羅國棟)	38	Chairman and executive Director	9 October 2002	7 July 2016	Overall strategic management and development of our Group's business operations	Brother of Mr. Simon Law and Mr. Anthony Law
Mr. Law Kwok Ho Simon (羅國豪)	43	Executive Director	9 October 2002	7 July 2016	Overseeing our Group's operation, business development, human resources, finance and administration	Brother of Mr. Alex Law and Mr. Anthony Law
Mr. Chiu Tat Ting Albert (趙達庭)	54	Chief Executive Officer and executive Director	16 August 2010	7 July 2016	Overseeing our Group's operation, business development, human resources, finance and administration	None
<i>Independent non-executive Directors</i>						
Mr. Iu Tak Meng Teddy (余德鳴)	55	Independent non-executive Director	21 February 2018	21 February 2018	Serving on the Audit Committee, the Remuneration Committee and the Nomination Committee, and providing independent judgement on the issues of strategy, performance, resources and standard of conduct of our Group	None
Mr. Kwan Ngai Kit (關毅傑)	37	Independent non-executive Director	21 February 2018	21 February 2018	Serving on the Audit Committee, the Remuneration Committee and the Nomination Committee, and providing independent judgement on the issues of strategy, performance, resources and standard of conduct of our Group	None
Mr. Ho Chun Chung Patrick (何振璋)	54	Independent non-executive Director	21 February 2018	21 February 2018	Serving on the Audit Committee, the Remuneration Committee and the Nomination Committee, and providing independent judgement on the issues of strategy, performance, resources and standard of conduct of our Group	None

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

EXECUTIVE DIRECTORS

Mr. Law Kwok Leung Alex (羅國樑) (“**Mr. Alex Law**”), aged 38, is our Chairman and executive Director. Mr. Alex Law is responsible for the overall strategic management and development of our Group’s business operations. He was appointed as our Director on 7 July 2016 and re-designated as our Chairman and executive Director on 3 July 2017. Mr. Alex Law is also a member of the Nomination Committee and the Remuneration Committee. He has been a director of A & S (HK) since 9 October 2002.

Mr. Alex Law has over 15 years of experience in warehouse management and transportation and logistics industry. He founded our Group in October 2002 and expanded his business over the years. In September 2014, Mr. Alex Law received the Outstanding Entrepreneurship Award from Asia Pacific Entrepreneurship Awards 2014 organised by Enterprise Asia.

Mr. Alex Law obtained a Diploma in Management Studies awarded jointly by Lingnan University and The Hong Kong Management Association in September 2012. He was conferred an Honorary Doctorate of Management of Lincoln University in April 2016. He received a fellowship from Canadian Chartered Institute of Business Administration in April 2016.

Mr. Alex Law was a director of the following companies incorporated in Hong Kong prior to their dissolutions (but not due to members’ voluntary winding-up) with details as follows:

Name of Company	Nature of business immediately prior to dissolution	Date of dissolution
ASWC <i>(Note 1)</i>	Ceased business	2 December 2016
Joint Honour Logistics Limited (匯貫物流有限公司) <i>(Note 2)</i>	Ceased business	2 March 2012

Notes:

1. ASWC was deregistered under section 751 of the Companies Ordinance, an application for deregistration can only be made if: (a) all the members of such company agree to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.
2. Joint Honour Logistics Limited was deregistered under Section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if: (a) all the members of such company agree to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

Mr. Alex Law confirmed that (i) the above companies were solvent immediately prior to their dissolutions; (ii) there is no wrongful act on his part leading to the dissolutions of the above companies; and (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions of the above companies.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Alex Law is the brother of Mr. Simon Law and Mr. Anthony Law.

Mr. Law Kwok Ho Simon (羅國豪) (“**Mr. Simon Law**”), aged 43, is our executive Director. Mr. Simon Law was appointed as our Director on 7 July 2016 and re-designated as executive Director on 3 July 2017. Mr. Simon Law is responsible for overseeing our Group’s operation, business development, finance and administration. He became the director of A & S (HK) in December 2012.

Mr. Simon Law completed secondary education in England. Subsequent to his completion of secondary education, he joined Bouygues Construction Group and worked as foreman. Mr. Simon Law then joined our Group as general manager in October 2002 where he gathered experience in logistics industry and he has been responsible for supervision of business operation, human resources, finance and administrative functions of our Group.

Mr. Simon Law was a director of the following companies incorporated in Hong Kong prior to their dissolutions (but not due to members’ voluntary winding-up) with details as follows:

Name of Company	Nature of business immediately prior to dissolution	Date of dissolution
ASWC <i>(Note 1)</i>	Ceased business	2 December 2016
Sam One Limited <i>(Note 2)</i>	Ceased business	23 December 2011

Notes:

1. ASWC was deregistered under section 751 of the Companies Ordinance, an application for deregistration can only be made if: (a) all the members of such company agree to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.
2. Sam One Limited was deregistered under Section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if: (a) all the members of such company agree to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

Mr. Simon Law confirmed that (i) the above companies were solvent immediately prior to their dissolutions; (ii) there is no wrongful act on his part leading to the dissolutions of the above companies; and (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions of the above companies.

Mr. Simon Law is the brother of Mr. Alex Law and Mr. Anthony Law.

Mr. Chiu Tat Ting Albert (趙達庭) (“**Mr. Albert Chiu**”), aged 54, is our Chief Executive Officer and executive Director. Mr. Albert Chiu first joined our Company in August 2010 and he was appointed as our Director on 7 July 2016 and re-designated as our Chief Executive Officer and executive Director on 3 July 2017. Mr. Albert Chiu is responsible for overseeing our Group’s operation, business development, finance and administration.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Albert Chiu has over 30 years of experience in cargo hub operations, quality assurance, terminals and traffic operations and warehouse management. Mr. Albert Chiu's primary working experience includes:

Name of organisation	Principal business activity	Last position	Period of service
CEVA Logistics (Hong Kong) Limited	Designing and implementing supply chain solutions for large and medium-sized national and multinational companies	Director – warehouse and transportation	May 2008 – August 2010
DHL Global Forwarding (Hong Kong) Limited	Transporting air and ocean freight and providing overland transport and logistics solutions	Assistant general manager – warehouse	October 1999 – April 2008
Cathay Pacific Airways Limited	International airline	Cargo services coordinator	June 1986 – November 1999

Mr. Albert Chiu was appointed as Sector/Subject Specialist by Hong Kong Council for Accreditation of Academic and Vocational Qualifications (formerly known as Hong Kong Council for Academic Accreditation) from June 2006 to June 2012. Mr. Albert Chiu completed a Professional Diploma in Electronic Commerce from the Hong Kong Management Association in February 2002. He also obtained a Bachelor of Commerce Management and Marketing from Curtin University of Technology in September 2004. He further obtained a Master of Science in Global Supply Chain Management from The Hong Kong Polytechnic University in December 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Iu Tak Meng Teddy (余德鳴) (“**Mr. Iu**”), aged 55, was appointed as our independent non-executive Director on 21 February 2018. He is also the chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee. Mr. Iu is responsible for providing independent judgement on the issues of strategy, performance, resources and standard of conduct of our Group.

Mr. Iu obtained a Diploma in Management Studies, a Master of Science in Information Systems and a Master of Science in Accountancy from The Hong Kong Polytechnic University (formerly known as the Hong Kong Polytechnic) in November 1990, October 1995, and November 2002, respectively. He received a Master of Science from The University of Hong Kong in December 2015.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Iu was admitted to memberships of the following institutions and bodies:

Name of institution	Membership grade	Year of approval of present membership grade
The Institute of Electrical and Electronics Engineers, Incorporated	Member	2017
The Royal Institution of Chartered Surveyors	Professional member	2015
The Geological Society of America	Professional member	2015
The Society of Economic Geologists	Member	2013
The Geological Society of London	Fellow	2013
The Australasian Institute of Mining and Metallurgy	Member	2013
The Canadian Institute of Mining, Metallurgy and Petroleum	Member	2012

Mr. Iu has also been a fellow of each of The Chartered Institute of Management Accountants, the Hong Kong Society of Accountants (currently the Hong Kong Institute of Certified Public Accountants) and The Hong Kong Institute of Directors since March 1995, June 1997 and October 2012, respectively. The Chartered Institute of Management Accountants granted Mr. Iu the designation of chartered global management accountant in January 2012.

Mr. Iu was a Hong Kong divisional council member of The Chartered Institute of Management Accountants from 1994 to 2003 and 2007 to 2009, and appointed as the divisional president from 2001 to 2002. He was also a lay member of the Solicitors Disciplinary Tribunal Panel from July 2003 to July 2009.

Mr. Iu worked as the North Asia financial controller of Regional Container Lines (HK) Limited from January 1996 to April 1997, after which he has been an independent and project based consultant since 1997. Additionally, he worked as the EDP manager for Asia Pacific Operations of Moulinex Far East Limited from April 2001 to January 2002. Besides his full time commitments, Mr. Iu also worked as a visiting lecturer (part-time) at the Department of Accountancy of The Hong Kong Polytechnic University from February 2000 to May 2001, a part-time instructor at the School of Continuing and Professional Education at the City University of Hong Kong from September 2001 to June 2010 and has been a part-time instructor at the School of Continuing and Professional Studies at The Chinese University of Hong Kong since September 2007. He has also been an independent non-executive director of Gameone Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8282) since December 2015 and Basetrophy Group Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8460) since June 2017. Mr. Iu has been a part-time lecturer of Centennial College since January 2018.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Iu was a director of the following company incorporated in Hong Kong prior to its dissolution (but not due to members' voluntary winding-up) with details as follows:

Name of the company	Nature of business immediately prior to dissolution	Date of Dissolution
Power Asset Management Limited (匯駿管理有限公司) <i>(Note 1)</i>	Ceased business	24 March 2005

Note:

1. Power Asset Management Limited was struck off and dissolved pursuant to section 291 of the Predecessor Companies Ordinance. Under section 291 of the Predecessor Companies Ordinance, the Registrar of Companies in Hong Kong can strike off a defunct company from the register of companies.

Mr. Iu confirmed that (i) Power Asset Management Limited was solvent immediately prior to its dissolution; (ii) there was no wrongful act on his part leading to the above dissolution of Power Asset Management Limited; and (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of Power Asset Management Limited.

Mr. Kwan Ngai Kit (關毅傑) ("Mr. Kwan"), aged 37, was appointed as our independent non-executive Director on 21 February 2018. He is also the chairman of the Audit Committee and a member of each of the Remuneration Committee and Nomination Committee. Mr. Kwan is responsible for providing independent judgement on the issues of strategy, performance, resources and standard of conduct of our Group.

Mr. Kwan has over 10 years of experience in auditing, accounting and corporate management.

Mr. Kwan's primary work experience includes:

Name of company	Principal business activity	last position	Period of employment
Modern Dental Group Limited <i>(a company listed on the Main board of the Stock Exchange (stock code: 3600))</i>	Production and distribution of dental prosthetic device	Chief financial officer and company secretary	October 2016 – Present
Vision Fame International Holding Limited <i>(a company listed in the Main board of the Stock Exchange (stock code: 1315))</i>	Main contractor in building construction services, property maintenance and alterations, renovation, upgrading works and fitting-out work services and graphene production	Chief financial officer and company secretary	June 2014 – October 2016

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name of company	Principal business activity	last position	Period of employment
TCL Mobile Communication (HK) Company Limited	Research and development, manufacture and sale of mobile devices	Financial controller	March 2014 – June 2014
Ernst & Young	Auditing and accounting service	Senior manager in assurance department	January 2005 – March 2014

Mr. Kwan has held directorships in the following listed companies:

Name of organisation	Principal business activity	Position	Period of service
Leyou Technologies Holdings Limited (<i>a company listed on the Main board of the Stock Exchange (stock code: 1089)</i>)	Online game operation and retail game development	Independent non-executive director	July 2017- Present
Lai Group Holding Company Limited (<i>a company listed on the GEM of the Stock Exchange (stock code: 8455)</i>)	Residential interior design and fit-out services, commercial interior design and fit-out services	Independent non-executive director	March 2017- Present
Group Sense (International) Limited (<i>a company listed on the Main board of the Stock Exchange (stock code: 601)</i>)	Production of magnesium alloy and iron alloy products	Independent non-executive director	June 2016 – Present
Vision Fame International Holding Limited (<i>a company listed on the Main board of the Stock Exchange (stock code: 1315)</i>)	Main contractor in building construction services, property maintenance and alterations, renovation, upgrading works and fitting-out work services	Executive director	February 2015 – October 2016

Mr. Kwan has been a member of the Hong Kong Institute of Certified Public Accountants since February 2010. He has been a member and subsequently a fellow of the Association of Chartered Certified Accountants since September 2008 and September 2013, respectively.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Kwan obtained a Bachelor degree of Arts in Accountancy from The Hong Kong Polytechnic University in November 2002. He completed a Master of Business Administration (Evening Mode) from The Chinese University of Hong Kong in November 2014.

Mr. Ho Chun Chung Patrick (何振琮) (“**Mr. Ho**”), aged 54, was appointed as our independent non-executive Director on 21 February 2018. He is also the chairman of Remuneration Committee and a member of the Audit Committee and the Nomination Committee. Mr. Ho is responsible for providing independent judgment on the issues of operation strategy, performance, resources and standard of conduct of our Group.

Mr. Ho has held directorships or positions in the following listed companies:

Name of organisation	Principal business activity	Position	Period of service
Ling Yui Holdings Limited <i>(a company listed on the Main Board of the Stock Exchange (stock code: 784))</i>	Provision of foundation works	Independent non-executive director	December 2017 – Present
Asia Investment Finance Group Limited <i>(a company listed on the Main Board of the Stock Exchange (stock code: 33))</i>	Engaged in securities brokerage and asset management, money lending business, credit guarantee and investment business, trading of party products and metals and minerals	Independent non-executive director	July 2015 – Present
Tesson Holdings Limited <i>(a company listed on the Main Board of the Stock Exchange (stock code: 1201))</i>	Engaged in printing and manufacturing of packaging manufacturing and sale of lithium ion motive battery	Independent non-executive director	June 2014 – April 2016
Chen Hsong Holdings Limited <i>(a company listed on the Main Board of the Stock Exchange (stock code: 57))</i>	Engaged in the manufacture and sale of plastic injection moulding machines and related products	Financial controller	November 2002 – November 2005
Gold Peak Industries (Holdings) Limited <i>(a company listed on the Main Board of the Stock Exchange (stock code: 40))</i>	Engaged in the development, manufacture and distribution of electronic and acoustic products, as well as automotive wire harness	Financial controller	May 1992 – June 2000

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Ho worked at PricewaterhouseCoopers (formerly known as Price Waterhouse) in August 1987 as a staff accountant with his last position held as a senior accountant in July 1991.

Mr. Ho has been an associate member of the Hong Kong Institute of Certified Public Accounts and a fellow member of the Chartered Association of Certified Accountants since February 1991 and October 1995, respectively. He is currently a certified public accountant (practising).

Mr. Ho obtained a Professional Diploma in Accountancy in November 1987 from Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) . He further obtained his Master of Science in Finance from the City University of Hong Kong in December 1996.

Save as disclosed in this prospectus, each of our Directors (i) had no interest in the Shares within the meaning of part XV of the SFO as at the Latest Practicable Date; (ii) is independent from, and not related to, any Directors, substantial shareholders, Controlling Shareholders, or senior management of our Company; and (iii) did not hold 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.

Save as disclosed in this prospectus, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no 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

The following table sets forth certain information of the senior management of our Group:

Name	Age	Present Position	Date of joining our Group	Date of appointment as senior management	Roles and responsibilities	Relationship with other Directors and senior management
Mr. Cheung Tai Lung (張泰隆)	33	General Manager of Corporate Development	2 July 2010	1 July 2017	Responsible for developing and implementing strategic initiatives	None
Ms. Wong Lai Sim (王麗嫻)	55	Human Resources Manager	1 September 2012	1 September 2012	Responsible for human resources management	None
Mr. Law Kwok Pan (羅國斌)	36	Procurement Manager	1 May 2008	1 May 2008	Responsible for devising procurement and sourcing strategies	Brother of Mr. Alex Law and Mr. Simon Law

Mr. Cheung Tai Lung (張泰隆) (“Mr. Cheung”), aged 33, is the general manager of corporate development of our Group. Mr. Cheung first joined our group in July 2010 as an assistant manager. He was first promoted as manager of operation excellence in January

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

2012 and then a senior manager of operation excellence in January 2014 and assistant general manager of account management in April 2015. He was appointed as our general manager of corporate development on 1 July 2017. Mr. Cheung is primarily responsible for developing and implementing strategic initiatives.

Mr. Cheung has 9 years of experience in the logistics industry. Prior to joining our Group, Mr. Cheung served as a management trainee at CEVA Logistics (Hong Kong) Limited from July 2008 to February 2010.

Mr. Cheung obtained a Higher Diploma in International Transport Logistics from The Hong Kong Polytechnic University in June 2006. He subsequently obtained a Bachelor of Business Administration in International Shipping and Transport Logistics from The Hong Kong Polytechnic University in October 2008.

Ms. Wong Lai Sim (王麗嬋) (“**Ms. Wong**”), aged 55, is the human resources manager of our Group. Ms. Wong joined our Group on 1 September 2012 and she was appointed as human resources manager on 1 September 2012. Ms. Wong has over 10 years of human resources generalist experience. She is responsible for maintaining and enhancing our Group’s human resources by planning, implementing, and evaluating employee relations and human resources policies, programs, and practices.

Ms. Wong’s primary working experience includes:

Name of organisation	Principal business activity	Last position	Period of service
Agility Logistics Limited	Provider of integrated logistics services	Human resources officer	October 2011 – April 2012
Kuehne & Nagel Limited	Transporting sea and air freight, providing overland transport and logistics solutions	Human resources assistant	June 2006 – July 2011
Benetton Asia Pacific Limited	Manufacturing, retailing, wholesaling and exporting of garment products	Human resources officer	September 2005 – May 2006
DHL Express (Hong Kong) Limited	Global freight forwarding services	Coordinator	April 1994 – September 2005
British – American Tobacco Company (Hong Kong) Limited	Sales, marketing and general corporate services of tobacco industry	Secretary	May 1991 – March 1994

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name of organisation	Principal business activity	Last position	Period of service
Standard Chartered Bank Hong Kong Trustee Limited	Trustee company	Secretary	February 1988 – May 1991

Ms. Wong was awarded an International Diploma in Administrative Management by The Institute of Administrative Management in August 1999. She subsequently obtained a Diploma in Human Resource Management from School of Continuing Education of Hong Kong Baptist University in August 2001. Ms. Wong obtained a Bachelor of Business in Human Resource Management from University of South Australia in September 2004.

Mr. Law Kwok Pan (羅國斌) (“**Mr. Anthony Law**”), aged 36, was appointed as our procurement manager on 1 May 2008. He is responsible for devising and conducting effective procurement and sourcing strategies.

Prior to joining our Group, Mr. Anthony Law completed secondary education in Canada in September 1997 to July 2002. He worked at Mars Computer as a sales and marketing manager from October 2002 to April 2008, during which he gathered experience and knowledge in sales and marketing techniques as well as personnel management.

Mr. Anthony Law is the brother of Mr. Alex Law and Mr. Simon Law.

COMPANY SECRETARY

Ms. Tam Kwai Heung (譚桂香) (“**Ms. Tam**”), aged 35, was appointed as the company secretary of our Group on 3 July 2017.

Ms. Tam has over 10 years of experience in auditing, accounting and financial reporting. Ms. Tam obtained a Bachelor of Arts in Accountancy from The Hong Kong Polytechnic University in December 2006. She has been a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants since January 2010. Prior to joining our Group, Ms. Tam’s working experience includes:

Name of organisation	Principal business activity	Position	Period of service
Time Interconnect Technology Limited (<i>a company listed on the Main Board of the Stock Exchange (stock code: 1729)</i>)	Supplier of custom cable assemblies	Company secretary	February 2018 – Present

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name of organisation	Principal business activity	Position	Period of service
Ling Yui Holdings Limited (<i>a company listed on the Main Board of the Stock Exchange (stock code: 784)</i>)	Provision of foundation works	Company secretary	December 2017 – Present
Lai Group Holding Company Limited (<i>a company listed on the GEM of the Stock Exchange (stock code: 8455)</i>)	Engaged in residential and commercial interior design and fit-out services	Company secretary	June 2017 – Present
Blooming (HK) Business Limited	Corporate advisory and company secretarial services	Secretarial manager	February 2017 – Present
Gammon Construction Limited	Building and construction services	Assistant finance manager	September 2010 – February 2017
Rich China Industries Holdings Limited	Toy manufacturing	Accountant	June 2009 – September 2010
Deloitte Touche Tohmatsu	Auditing and accounting services	Senior auditor	February 2008 – June 2009
PKF Hong Kong	Auditing and accounting services	Accountant	June 2006 – February 2008

COMPLIANCE OFFICER

Mr. Alex Law is the compliance officer of our Company. For details of his biographical details, please refer to the paragraph headed “Executive Directors” in this section.

AUDIT COMMITTEE

Our Audit Committee was established by our Board on 21 February 2018 with written terms of reference in compliance with paragraphs C.3.3 and C.3.7 of the Corporate Governance Code in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are, among other things, to review and supervise the financial reporting process and the risk management and internal control systems of our Group. The Audit Committee comprises three members, namely Mr. Kwan Ngai Kit, Mr. Iu Tak Meng Teddy and Mr. Ho Chun Chung Patrick. Mr. Kwan Ngai Kit is the chairman of the Audit Committee.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

REMUNERATION COMMITTEE

Our Remuneration Committee was established by our Board on 21 February 2018 with written terms of reference in compliance with paragraph B.1.2 of the Corporate Governance Code in Appendix 14 to the Listing Rules. The Remuneration Committee comprises four members, namely Mr. Alex Law, Mr. Iu Tak Meng Teddy, Mr. Kwan Ngai Kit and Mr. Ho Chun Chung Patrick. Mr. Ho Chun Chung Patrick is the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are, among other things, to make recommendations to our Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management and on our Group's policy and structure for all remuneration of our Directors and senior management.

NOMINATION COMMITTEE

Our Nomination Committee was established by our Board on 21 February 2018 with written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code in Appendix 14 to the Listing Rules. The Nomination Committee comprises four members, namely Mr. Alex Law, Mr. Iu Tak Meng Teddy, Mr. Kwan Ngai Kit and Mr. Ho Chun Chung Patrick. Mr. Iu Tak Meng Teddy is the chairman of the Nomination Committee. The primary duties of the Nomination Committee are, among other things, to make recommendations to our Board on appointment of Directors and succession planning for our Directors.

CORPORATE GOVERNANCE

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. To accomplish this, save as set out below, our Company intends to comply with the code provisions set out in the Corporate Governance Code in Appendix 14 to the Listing Rules after Listing.

COMPLIANCE ADVISER

In accordance with Rule 3A.19 of the Listing Rules, our Company has appointed Frontpage Capital to be the compliance adviser to advise our Company on ongoing compliance requirements and other issues under the Listing Rules and other applicable laws and regulations in Hong Kong after the Listing. Pursuant to Rules 3A.23 and 3A.24 of the Listing Rules, our compliance adviser will advise us in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (c) where our Company proposes to use the proceeds of the initial public offering in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this prospectus; and

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

- (d) where the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT'S REMUNERATION

The aggregate amount of compensation (including fees, salaries, contributions to pension schemes, housing and other allowances, benefits in kind and discretionary bonuses) which were paid to our Directors for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017 was approximately HK\$7.3 million, HK\$7.6 million, HK\$7.9 million and HK\$3.4 million, respectively.

The aggregate amount of compensation (including fees, salaries, contributions to pension schemes, housing and other allowances, benefits in kind and discretionary bonuses) which were paid to the above senior management of our Group (excluding directors) for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017 was approximately HK\$1.7 million, HK\$1.8 million, HK\$2.0 million and HK\$0.8 million, respectively.

The aggregate amount of contributions to retirement benefits scheme paid by our Group to our Directors for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017 was approximately HK\$54,000, HK\$54,000, HK\$54,000 and HK\$24,000, respectively.

Our Company's policy concerning the remuneration of our Directors is that the amount of remuneration is determined by reference to the relevant Director's experience, responsibilities, workload, performance and time devoted to our Group. Further details of the remuneration of our Directors are set out in the section headed "Statutory and General Information – C. Further information about substantial Shareholders, Directors and experts – 3. Directors' remuneration" in Appendix IV to this prospectus.

The emoluments paid to our Group's five highest paid individuals (including Directors) in aggregate for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017 was approximately HK\$8.7 million, HK\$9.1 million, HK\$9.7 million and HK\$4.1 million, respectively. During the Track Record Period, no emolument was paid by our Group to any of our Directors or the five highest paid individuals (including Directors and employees) as an inducement to join or upon joining our Group or as compensation for loss of office. None of our Directors has waived any emoluments during the Track Record Period.

Except as disclosed above, no other payments of remuneration have been made, or are payable, in respect of the Track Record Period, by our Group to or on behalf of any of our Directors.

For additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to note 8 in the Accountants' Report set out in Appendix I to this prospectus.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

MANDATORY PROVIDENT FUND SCHEME

Our Group participates in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and our Directors confirm that our Group has made the relevant contributions in accordance with the aforesaid laws and regulations. Save for the aforesaid, our Group did not participate in any other pension schemes during the Track Record Period.

SHARE OPTION SCHEME

The Share Option Scheme was conditionally adopted pursuant to the written resolutions of our sole Shareholder passed on 21 February 2018. The purpose of the Share Option Scheme is to enable our Company to grant options to selected participants as incentives or rewards for their contribution to it. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward our employees, our Directors and other selected participants for their contributions to our Group. This will be in accordance with Chapter 17 of the Listing Rules and other relevant rules and regulations. Further details of the Share Option Scheme are set forth in the section headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus.

SHARE CAPITAL

SHARE CAPITAL

Without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, the share capital of our Company immediately following the Share Offer will be as follows:

<i>Authorised share capital</i>		<i>HK\$</i>
2,000,000,000 Shares		20,000,000
<i>Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Share Offer:</i>		
10,000 Shares in issue as at the date of this prospectus		100
Shares to be issued pursuant to the Capitalisation Issue		7,499,900
<u>749,990,000</u> Shares to be issued pursuant to the Share Offer		<u>2,500,000</u>
<u>1,000,000,000</u> Shares		<u>10,000,000</u>

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08 of the Listing Rules, 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 rank identical in all respects with all the 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 the Shares in respect of a record date which falls after the date of Listing.

CAPITALISATION ISSUE

Pursuant to the resolutions of our sole Shareholder passed on 21 February 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 749,990,000 Shares credited as fully paid at par to the holder of Shares on the register of members of our Company at the close of business on 21 February 2018 (or as they may direct) in proportion to their shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK\$7,499,900 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank identical in all respects with the existing issued Shares.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the paragraph headed “Structure and Conditions of the Share Offer – Conditions of the Share Offer” in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of our Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the Share Offer; and
- (b) the aggregate nominal value of the share capital of our Company repurchased pursuant to the authority granted to our Directors referred to in the paragraph headed “General mandate to repurchase shares” in this section below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of the options 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;
- (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 the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders at a general meeting.

For further details of this general mandate, please refer to the section headed “Statutory and General Information – A. Further information about our Company – 3. Written resolutions of our sole Shareholder passed on 21 February 2018” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions as stated in the section headed “Structure and Conditions of the Share Offer – Conditions of the Share Offer” in this prospectus, our Directors have been granted a general unconditional mandate to exercise all powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose) with an aggregate nominal value of not more than 10% of the aggregate nominal value of our Company’s share capital

SHARE CAPITAL

in issue immediately following completion of the Capitalisation Issue and the Share Offer (excluding Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which 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 paragraph headed “A. Further information about our Company – 6. Repurchase of our Shares by our Company” in Appendix IV to this prospectus.

The general mandate to repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of the next general meeting of our Company;
- (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 law of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied or renewed by an ordinary resolution of our Shareholders in general meeting,

For further details of this general mandate, please refer to the section headed “Statutory and General Information – A. Further information about our Company – 6. Repurchase of our Shares by our Company” in Appendix IV to this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarised in the section headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus.

Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into the Shares as at the Latest Practicable Date.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law” in Appendix III to this prospectus.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be taken up under the Share Offer, and Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme), the following persons will have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

Name of Shareholder	Capacity/Nature of interest	Number of shares held as at 31 July 2017 <i>(Note 7)</i>	Percentage of shareholding as at 31 July 2017 <i>(Note 7)</i>	Number of Shares held/interested immediately following completion of the Capitalisation Issue and the Share Offer <i>(Note 1)</i>	Percentage of shareholding immediately following the completion of the Capitalisation Issue and the Share Offer
Dynamic Victor	Beneficial owner	1	100%	750,000,000	75%
Mr. Alex Law <i>(Note 2)</i>	Interest in a controlled corporation	1	100%	750,000,000	75%
Mr. Simon Law <i>(Note 3)</i>	Interest in a controlled corporation	1	30%	225,000,000	22.5%
Mr. Albert Chiu <i>(Note 4)</i>	Interest in a controlled corporation	1	10%	75,000,000	7.5%
Ms. Lau Lai Ha Sunshine ("Ms. Lau") <i>(Note 5)</i>	Interest of spouse	1	100%	750,000,000	75%
Ms. Choi Yuen Lam Bonnie ("Ms. Choi") <i>(Note 6)</i>	Interest of Spouse	1	10%	75,000,000	7.5%

SUBSTANTIAL SHAREHOLDERS

Notes:

1. All interests stated are long positions.
2. Mr. Alex Law beneficially owns 60% of the issued share capital of Dynamic Victor. Therefore, Mr. Alex Law is deemed, or taken to be, interested in all the Shares held by Dynamic Victor for the purpose of the SFO.
3. Mr. Simon Law beneficially owns 30% of the issued share capital of Dynamic Victor. Therefore, Mr. Simon Law is deemed to be interested in 225,000,000 Shares held by Dynamic Victor.
4. Mr. Albert Chiu beneficially owns 10% of the issued share capital of Dynamic Victor. Therefore, Mr. Albert Chiu is deemed to be interested in 75,000,000 Shares held by Dynamic Victor.
5. Ms. Lau is the spouse of Mr. Alex Law. Therefore, Ms. Lau is deemed to, or taken to be interested in all the Shares in which Mr. Alex Law is interested for the purpose of the SFO.
6. Ms. Choi is the spouse of Mr. Albert Chiu. Therefore, Ms. Choi is deemed to, or taken to be interested in all the Shares in which Mr. Albert Chiu is interested for the purpose of the SFO.
7. The date of filing of the application proof of this prospectus and prior to completion of the Reorganisation.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Share Offer (without taking into account any Shares which may be taken up under the Share Offer, and Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the mandate as referred to in the section headed “Statutory and General Information – A. Further information about our Company” in Appendix IV to this prospectus), have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries.

FINANCIAL INFORMATION

You should read the following discussion and analysis together with the audited combined financial statements of our Group and the notes thereto as of and for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017 included in the Accountants' Report set out in Appendix I to this prospectus. The Accountants' Report has been prepared in accordance with HKFRS, which may differ in material respects from generally accepted accounting principles in other jurisdictions.

The following discussion and analysis contains certain forward-looking statements that involve risks and uncertainties. Our Group's business and financial performance are subject to substantial risks and uncertainties and its future results could differ materially from those set forth in the forward-looking statements herein due to a variety of factors including those set forth in the "Risk Factors" section.

Any discrepancies in any table or elsewhere in this prospectus between totals and sums of amounts listed herein are due to rounding.

OVERVIEW

Our Group is principally engaged in the provision of air freight forwarding ground handling services and air cargo terminal operating services in Hong Kong. Founded in 2002, we have accumulated extensive industry experience in air freight forwarding ground handling services and related logistics services. We operate our air freight forwarding ground handling services at our rented warehouses in AFFC, which is approximately 235,293 sq. ft. in total. We also maintain a fleet of 56 cargo trucks and vans being installed with GPS tracking system and 543 full-time employees to support our daily operations. These facilities and related setup allows us to provide air freight forwarding ground handling services to leading global logistics companies, many of whom rely on outsourced service providers like us to support their daily operations and freight forwarding agents. We also participate in the daily operations of the CPCT, which forms the other segment of our business. In order to operate a large complex like CPCT, we are engaged by our client to assist them in their air cargo terminal operations. Our scope of operations in CPCT is the handling of cargoes upon their arrival from aircrafts and processed them into storage or to be picked up immediately.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 7 July 2016 as an exempted company with limited liability. To rationalise the corporate structure in the preparation of the Share Offer, we underwent the Reorganisation as detailed in the section headed "History, Development and Reorganisation" in this prospectus.

Pursuant to the Reorganisation, our Company became the holding company of the companies now comprising our Group on 21 February 2018. Our Group has been under the common control of Mr. Alex Law, Mr. Simon Law and Mr. Albert Chiu throughout the Track Record Period or since their respective dates of incorporation or establishment where this is a shorter period. Our Group comprising our Company and our subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the financial statements of

FINANCIAL INFORMATION

our Group have been prepared on the basis as if the current group structure had been in existence throughout the Track Record Period, using the principles of merger accounting as set out below.

Our Directors have adopted the HKFRSs in the preparation of the combined financial information of our Company and our subsidiaries now comprising our Group for the Track Record Period.

SIGNIFICANT FACTORS AFFECTING THE RESULTS OF OPERATIONS

Our results of operations and financial conditions are most significantly affected by a number of factors, many of which are beyond our control, including those set forth below.

Market demand

We are primarily engaged in the provision of (i) air freight forwarding ground handling services; and (ii) air cargo terminal operating services in Hong Kong. Our business performance will therefore, to a large extent, be affected by the air freight logistics services market and the air cargo throughput in Hong Kong. If the air cargo throughput in Hong Kong decline, such decline may likely lead to a corresponding decrease in demand for our logistics services. Adverse developments in the air freight logistics services market in Hong Kong could therefore materially and adversely affect our business, financial condition and results of operations.

Our relationship with Customer C and Customer D

Our revenue generated from Customer C and Customer D in aggregate amounted to approximately HK\$332.3 million, HK\$346.3 million, HK\$403.8 million and HK\$176.3 million for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, respectively, which accounted for approximately 91.1%, 91.4%, 93.9% and 87.9% of our total revenue for the corresponding periods. There is no assurance that there will be no deterioration in our relationship with Customer C or D or they will not terminate the service agreements with our Group in the future. Any change or deterioration in our relationship or any change in business strategies of Customer C and D may cause a significant adverse effect to our business, financial condition and results of operations.

Direct labour costs and dispatched labour costs

Direct labour costs consist primarily of wages and salaries, medical benefits, and other allowances and benefits incurred for our Group's front-line operation staff. Dispatched labour costs consist primarily of payment for the dispatched staff from local dispatched work agencies. For the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, our direct labour costs and dispatched labour costs in aggregate amounted to approximately HK\$236.6 million, HK\$258.0 million, HK\$269.6 million and HK\$127.4 million, representing 78.0%, 81.0%, 77.7% and 75.7% of our total direct costs, respectively. In the event that there is any significant increase in the direct labour costs or dispatched labour costs, our operating expenses and pressure on our operating cash flows will increase, thereby materially and adversely affecting our business, results of operations, financial position and prospects.

FINANCIAL INFORMATION

To illustrate the potential impact of hypothetical fluctuations in direct labour costs and dispatched labour costs on our financial performance, the sensitivity analysis below shows the impact on our profit before tax with a 9% increase or decrease in direct labour costs and dispatched labour costs for the years as indicated, which is based on our Group's historical fluctuations during the Track Record Period:

	Increase/(decrease) of our profit before tax			For the five months ended
	For the year ended 31 March			31 August
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sensitivity analysis of direct labour costs and dispatched labour costs				
Percentage (decrease)/increase				
(9)%	21,297	23,218	24,266	11,463
9%	(21,297)	(23,218)	(24,266)	(11,463)

Warehouse rental expenses

During the Track Record Period and up to the Latest Practicable Date, the warehouses occupied by us for our business purposes were rented from Independent Third Parties. Rental expenses on our warehouse and loading bay amounted to approximately HK\$17.1 million, HK\$13.1 million, HK\$30.9 million and HK\$16.4 million, representing approximately 5.6%, 4.1%, 8.9% and 9.7% of our total direct costs for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, respectively. Accordingly, we are susceptible to the rental fluctuation upon expiry. In the event that there is any significant increase in the rental expenses for our existing leased warehouses upon renewal, our operating expenses and pressure on our operating cash flows will increase, thereby materially and adversely affecting our business, results of operations, financial position and prospects.

FINANCIAL INFORMATION

To illustrate the potential impact hypothetical fluctuations in warehouses rental expenses on our financial performance, the sensitivity analysis below shows the impact on our profit before tax with a 137% increase or decrease in warehouses rental expenses for the years as indicated, which is based on our Group's historical fluctuations during the Track Record Period:

Sensitivity analysis of warehouses rental expenses	Increase/(decrease) of our profit before tax			For the five months ended
	For the year ended 31 March			31 August
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Percentage (decrease)/increase				
(137)%	23,359	17,879	42,358	22,500
137%	(23,359)	(17,879)	(42,358)	(22,500)

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Our Group has identified certain accounting policies that are significant to the preparation of the combined financial statements in accordance with HKFRSs. These significant accounting policies are important for understanding the financial condition and results of operation of our Group and such accounting policies are set forth in the Accountants' Report in Appendix I to this prospectus. Some of the accounting policies involve subjective assumptions and estimates, as well as complex judgement related to accounting items such as assets, liabilities, income and expenses. We base our estimates on historical experience and other assumptions which our management believes to be reasonable under the circumstances. Results may differ under different assumptions and conditions. Our management has identified below accounting policies that are most critical to the preparation of our combined financial statements.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivables represents amounts receivable for services provided in the ordinary course of business.

Our Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for our Group's activities as described below.

FINANCIAL INFORMATION

Revenue from the provision of logistics services, including our air freight forwarding ground handling services and our air cargo terminal operating services, is recognised in the accounting period in which the services rendered. Further details of our Group's policy for revenue recognition is set out in note 2 of the Accountants' Report set out in Appendix I to this prospectus.

Leasing

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are charged to our combined statements of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

Leases of property, plant and equipment where our Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other short-term and other long-term payables. The interest element of the finance cost is charged to the combined statements of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. Further details of our Group's accounting policy for leasing is set out in note 2 of the Accountants' Report set out in Appendix I to this prospectus.

Property, plant and equipment

Our property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives or lease term, where applicable.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Further details of our Group's accounting policy for property, plant and equipment is set out in note 2 of the Accountants' Report set out in Appendix I to this prospectus.

Impairment losses on trade and other receivables

Our Group's management determines the provision for impairment of trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of our customers and other debtors and the current market condition, and requires the use of judgements and estimates. Our management reassesses the

FINANCIAL INFORMATION

provisions at each reporting date. During the Track Record Period, we did not recognise any impairment loss on trade and other receivables. Further details of our Group's policy on impairment losses on trade and other receivables is set out in note 4 of the Accountants' Report set out in Appendix I to this prospectus.

RESULTS OF OPERATIONS

The following table sets forth our combined statements of profit or loss and other comprehensive income for the years indicated, as extracted from the Accountants' Report in Appendix I to this prospectus.

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)				
Revenue	364,491	378,761	430,093	161,414	200,683
Direct costs	<u>(303,145)</u>	<u>(318,252)</u>	<u>(346,845)</u>	<u>(131,303)</u>	<u>(168,421)</u>
Gross profit	61,346	60,509	83,248	30,111	32,262
Other income and gains	4,167	3,260	3,328	1,221	1,794
Administrative and other operating expenses	<u>(41,938)</u>	<u>(39,998)</u>	<u>(43,404)</u>	<u>(16,553)</u>	<u>(22,838)</u>
Operating profit	23,575	23,771	43,172	14,779	11,218
Finance costs	<u>(1,277)</u>	<u>(968)</u>	<u>(1,362)</u>	<u>(479)</u>	<u>(444)</u>
Profit before tax	22,298	22,803	41,810	14,300	10,774
Income tax expense	<u>(3,835)</u>	<u>(3,689)</u>	<u>(7,597)</u>	<u>(2,390)</u>	<u>(2,914)</u>
Profit and total comprehensive income for the year/period attributable to owners of the Company	<u>18,463</u>	<u>19,114</u>	<u>34,213</u>	<u>11,910</u>	<u>7,860</u>
	HK cents	HK cents	HK cents	HK cents	HK cents
Basic and diluted earnings per share	<u>2.5</u>	<u>2.5</u>	<u>4.6</u>	<u>1.6</u>	<u>1.0</u>

PRINCIPAL COMPONENTS OF OUR COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

We generate our revenue primarily from the provision of our air freight forwarding ground handling services and air cargo terminal operating services in Hong Kong. During the Track Record Period, we recorded revenue amounted to approximately HK\$364.5 million, HK\$378.8 million, HK\$430.1 million and HK\$200.7 million for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, respectively.

FINANCIAL INFORMATION

The table below sets out our revenue by the types of services we provided during the Track Record Period:

	Year ended 31 March						Five months ended 31 August			
	2015		2016		2017		2016		2017	
	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)
Air freight forwarding ground handling services	199,318	54.7	193,901	51.2	214,189	49.8	80,072	49.6	104,199	51.9
Air cargo terminal operating services	165,173	45.3	184,860	48.8	215,904	50.2	81,342	50.4	96,484	48.1
Total	<u>364,491</u>	<u>100.0</u>	<u>378,761</u>	<u>100.0</u>	<u>430,093</u>	<u>100.0</u>	<u>161,414</u>	<u>100.0</u>	<u>200,683</u>	<u>100.0</u>

The table below sets forth our cargo volume processed and the average service fees per kg by the types of services we provided during the Track Record Period:

	Year ended 31 March						Five months ended 31 August			
	2015		2016		2017		2016		2017	
	Average Cargo volume processed	Average service fees per kg	Average Cargo volume processed	Average service fees per kg	Average Cargo volume processed	Average service fees per kg	Average Cargo volume processed	Average service fees per kg	Average Cargo volume processed	Average service fees per kg
	(tonnes)	HK\$	(tonnes)	HK\$	(tonnes)	HK\$	(tonnes)	HK\$	(tonnes)	HK\$
Air freight forwarding ground handling services										
Overall	213,785	0.9	214,315	0.9	192,364	1.1	79,116	1.0	82,574	1.3
Air cargo terminal operating services										
Overall	411,276	0.4	450,607	0.4	516,672	0.4	203,993	0.4	221,980	0.4
Total	<u>625,061</u>	<u>0.6</u>	<u>664,922</u>	<u>0.6</u>	<u>709,036</u>	<u>0.6</u>	<u>283,109</u>	<u>0.6</u>	<u>304,554</u>	<u>0.7</u>

FINANCIAL INFORMATION

Air freight forwarding ground handling services

Our air freight forwarding ground handling services mainly include cargo handling services such as trucking, warehousing, repacking, labeling services of cargoes and ULDs and other supporting services primarily for global logistics companies and freight forwarding agents. For the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, our revenue derived from our air freight forwarding ground handling services amounted to approximately HK\$199.3 million, HK\$193.9 million, HK\$214.2 million and HK\$104.2 million, respectively, accounting for approximately 54.7%, 51.2%, 49.8% and 51.9% of our total revenue for the respective years. The decrease in our cargo volume processed for our air freight forwarding ground handling services for the year ended 31 March 2017 was mainly attributable to the decrease in cargoes received from Customer D. To the best knowledge of our Directors, such decrease was mainly due to (i) the decrease in overall air freight forwarding volume of Customer D for the year ended 31 March 2017; and (ii) the provision of import transportation services by a subsidiary of HACTL (one of the three air cargo terminals in Hong Kong) to Customer D, such decrease accounted for approximately HK\$5.8 million of our revenue for the year ended 31 March 2016.

Air cargo terminal operating services

Our air cargo terminal operating services mainly involves processing cargoes arriving into the CPCT and also delivery of cargoes to customers arriving at the CPCT for cargoes pick-up. For the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, our revenue derived from our air cargo terminal operating services amounted to approximately HK\$165.2 million, HK\$184.9 million, HK\$215.9 million and HK\$96.5 million, respectively, accounting for approximately 45.3%, 48.8%, 50.2% and 48.1% of our total revenue for the respective years.

During the Track Record Period, the average service fees per kg of our air freight forwarding ground handling services charged is higher than our cargo terminal operating services, mainly due to the higher extent of handling works performed per tonnage for our forwarding ground handling services, as compared to those performed in the air cargo terminal. The average service fees per kg for our air freight forwarding ground handling services increased for the year ended 31 March 2017, mainly attributable to the increase in our warehousing services to Customer D upon the expansion of our warehouse in the AFFC in July 2016.

FINANCIAL INFORMATION

Direct costs

The table below sets forth a breakdown of the components of our direct costs during the Track Record Period:

	Year ended 31 March						Five months ended 31 August			
	2015		2016		2017		2016		2017	
	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)
Direct labour costs	152,917	50.4	145,552	45.7	137,825	39.7	56,168	42.8	54,646	32.5
Dispatched labour costs (Note 1)	83,719	27.6	112,430	35.3	131,794	38.0	48,075	36.6	72,726	43.2
Transportation costs (Note 2)	24,262	8.0	21,885	6.9	20,175	5.8	8,282	6.3	13,347	7.9
Rental and management fee on warehouse premises	19,007	6.3	14,783	4.6	34,951	10.1	10,013	7.6	18,570	11.0
Costs of packaging materials	14,152	4.7	14,427	4.6	12,258	3.6	5,028	3.8	4,359	2.6
Forklift rental	9,088	3.0	9,175	2.9	9,842	2.8	3,737	2.9	4,773	2.8
Total	303,145	100.0	318,252	100.0	346,845	100.0	131,303	100.0	168,421	100.0

Notes:

1. Dispatched labour costs primarily include the costs incurred for dispatched labours from dispatched work agencies.
2. Transportation costs mainly include expenses for transportation services providers, depreciation charges on our trucks and vans, fuel and diesel, tunnel fee, car parking expenses and other disbursements.

The table below sets out our direct costs by the types of services we provided during the Track Record Period:

	Year ended 31 March						Five months ended 31 August			
	2015		2016		2017		2016		2017	
	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)
Air freight forwarding ground handling services	180,960	59.7	180,848	56.8	183,661	53.0	69,083	52.6	93,244	55.4
Air cargo terminal operating services	122,185	40.3	137,404	43.2	163,184	47.0	62,220	47.4	75,177	44.6
Total	303,145	100.0	318,252	100.0	346,845	100.0	131,303	100.0	168,421	100.0

Our direct labour costs, dispatched labour costs, transportation costs and rental and building management fee on warehouse and loading bay are the major components of our direct costs, which in aggregate accounted for approximately 92.3%, 92.5%, 93.6% and 94.6% of our total direct costs for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, respectively. Our Directors consider that our cost structure remain similar throughout the Track Record Period.

FINANCIAL INFORMATION

Direct labour costs and dispatched labour costs

Direct labour costs represent the labour cost of our staff directly incurred for the provision of our air freight logistics services. Our direct labour costs amounted to approximately HK\$152.9 million, HK\$145.6 million, HK\$137.8 million and HK\$54.6 million, representing approximately 50.4%, 45.7%, 39.7% and 32.5% of our direct costs for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, respectively. The decrease in our direct labour costs over the Track Record Period was mainly a result of our strategy to appoint dispatched labour as explained below.

In order to increase our flexibility and cost effectiveness in carrying out our services, we have entered into dispatched work service agreements with dispatched work agencies during the Track Record Period, and used dispatched labour from such dispatched work agencies from time to time to fulfill our need. Our dispatched labour costs primarily include the costs incurred to such local dispatched work agencies. For the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, our dispatched labour costs amounted to approximately HK\$83.7 million, HK\$112.4 million, HK\$131.8 million and HK\$72.7 million, representing approximately 27.6%, 35.3%, 38.0% and 43.2% of our total direct costs, respectively. Our Directors and senior management will review the level of employment and utilisation of our staff and dispatched labours regularly to determine our human resources strategy.

The aggregate of our direct and dispatched labour costs increased during the Track Record Period. Such increase was in line with the increase in our revenue as a result of the increase in the volume of air cargo processed and the expansion in our warehousing services.

Transportation costs

Our transportation costs amounted to approximately HK\$24.3 million, HK\$21.9 million, HK\$20.2 million and HK\$13.3 million, representing approximately 8.0%, 6.9%, 5.8% and 7.9% of our direct costs for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, respectively. The decrease of the transportation costs over the Track Record Period was mainly resulted from higher location proximity between our warehouses and the air cargo terminals as we have relocated and consolidated our warehouse operation in Kwai Chung upon the expiry of the relevant tenancy agreement to warehouse in AFFC which was located closer to the air cargo terminals since August 2015.

Rental and management fee on warehouse premises

Our rental and management fee on warehouse premises amounted to approximately HK\$19.0 million, HK\$14.8 million, HK\$35.0 million and HK\$18.6 million, representing approximately 6.3%, 4.6%, 10.1% and 11.0% of our direct costs for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, respectively. The decrease in rental and management fee for the year ended 31 March 2016 as compared to that of 2015 was mainly due to the termination of our warehouse operation at the Modern Terminal in Kwai Chung upon the expiry of the tenancy agreement in August 2015. Our

FINANCIAL INFORMATION

rental and management fee on warehouse premises then increased for the year ended 31 March 2017 as we expanded our warehouse operation in the AFFC mainly for warehousing services for Customer D.

Costs of packaging materials

Costs of packaging materials mainly represent direct costs for the purchase of packaging materials, such as paper corner, foam board, plastic sheets and tapes, which are directly attributed to the provision of our air freight logistics services. Costs of packaging materials amounted to approximately HK\$14.1 million, HK\$14.4 million, HK\$12.3 million and HK\$4.4 million, representing approximately 4.7%, 4.6%, 3.6% and 2.6% of our direct costs for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, respectively. The decrease of costs of packaging materials for the year ended 31 March 2017 as compared to that of 2016 was mainly because the demand for packaging materials from Customer D decreased as (i) it has procured approximately 6% of the packaging materials associated with importing services used to be provided by us from other suppliers since July 2016; and (ii) volume of export cargo processed with packaging materials of Customer D decreased by approximately 3%. In addition, one of our new major customers in 2017, namely Customer U, does not rely on us to provide packaging materials for them.

Gross profit

The table below sets out our gross profit and gross profit margin by the types of services we provided during the Track Record Period:

	Year ended 31 March				Five months ended 31 August					
	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	(%)
Air freight forwarding ground handling services	18,358	9.2	13,053	6.7	30,528	14.3	10,989	13.7	10,955	10.5
Air cargo terminal operating services	42,988	26.0	47,456	25.7	52,720	24.4	19,122	23.5	21,307	22.1
Total	61,346	16.8	60,509	16.0	83,248	19.4	30,111	18.7	32,262	16.1

(Unaudited)

During the Track Record Period, gross profit derived from our air freight forwarding ground handling services amounted to approximately HK\$18.4 million, HK\$13.1 million, HK\$30.5 million and HK\$11.0 million, respectively. Our gross profit margin for air freight forwarding ground handling services was approximately 9.2%, 6.7%, 14.3% and 10.5% for the respective years.

FINANCIAL INFORMATION

Driven by the increase in the volume of air cargo processed in the CPCT, our gross profit for air cargo terminal operating services increased steadily from approximately HK\$43.0 million for the year ended 31 March 2015 to approximately HK\$47.5 million for the year ended 31 March 2016, and further increased to approximately HK\$52.7 million for the year ended 31 March 2017. During the five months ended 31 August 2017, our gross profit derived from air cargo terminal operating services amounted to approximately HK\$21.3 million. Our gross profit margin for air cargo terminal operating services remained relatively stable at approximately 26.0%, 25.7%, 24.4% and 22.1% for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, respectively.

During the Track Record Period, the gross profit margin of our air cargo terminal operating services is higher than that of our air freight forwarding ground handling services. Our Directors consider that it is mainly due to the more complicated working environment and system involved in our services provided at the air cargo terminal and the works in the terminals are generally more specific.

Other income and gains

The table below sets forth the breakdown of our other income and gains during the Track Record Period:

	Year ended 31 March			Five months ended 31 August	
	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>
	(Unaudited)				
Income from sales of scrap packaging materials	1,344	1,665	1,373	603	558
Management fee income	554	624	624	240	60
Gain on disposal of property, plant and equipment	67	–	–	–	64
Reversal of other payables and accruals	306	89	–	–	–
Others	<u>1,896</u>	<u>882</u>	<u>1,331</u>	<u>378</u>	<u>1,112</u>
Total	<u>4,167</u>	<u>3,260</u>	<u>3,328</u>	<u>1,221</u>	<u>1,794</u>

Our other income and gains during the Track Record Period mainly consisted of (i) income from sales of scrap packaging materials; (ii) management fee income; (iii) gain on disposal of property, plant and equipment; (iv) reversal of other payables and accruals; and (v) others, which included sundry income and government subsidy in relation to the phasing out of pre-euro IV diesel commercial vehicles.

FINANCIAL INFORMATION

Administrative and other operating expenses

The following table sets forth a breakdown of the components of our administrative and other operating expenses during the Track Record Period:

	Year ended 31 March						Five months ended 31 August			
	2015		2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)									
Staff costs, including directors' emoluments	11,136	26.6	11,595	29.0	12,106	27.9	4,855	29.3	5,053	22.1
Consultancy fees	3,921	9.3	3,852	9.6	4,156	9.6	1,682	10.2	1,702	7.5
Depreciation charges	1,067	2.5	1,588	4.0	1,576	3.6	638	3.9	693	3.0
Insurance	6,962	16.6	5,916	14.8	5,286	12.2	2,306	13.9	2,097	9.2
Listing expenses	-	-	-	-	3,901	9.0	-	-	4,595	20.1
Rent, rates, building management fee and utilities	3,049	7.3	2,682	6.7	4,409	10.2	1,479	8.9	2,350	10.3
Repair and maintenance	2,380	5.7	2,519	6.3	4,023	9.3	2,311	14.0	1,752	7.7
Travelling and entertainment	4,631	11.0	4,348	10.9	3,021	7.0	1,080	6.5	979	4.3
Others (<i>Note</i>)	8,792	21.0	7,498	18.7	4,926	11.2	2,202	13.3	3,617	15.8
Total	41,938	100.0	39,998	100.0	43,404	100.0	16,553	100.0	22,838	100.0

Note: Others mainly include training and education expenses, medical expenses, security charges, legal and professional fees, and other office expenses.

We did not incur any listing expenses for the years ended 31 March 2015 and 2016. For the year ended 31 March 2017 and the five months ended 31 August 2017, approximately HK\$3.9 million and HK\$4.6 million listing expenses was charged to our profit and loss, respectively. For details of our listing expenses, please refer to the paragraph headed "Listing expenses and financial performance for the year ending 31 March 2018" in this section.

Finance costs

During the Track Record Period, our finance costs mainly represented interest expenses on finance lease of our trucks, pallet trucks and motor vehicles, and interest expenses on our bank and other borrowings to finance our working capital, details of which are disclosed in the paragraph headed "Indebtedness" in this section.

Income tax expense

All of our Group's revenue during the Track Record Period was derived in Hong Kong and our Group was subject to profits tax in Hong Kong. Our Group was not subject to any income tax in the Cayman Islands and the Republic of Seychelles during the Track Record

FINANCIAL INFORMATION

Period. The provision for Hong Kong profits tax was calculated at 16.5% of the relevant estimated assessable profits for the Track Record Period. The effective tax rates of our Group for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017 were approximately 17.2%, 16.2%, 18.2% and 27.0%, respectively. The increase of our effective tax rate for the year ended 31 March 2017 and the five months ended 31 August 2017 were mainly due to the listing expenses incurred which are not deductible for taxation.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

Our revenue increased by approximately HK\$14.3 million, or 3.9%, from approximately HK\$364.5 million for the year ended 31 March 2015 to approximately HK\$378.8 million for the year ended 31 March 2016. Such increase was mainly contributed by the revenue growth from our air cargo terminal operating services, partially offset by the slight decrease in revenue of our air freight forwarding ground handling services.

Air freight forwarding ground handling services

Revenue from our air freight forwarding ground handling services decreased slightly by approximately HK\$5.4 million, or 2.7%, from approximately HK\$199.3 million for the year ended 31 March 2015 to approximately HK\$193.9 million for the year ended 31 March 2016, primarily due to fewer transportation and warehousing services offered, partially offset by the additional supporting services on import cargo handling to Customer D. As we have terminated our warehouse operation in Kwai Chung upon the expiry of the tenancy agreement and consolidated them into our warehouses in AFFC which was smaller in size and located closer to the air cargo terminals in August 2015, fewer transportation and warehousing services were offered to our customers.

Air cargo terminal operating services

Revenue from our air cargo terminal operating services increased by approximately HK\$19.7 million, or 11.9%, from approximately HK\$165.2 million for the year ended 31 March 2015 to approximately HK\$184.9 million for the year ended 31 March 2016, primarily as a result of (i) the increase in our air cargo processed volume driven by the increase in the number of airlines having their air cargoes handled in the CPCT in January 2015; and (ii) we have taken up newly launched cargo handling services in the CPCT in April and July 2015. Our air cargo processed volume increased by approximately 9.6% from approximately 411,276 tonnes for the year ended 31 March 2015 to approximately 450,607 tonnes for the year ended 31 March 2016.

FINANCIAL INFORMATION

Direct costs

Our direct costs increased by approximately HK\$15.2 million, or 5.0%, from approximately HK\$303.1 million for the year ended 31 March 2015 to approximately HK\$318.3 million for the year ended 31 March 2016. Such increase was generally in line with the upward trend of our revenue during the year and was primarily due to (i) the increase in our total labour costs incurred to cope with our business growth in terms of the volume of air cargo processed at the CPCT partially offset by (ii) lower rental and management fee on our warehouses as we have terminated our warehouse operation at the Modern Terminal in Kwai Chung in August 2015 as explained above; and (iii) lower fuel and diesel expenses on lower transportation services rendered.

Gross profit

Our gross profit decreased slightly by approximately HK\$0.8 million, or 1.3%, from approximately HK\$61.3 million for the year ended 31 March 2015 to approximately HK\$60.5 million for the year ended 31 March 2016, and our gross profit margin decreased slightly from approximately 16.8% to approximately 16.0% during the respective year. Such decrease was primarily attributable to the lower gross profit and gross profit margin from our air freight forwarding ground handling services.

Air freight forwarding ground handling services

Gross profit from our air freight forwarding ground handling services decreased by approximately HK\$5.3 million, or 28.8%, from approximately HK\$18.4 million for the year ended 31 March 2015 to approximately HK\$13.1 million for the year ended 31 March 2016. Such decrease in gross profit was mainly due to the decrease in revenue of our air freight forwarding ground handling services as explained above. The gross profit margin from our air freight forwarding ground handling services also decreased from approximately 9.2% to approximately 6.7% during the respective year is mainly due to the increase in the average labour cost for the year ended 31 March 2016.

Air cargo terminal operating services

Gross profit from our air cargo terminal operating services increased by approximately HK\$4.5 million, or 10.5%, from approximately HK\$43.0 million for the year ended 31 March 2015 to approximately HK\$47.5 million for the year ended 31 March 2016. Such increase was primarily due to the increase in revenue of our air cargo terminal operating services as explained above. Our gross profit margin from air cargo terminal operating services remained stable at 26.0% and 25.7% for the years ended 31 March 2015 and 2016, respectively, despite the increase in the average labour cost for the year ended 31 March 2016. Our Directors consider that it is mainly because we were able to maintain a similar level of labour force to fulfill the increased workloads upon the increase in cargo volume processed of approximately 10% for the year ended 31 March 2016 as compared to the previous year.

FINANCIAL INFORMATION

Other income and gains

Our other income and gains decreased by approximately HK\$0.9 million, or 21.4%, from approximately HK\$4.2 million for the year ended 31 March 2015 to approximately HK\$3.3 million for the year ended 31 March 2016, primarily due to lower government subsidy on environmental measures in relation to motor vehicles disposal, partially offset by higher income from sales of scrap packaging materials.

Administrative and other operating expenses

Our administrative and other operating expenses decreased by approximately HK\$1.9 million, or 4.5%, from approximately HK\$41.9 million for the year ended 31 March 2015 to approximately HK\$40.0 million for the year ended 31 March 2016, mainly on lower employee compensation insurance expenses due to the lower number of staff employed as we increased the use of dispatched labour for better flexibility in human resources management during the year ended 31 March 2016.

Finance costs

Our finance costs decreased by approximately HK\$0.3 million, or 23.1%, from approximately HK\$1.3 million for the year ended 31 March 2015 to approximately HK\$1.0 million for the year ended 31 March 2016, owing to lower average balance of our bank and other borrowings.

Income tax expense

Our income tax expenses remained stable at approximately HK\$3.8 million and HK\$3.7 million for the years ended 31 March 2015 and 2016, respectively. Our effective income tax rate, being our income tax expenses for the year divided by our profits before tax, was approximately 17.2% and 16.2% for the respective years.

Profit for the period

As a result of the foregoing, our profit increased by approximately HK\$0.6 million, or 3.2%, from approximately HK\$18.5 million for the year ended 31 March 2015 to approximately HK\$19.1 million for the year ended 31 March 2016.

Year ended 31 March 2017 compared to year ended 31 March 2016

Revenue

Our revenue increased by approximately HK\$51.3 million, or 13.5%, from approximately HK\$378.8 million for the year ended 31 March 2016 to approximately HK\$430.1 million for the year ended 31 March 2017. Such increase was mainly contributed by the revenue growth from both of our air freight forwarding ground handling services and air cargo terminal operating services.

FINANCIAL INFORMATION

Air freight forwarding ground handling services

Revenue from our air freight forwarding ground handling services increased by approximately HK\$20.3 million, or 10.5%, from approximately HK\$193.9 million for the year ended 31 March 2016 to approximately HK\$214.2 million for the year ended 31 March 2017, primarily due to (i) the expansion of our warehousing services to Customer D upon our expansion of our warehouse in the AFFC in July 2016; and (ii) we have successfully attained better pricing for our air freight forwarding ground handling services from Customer D, upon the renewal of major service contracts in July 2016.

Air cargo terminal operating services

Revenue from our air cargo terminal operating services increased by approximately HK\$31.0 million, or 16.8%, from approximately HK\$184.9 million for the year ended 31 March 2016 to approximately HK\$215.9 million for the year ended 31 March 2017, primarily as a result of the increase in our air cargo processed volume driven by (i) further increase in the number of airlines having their air cargoes handled in the CPCT since October 2016; and (ii) we have taken up new services in relation to air mail handling, and bulk and pre-packed export air cargo handling in the CPCT since October 2016. Our air cargo processed volume in the CPCT increased by approximately 14.7% from approximately 450,607 tonnes for the year ended 31 March 2016 to approximately 516,672 tonnes for the year ended 31 March 2017.

Direct costs

Our direct costs increased by approximately HK\$28.5 million, or 9.0%, from approximately HK\$318.3 million for the year ended 31 March 2016 to approximately HK\$346.8 million for the year ended 31 March 2017. Such increase was generally in line with the upward trend of our revenue during the year and was primarily due to (i) the increase in our total labour costs incurred to cope with our business growth in terms of the volume of air cargo processed; and (ii) the increase in rental and management fee on our warehouse premises upon our expansion of warehousing in the AFFC.

Gross profit

Our gross profit increased by approximately HK\$22.7 million, or 37.5%, from approximately HK\$60.5 million for the year ended 31 March 2016 to approximately HK\$83.2 million for the year ended 31 March 2017, and our gross profit margin also increased from approximately 16.0% to approximately 19.4% during the respective years. Such increase in gross profit margin was primarily attributable to the higher gross profit margin from our air freight forwarding ground handling services.

Air freight forwarding ground handling services

Gross profit and gross profit margin from our air freight forwarding ground handling services increased from approximately HK\$13.1 million and 6.7% for the year ended 31 March 2016 to approximately HK\$30.5 million and 14.3% for the year ended 31 March 2017, respectively. The increase in our gross profit is mainly attributable to (i) the increase

FINANCIAL INFORMATION

in our revenue as discussed above; and (ii) the increase in our gross profit margin. Our gross profit margin increased during the period, which was mainly because (i) we have successfully attained better pricing with an average increment of approximately 8% for our air freight forwarding ground handling services from Customer D, upon the renewal of major service contracts in July 2016; and (ii) we expanded our warehousing services to Customer D which are of relatively higher margin.

Air cargo terminal operating services

Gross profit from our air cargo terminal operating services increased by approximately HK\$5.2 million, or 10.9%, from approximately HK\$47.5 million for the year ended 31 March 2016 to approximately HK\$52.7 million for the year ended 31 March 2017. Such increase was primarily due to the increase in revenue of our air cargo terminal operating services as explained above. Our gross profit margin from air cargo terminal operating services remained stable at 25.7% and 24.4% for the years ended 31 March 2016 and 2017, respectively.

Other income and gains

Our other income and gains remained stable at approximately HK\$3.3 million for each of the years ended 31 March 2016 and 2017. Our other income and gains mainly comprised of income from sales of scrap packaging materials and other sundry income during the respective years.

Administrative and other operating expenses

Our administrative and other operating expenses increased by approximately HK\$3.4 million, or 8.5%, from approximately HK\$40.0 million for the year ended 31 March 2016 to approximately HK\$43.4 million for the year ended 31 March 2017, primarily due to the recognition of listing expenses of approximately HK\$3.9 million for the year ended 31 March 2017 (nil for the year ended 31 March 2016).

Finance costs

Our finance costs increased by approximately HK\$0.4 million, or 40.0%, from approximately HK\$1.0 million for the year ended 31 March 2016 to approximately HK\$1.4 million for the year ended 31 March 2017, owing to higher average balance of our bank and other borrowings to finance our operations.

Income tax expense

Our income tax expenses increased by approximately HK\$3.9 million, or 105.4%, from approximately HK\$3.7 million for the year ended 31 March 2016 to approximately HK\$7.6 million for the year ended 31 March 2017, primarily attributable to the increase in our taxable income. Our effective income tax rate, being our income tax expenses for the year divided by our profits before tax, was approximately 16.2% and 18.2% for the respective years. Such increase was mainly due to the recognition of listing expenses which was not deductible for tax purposes.

FINANCIAL INFORMATION

Profit for the period

As a result of the foregoing, our profit increased by approximately HK\$15.1 million, or 79.1%, from approximately HK\$19.1 million for the year ended 31 March 2016 to approximately HK\$34.2 million for the year ended 31 March 2017.

Five months ended 31 August 2017 compared to five months ended 31 August 2016

Revenue

Our revenue increased by approximately HK\$39.3 million, or 24.3%, from approximately HK\$161.4 million for the five months ended 31 August 2016 to approximately HK\$200.7 million for the five months ended 31 August 2017. Such increase was mainly contributed by the revenue growth from both of our air freight forwarding ground handling services and air cargo terminal operating services.

Air freight forwarding ground handling services

Revenue from our air freight forwarding ground handling services increased by approximately HK\$24.1 million, or 30.1%, from approximately HK\$80.1 million for the five months ended 31 August 2016 to approximately HK\$104.2 million for the five months ended 31 August 2017, primarily due to (i) the expansion of our warehousing services to Customer D upon our expansion of our warehouse in the AFFC in July 2016; (ii) we have successfully attained better pricing for our air freight forwarding ground handling services from Customer D, upon the renewal of major service contracts in July 2016; and (iii) we were engaged by Customer F, one of the world's largest logistics company, as its service provider since May 2017.

Air cargo terminal operating services

Revenue from our air cargo terminal operating services increased by approximately HK\$15.2 million, or 18.7%, from approximately HK\$81.3 million for the five months ended 31 August 2016 to approximately HK\$96.5 million for the five months ended 31 August 2017, primarily as a result of the increase in our air cargo processed volume driven by (i) further increase in the number of airlines having their air cargoes handled in the CPCT since October 2016; and (ii) we have taken up new services in relation to air mail handling, and bulk and pre-packed export air cargo handling in the CPCT since October 2016. Our air cargo processed volume in the CPCT increased by approximately 8.8% from approximately 203,993 tonnes for the five months ended 31 August 2016 to approximately 221,980 tonnes for the five months ended 31 August 2017.

Direct costs

Our direct costs increased by approximately HK\$37.1 million, or 28.3%, from approximately HK\$131.3 million for the five months ended 31 August 2016 to approximately HK\$168.4 million for the five months ended 31 August 2017. Such increase was generally in line with the upward trend of our revenue during the period and was primarily due to (i) the increase in our total labour costs incurred to cope with our business

FINANCIAL INFORMATION

growth in terms of the volume of air cargo processed; and (ii) the increase in rental and management fee on our warehouse premises upon our expansion of warehousing in the AFFC.

Gross profit

Our gross profit increased by approximately HK\$2.2 million, or 7.3%, from approximately HK\$30.1 million for the five months ended 31 August 2016 to approximately HK\$32.3 million for the five months ended 31 August 2017, and our gross profit margin also decreased from approximately 18.7% to approximately 16.1% during the respective period. Such decrease in gross profit margin was primarily attributable to the reduced gross profit margin from our air freight forwarding ground handling services.

Air freight forwarding ground handling services

Our gross profit margin from air freight forwarding ground handling services decreased from approximately 13.7% for the five months ended 31 August 2016 to approximately 10.5% for the five months ended 31 August 2017. The decrease in our gross profit margin is mainly attributable to (i) the decrease in cargoes received from Customer D for our cargo handling services for the five months ended 31 August 2017; and (ii) our Directors believe that the volume of cargo received from Customer D would be recovered in the later of 2017, and decided to maintain the level of labour force in such business units. Nevertheless, as contributed by our revenue growth mainly on the expansion of our warehousing services to Customer D as discussed above, our gross profit derived from air freight forwarding ground handling services remained stable at approximately HK\$11.0 million for five months ended 31 August 2016 and 2017.

Air cargo terminal operating services

Gross profit from our air cargo terminal operating services increased by approximately HK\$2.2 million, or 11.5%, from approximately HK\$19.1 million for the five months ended 31 August 2016 to approximately HK\$21.3 million for the five months ended 31 August 2017. Such increase was primarily due to the increase in revenue of our air cargo terminal operating services as explained above. Our gross profit margin from air cargo terminal operating services decreased slightly from approximately 23.5% for the five months ended 31 August 2016 to approximately 22.1% for the five months ended 31 August 2017, respectively, mainly due to the higher average in labour wage rate.

Other income and gains

Our other income and gains increased by approximately HK\$0.6 million, from approximately HK\$1.2 million for the five months ended 31 August 2016 to approximately HK\$1.8 million for the five months ended 31 August 2017, primarily due to the increase in government subsidy in relation to the phasing out of pre-euro IV diesel commercial vehicles. Our other income and gains mainly comprised of income from sales of scrap packaging materials and other sundry income during the respective period.

FINANCIAL INFORMATION

Administrative and other operating expenses

Our administrative and other operating expenses increased by approximately HK\$6.2 million, or 37.3%, from approximately HK\$16.6 million for the five months ended 31 August 2016 to approximately HK\$22.8 million for the five months ended 31 August 2017, primarily due to the recognition of listing expenses of approximately HK\$4.6 million for the five months ended 31 August 2017 (nil for the five months ended 31 August 2016).

Finance costs

Our finance costs decreased by approximately HK\$35,000, or 7.3%, from approximately HK\$479,000 for the five months ended 31 August 2016 to approximately HK\$444,000 for the five months ended 31 August 2017, primarily due to the repayment of bank and other borrowings amounted to approximately HK\$7.5 million and partially offset by the drawdown of bank borrowings of approximately of HK\$3.2 million during the five months ended 31 August 2017.

Income tax expense

Our income tax expenses increased by approximately HK\$0.5 million, or 20.8%, from approximately HK\$2.4 million for the five months ended 31 August 2016 to approximately HK\$2.9 million for the five months ended 31 August 2017, and our effective income tax rate, being our income tax expenses for the period divided by our profits before tax, was approximately 16.7% and 27.0% for the respective periods, primarily due to the increase in the non-deductible listing expenses incurred in 2017 as compared with 2016.

Profit for the period

As a result of the foregoing, our profit for the period decreased by approximately HK\$4.0 million, or 33.6%, from approximately HK\$11.9 million for the five months ended 31 August 2016 to approximately HK\$7.9 million for the five months ended 31 August 2017.

FINANCIAL INFORMATION

INDEBTEDNESS

The following table sets forth the breakdown of our indebtedness as of the dates indicated.

	As at 31 March			As at 31 August	As at 31 December
	2015	2016	2017	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(Unaudited)
Non-current					
Finance lease liabilities	1,345	1,142	257	–	–
Current					
Amounts due to directors	25,245	30,079	20,081	18,452	18,734
Bank and other borrowings	25,554	10,903	25,545	21,208	15,882
Finance lease liabilities	1,825	3,534	1,743	613	358
	<u>52,624</u>	<u>44,516</u>	<u>47,369</u>	<u>40,273</u>	<u>34,974</u>
Total	<u>53,969</u>	<u>45,658</u>	<u>47,626</u>	<u>40,273</u>	<u>34,974</u>

As at 31 March 2015, 2016 and 2017 and 31 August 2017, our Group had amounts due to directors and borrowings in aggregate of approximately HK\$54.0 million, HK\$45.7 million, HK\$47.6 million and HK\$40.3 million, respectively. As at 31 December 2017, being the latest practicable date for ascertaining indebtedness, our Group had amounts due to directors and borrowings amounted to approximately HK\$35.0 million. All of the amounts due to directors will be settled by cash before the Listing.

The table below sets out the effective interest rates per annum for our borrowings as of the dates indicated:

	As at 31 March			As at 31 August	As at 31 December
	2015	2016	2017	2017	2017
					(Unaudited)
Bank and other borrowings	3.00% to 5.00%	3.00% to 5.00%	2.10% to 7.00%	1.80% to 7.00%	1.80% to 4.25%
Finance lease liabilities	1.75% to 1.80%	1.75% to 1.80%	1.75% to 1.80%	1.75% to 1.80%	1.75% to 1.80%

The amounts due to directors and our bank and other borrowings were primarily used in financing the working capital requirement of our operations, while our finance lease liabilities were primarily for the acquisition of our property, plant and equipment to support our operations. During the Track Record Period, all of our borrowings were denominated in Hong Kong Dollars.

FINANCIAL INFORMATION

Bank borrowings

Our bank borrowings were from major commercial banks in Hong Kong. Notwithstanding that our bank borrowings may have specific repayment schedule which may last longer than one year, the loan agreements between our Group and the major commercial banks contain a general term entitling the banks to demand for repayment at the respective bank's discretion. As a result, our bank borrowings were classified as current liabilities in our combined financial statements.

The following table sets forth a breakdown of our bank borrowings according to the repayment schedule as at the dates indicated:

	As at 31 March			As at 31 August	As at 31 December
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2017 <i>HK\$'000</i> (Unaudited)
Within 1 year	11,351	3,571	5,423	6,619	5,803
Between 1 and 2 years	3,571	3,538	3,594	4,308	3,806
Between 2 and 5 years	6,383	3,794	8,528	7,281	6,273
Over 5 years	949	–	–	–	–
	<u>22,254</u>	<u>10,903</u>	<u>17,545</u>	<u>18,208</u>	<u>15,882</u>

During the Track Record Period, our bank borrowings were secured/guaranteed by

- (i) Personal guarantees given by Mr. Alex Law and Mr. Simon Law as at 31 March 2015, 2016 and 2017 and 31 August 2017;
- (ii) Certain properties held by Mr. Alex Law and Mr. Simon Law as at 31 March 2015, 2016 and 2017 and 31 August 2017;
- (iii) Guarantee by The Hong Kong Mortgage Corporation Limited under SME Financing Guarantee Scheme as at 31 March 2015, 2016 and 2017 and 31 August 2017; and
- (iv) Certain cash deposits of our Group of approximately HK\$3,000,000 as at 31 March 2017 and 31 August 2017.

As at 31 December 2017, we had unutilised banking facilities of approximately HK\$19.6 million available for drawdown. All personal guarantees given by Mr. Alex Law and Mr. Simon Law will be released upon the Listing, and bank borrowing guaranteed by The Hong Kong Mortgage Corporation Limited will be settled before the Listing.

As at the Latest Practicable Date, there was no material covenant on any of our outstanding bank borrowings. Our Directors further confirm that we had no material default or substantial delay in any payment or breached any of the covenants pertaining to our

FINANCIAL INFORMATION

borrowings during the Track Record Period and up to the Latest Practicable Date. For details of our bank borrowings, please refer to note 20 in the Accountants' Report set out in Appendix I to this prospectus.

Other borrowings

During the Track Record Period, our Group has also entered into lending agreements with non-bank Independent Third Party(ies) for borrowings to finance our working capital. As at 31 March 2015, 2016 and 2017, 31 August 2017 and 31 December 2017, our other borrowings amounted to approximately HK\$3.3 million, nil, HK\$8.0 million, HK\$3.0 million and nil, respectively. Such borrowings were secured by certain of our Group's trucks with an aggregate net book value of nil, nil, nil, nil and nil as at the respective dates. For details of our other borrowings, please also refer to note 20 in the Accountants' Report set out in Appendix I to this prospectus.

Finance lease liabilities

The following table sets out the present value of our finance lease liabilities as at the dates indicated.

	As at 31 March			As at	As at
	2015	2016	2017	31 August	31 December
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					(Unaudited)
Within 1 year	1,825	3,534	1,743	613	358
Between 1 and 2 years	1,280	1,142	257	–	–
Between 2 and 5 years	65	–	–	–	–
	<u>3,170</u>	<u>4,676</u>	<u>2,000</u>	<u>613</u>	<u>358</u>

During the Track Record Period, our finance lease liabilities are guaranteed by Mr. Simon Law and secured by our Group's trucks, pallet trucks and motor vehicles with an aggregate net book value of approximately HK\$4.0 million, HK\$5.6 million, HK\$3.9 million and HK\$1.1 million as at 31 March 2015, 2016 and 2017 and 31 August 2017, respectively. All personal guarantees given by Mr. Simon Law will be released upon the Listing. For details of our finance lease liabilities, please refer to note 20 in the Accountants' Report set out in Appendix I to this prospectus.

Contingent liabilities

We had no significant contingent liabilities as at 31 March 2015, 2016 and 2017, 31 August 2017 and 31 December 2017.

Our Directors confirm that (i) our Group has not experienced any difficulty in obtaining bank borrowings; (ii) we did not have any default in payment on bank borrowings or any breach of finance covenants during the Track Record Period and up to the Latest Practicable Date; (iii) there has not been any material change in our indebtedness and

FINANCIAL INFORMATION

contingent liabilities since 31 December 2017 and up to the Latest Practicable Date; (iv) our Directors are not aware of any material defaults in payment of our trade and other payables during the Track Record Period and up to the Latest Practicable Date; (v) our bank loans and bank facilities are subject to standard banking conditions; and (vi) our Group has not received any notice from banks indicating that they might withdraw or downsize the bank loans or bank facilities and none of our Group's bank borrowings and facilities are subject to the fulfillment of covenants relating to financial ratio requirements or any other material covenants which would adversely affect our Group's ability to undertake additional debt or equity financings.

Save as disclosed in paragraph headed "Indebtedness" in this section, we did not have, at the close of business on 31 December 2017, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

COMMITMENTS

Operating lease commitment

We leased certain office premises, warehouse and loading bay under operating lease arrangements for a term of one to three years. The following table sets forth our commitments for future minimum lease payments under non-cancellable operating leases in respect of our leased properties and forklifts as at the date indicated:

	As at 31 March	As at 31 August	As at 31 December
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Within one year	17,020	7,151	50,771
In the second to fifth years inclusive	2,166	894	62,386
	<u>19,186</u>	<u>8,045</u>	<u>113,157</u>
			<u>100,461</u>
			<u>82,445</u>

(Unaudited)

We have licenced certain premises under operating lease arrangements at cost of approximately HK\$370,000 including management fee and administration fee per month to Customer D for office use since 1 July 2016. We do not derive any net income from such licencing arrangement.

FINANCIAL INFORMATION

The following table sets forth our commitments for future minimum lease receivable under such non-cancellable operating leases as at the date indicated:

	2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	As at 31 August 2017 <i>HK\$'000</i>	As at 31 December 2017 <i>HK\$'000</i> (Unaudited)
Within one year	–	–	4,443	4,443	4,443
In the second to fifth years inclusive	–	–	5,553	3,702	2,221
	<u>–</u>	<u>–</u>	<u>9,996</u>	<u>8,145</u>	<u>6,664</u>

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our Shares and classified as shareholder's equity, or that are not reflected in our combined financial statements. We do not have any variable interests in any uncombined entity that provides financing, liquidity or credit support to us, or engages in leasing, hedging or research and development services with us.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Our primary use of cash is to fund our operations and to repay our borrowings and related interest expenses. During the Track Record Period and up to the Latest Practicable Date, we have financed our operations through a combination of cash generated from operating activities and external borrowings. Upon the completion of the Share Offer, we expect to meet our liquidity needs and finance our working capital requirements from cash generated from our operations, debt financing and the net proceeds from the Share Offer. As at the Latest Practicable Date, we had not experienced any liquidity problems in settling our payables in the normal course of business.

FINANCIAL INFORMATION

Cash flows

The following table sets forth our cash flows for the periods indicated:

	Year ended 31 March			Five months ended 31 August	
	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>
				(unaudited)	
Net cash generated from/ (used in) operating activities	27,987	21,134	44,916	(9,396)	2,563
Net cash used in investing activities	(1,249)	(1,588)	(5,448)	(1,115)	(5,862)
Net cash (used in)/generated from financing activities	(12,363)	(24,040)	(593)	7,068	(18,797)
Net increase/(decrease) in cash and cash equivalents	14,375	(4,494)	38,875	(3,443)	(22,096)
Cash and cash equivalents at beginning of year/period	<u>9,339</u>	<u>23,714</u>	<u>19,220</u>	<u>19,220</u>	<u>58,095</u>
Cash and cash equivalents at end of year/period	<u><u>23,714</u></u>	<u><u>19,220</u></u>	<u><u>58,095</u></u>	<u><u>15,777</u></u>	<u><u>35,999</u></u>

Cash flows from operating activities

Our cash inflows from operating activities are principally generated from receipt of payments from our customers in relation to our provision of air freight forwarding ground handling services and air cargo terminal operating services. Our cash outflows from operating activities are principally for the payments for staff costs, dispatched labour costs, purchase of packaging materials, administrative and other operating expenses.

Net cash generated from operating activities reflects our profit before finance costs and income tax deducted by interests and income tax paid during the period and adjusted for non-cash items such as depreciation of property, plant and equipment, and the effects of changes in working capital.

For the five months ended 31 August 2017, we had net cash generated from operating activities amounted to approximately HK\$2.6 million, which was a combined result of operating cash inflow before movements in working capital of approximately HK\$13.1 million, net decrease in working capital changes of approximately HK\$9.6 million and income tax paid of approximately HK\$0.9 million. The net decrease in working capital changes primarily reflect (i) an increase in trade receivables of approximately HK\$16.2

FINANCIAL INFORMATION

million mainly resulted from the higher sales towards the end of 31 August 2017, as compared to that of 31 March 2017, partially offset by (ii) an increase in trade payables of approximately HK\$4.6 million mainly due to the increase in our dispatched labour to cope with the increased business towards the end of 31 August 2017.

For the year ended 31 March 2017, we had net cash generated from operating activities amounted to approximately HK\$44.9 million, which was a combined result of operating cash inflow before movements in working capital of approximately HK\$47.3 million, net increase in working capital changes of approximately HK\$1.2 million and income tax paid of approximately HK\$3.6 million. The net increase in working capital changes primarily reflected (i) a net decrease in other receivables, deposits and prepayments of approximately HK\$4.3 million on the settlement of an amount due from an Independent Third Party of approximately HK\$5.9 million partially offset by an increase in rental deposit of approximately HK\$1.5 million as we rented a larger area of warehouse for our business growth; (ii) an increase in accruals and other payables of approximately HK\$3.9 million mainly on higher accrued dispatched labour costs; partially offset by (iii) an increase in trade receivables of approximately HK\$7.1 million mainly from Customer D as a result of our business growth in our air freight forwarding ground handling services for the respective year.

For the year ended 31 March 2016, we had net cash generated from operating activities amounted to approximately HK\$21.1 million, which was a combined result of operating cash inflow before movements in working capital of approximately HK\$28.4 million, net decrease in working capital changes of approximately HK\$1.3 million and income tax paid of approximately HK\$6.0 million. The net decrease in working capital changes primarily reflected (i) an increase in trade receivables of approximately HK\$7.4 million mainly from Customer C as a result of the increased air cargo volume processed in the air cargo terminal we serviced; partially offset by (ii) an increase in trade payables of approximately HK\$3.5 million on increased usage of dispatched labour provided by local dispatched work agencies; and (iii) decrease in amount due from Gobo Trade of approximately HK\$1.6 million.

For the year ended 31 March 2015, we had net cash generated from operating activities amounted to approximately HK\$28.0 million, which was a combined result of operating cash inflow before movements in working capital of approximately HK\$27.6 million, net increase in working capital changes of approximately HK\$1.8 million and income tax paid of approximately HK\$1.4 million. The net increase in working capital changes primarily reflected (i) a decrease in trade receivables of HK\$6.8 million mainly due to collection of some long outstanding receivables aged over 60 days as at 31 March 2014 from Customer A; partially offset by (ii) a decrease in accruals and other payables of approximately HK\$3.9 million; (iii) an increase in amount due from Gobo Trade of approximately HK\$1.8 million; and (iv) a decrease in trade payables of HK\$0.7 million.

Cash flows from investing activities

Our investing activities principally consisted of proceeds from disposal and payments for purchase of property, plant and equipment, and pledged deposit.

FINANCIAL INFORMATION

For the five months ended 31 August 2017, we had net cash used in investing activities amounted to approximately HK\$5.9 million, primarily attributable to the purchase of trucks and equipment in the period.

For the year ended 31 March 2017, we had net cash used in investing activities amounted to approximately HK\$5.4 million, primarily attributable to purchases of property, plant and equipment of approximately HK\$2.4 million, and the pledged deposit of approximately HK\$3.0 million as security of bank borrowings.

For the year ended 31 March 2016, we had net cash used in investing activities amounted to approximately HK\$1.6 million, primarily attributable to purchases of trucks and motor vehicles.

For the year ended 31 March 2015, we had net cash used in investing activities amounted to approximately HK\$1.2 million, primarily attributable to purchases of trucks and motor vehicles.

Cash flows from financing activities

Our cash inflows from financing activities are primarily from proceeds from borrowings, while our cash outflows from financing activities are principally for repayment of borrowings and amounts due to directors, and payment of dividends.

For the five months ended 31 August 2017, we had net cash used in financing activities amounted to approximately HK\$18.8 million, primarily attributable to (i) payment of dividends of approximately HK\$11.0 million to the then shareholders of A & S (HK); (ii) net decrease in bank and other borrowings of approximately HK\$4.3 million; (iii) repayment of finance leases for acquisition of our property, plant and equipment of approximately HK\$1.4 million; (iv) a decrease in amounts due to director of approximately HK\$1.6 million; and (v) interest paid on bank and other borrowings and finance lease liabilities of approximately HK\$0.5 million.

For the year ended 31 March 2017, we had net cash used in financing activities amounted to approximately HK\$0.6 million, primarily attributable to (i) a decrease in amounts due to directors of approximately HK\$10.0 million; (ii) repayment of finance leases for acquisition of our property, plant and equipment of approximately HK\$3.9 million; (iii) interest paid on bank and other borrowings and finance lease liabilities of approximately HK\$1.3 million; partially offset by (iv) net increase in bank and other borrowings of approximately HK\$14.6 million.

For the year ended 31 March 2016, we had net cash used in financing activities amounted to approximately HK\$24.0 million, primarily attributable to (i) repayment of bank and other borrowings and finance leases of approximately HK\$17.9 million; (ii) payment of dividends of approximately HK\$5.5 million to the then shareholders of A & S (HK); (iii) interest paid on bank and other borrowings and finance lease liabilities of approximately HK\$0.9 million; partially offset by (iv) an increase in amounts due to directors of approximately HK\$0.3 million.

FINANCIAL INFORMATION

For the year ended 31 March 2015, we had net cash used in financing activities amounted to approximately HK\$12.4 million, primarily attributable to (i) repayment of bank and other borrowings and finance leases of approximately HK\$10.3 million; (ii) interest paid on bank and other borrowings and finance lease liabilities of approximately HK\$1.3 million; (iii) a decrease in amounts due to directors of approximately HK\$0.8 million.

Financial resources

Prior to the completion of the Share Offer, our Group's operations and investments will be financed principally by revenues generated from business operation. As at 31 August 2017, we had cash and cash equivalents of approximately HK\$36.0 million. We intend to finance our Group's future operations, capital expenditures and other capital requirements with the revenues generated from business operations, bank balances available borrowings and the net proceeds from the Share Offer.

WORKING CAPITAL

The following table sets forth the breakdown of our Group's current assets and current liabilities as of the dates indicated below:

	As at 31 March			As at 31 August	As at 31 December
	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					
Trade receivables	68,804	76,178	83,312	99,529	92,785
Other receivables, deposits and prepayments	15,430	14,854	10,539	10,281	11,603
Amounts due from related companies	2,157	570	464	245	248
Pledged deposit	–	–	3,000	3,000	3,000
Cash and bank balances	<u>23,714</u>	<u>19,220</u>	<u>58,095</u>	<u>35,999</u>	<u>43,705</u>
	<u>110,105</u>	<u>110,822</u>	<u>155,410</u>	<u>149,054</u>	<u>151,341</u>
Current liabilities					
Trade payables	7,144	10,648	10,664	15,226	16,013
Accruals and other payables	14,468	14,903	18,770	20,295	16,232
Amounts due to directors	25,245	30,079	20,081	18,452	18,734
Bank and other borrowings	25,554	10,903	25,545	21,208	15,882
Finance lease liabilities	1,825	3,534	1,743	613	358
Tax payable	<u>3,077</u>	<u>790</u>	<u>4,816</u>	<u>6,062</u>	<u>8,228</u>
	<u>77,313</u>	<u>70,857</u>	<u>81,619</u>	<u>81,856</u>	<u>75,447</u>
Net current assets	<u><u>32,792</u></u>	<u><u>39,965</u></u>	<u><u>73,791</u></u>	<u><u>67,198</u></u>	<u><u>75,894</u></u>

FINANCIAL INFORMATION

Our net current assets represent the difference between our total current assets and total current liabilities. Our current assets comprised mainly trade receivables, other receivables, deposits and prepayments, amounts due from related companies, pledged deposit, and cash and bank balances. Our current liabilities mainly included trade payables, accruals and other payables, amounts due to directors, bank and other borrowings, finance lease liabilities and tax payable.

As at 31 March 2015, 2016 and 2017 and 31 August 2017, we recorded net current assets of approximately HK\$32.8 million, HK\$40.0 million, HK\$73.8 million and HK\$67.2 million, respectively. The increase in our net current assets was primarily attributable to the increase in our current assets, which was a result of our business growth during the Track Record Period. This was partially offset by the increase in our current liabilities mainly on the increase in our borrowings to finance our operations and the increase in our trade and other payables for our expanded operation.

As at 31 December 2017, being the latest practicable date for our Group's net current assets position in this prospectus before the Listing, our Group had net current assets of approximately HK\$75.9 million as compared to approximately HK\$67.2 million as at 31 August 2017. Such increase is mainly attributable to the profits generated for the four months ended 31 December 2017.

WORKING CAPITAL SUFFICIENCY

Taking into consideration our cash and bank balances, cash flows from our operations, the banking facilities available to us and the estimated net proceeds from the Share Offer, our Directors believe and the Sole Sponsor concurs, after due and careful inquiry, that we have sufficient working capital for at least 12 months commencing from the date of this prospectus.

ANALYSIS OF COMBINED STATEMENTS OF FINANCIAL POSITION SELECTED ITEMS

Trade receivables

Our trade receivables primarily represented amounts receivable from our customers in relation to our air freight forwarding ground handling services and air cargo terminal operating services. During the Track Record Period, we generally grant credit terms of 30 to 60 days to our customers. The following table sets out the balances of our trade receivables as at the dates indicated:

	As at 31 March			As at 31 August
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	<u>68,804</u>	<u>76,178</u>	<u>83,312</u>	<u>99,529</u>

FINANCIAL INFORMATION

Our Group's trade receivables increased from approximately HK\$68.8 million as at 31 March 2015 to approximately HK\$76.2 million as at 31 March 2016, HK\$83.3 million as at 31 March 2017 and further to approximately HK\$99.5 million as at 31 August 2017, which was mainly due to our business growth as evidenced by the increase in the volume of cargoes processed and the expansion of our warehousing services during the Track Record Period.

The following table sets out the trade receivables' turnover days for the periods indicated:

	For the year ended 31 March			Five months ended 31 August
	2015	2016	2017	2017
Trade receivables' turnover days	72.3 days	70.0 days	67.7 days	69.7 days
<i>(Note)</i>				

Note: Trade receivables' turnover days for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017 are equal to the average trade receivables divided by revenue for the respective year/period and multiplied by 365 days for the years ended 31 March 2015 and 2017, 366 days for the year ended 31 March 2016 and 153 days for the five months ended 31 August 2017. Average trade receivables are the average of trade receivables at the beginning of the year/period and trade receivables at the end of the year/period.

Our trade receivables' turnover days were approximately 72.3 days, 70.0 days, 67.7 days and 69.7 days for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, respectively. There was no material changes in our trade receivables turnover days during the Track Record Period. Our average trade receivables turnover days were within our credit terms generally granted to our customers.

The table below sets forth the ageing analysis of trade receivables by age, presented based on invoice date, which approximates the respective revenue recognition dates:

	As at 31 March			As at 31 August
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	30,242	29,990	40,502	41,515
31-60 days	34,896	39,793	37,329	37,871
61-90 days	3,414	3,268	5,150	17,502
Over 90 days	252	3,127	331	2,641
	68,804	76,178	83,312	99,529

FINANCIAL INFORMATION

Trade receivables due within 90 days generally increased over the Track Record Period primarily due to our business growth as explained above. As at 31 March 2015, 2016 and 2017 and 31 August 2017, a small proportion of trade receivables were due over 90 days, mainly related to one, five, two and four customers, respectively, whom we considered were of no significant financial difficulty and with no recent history of default. Our Directors expect these trade receivables will be settled and will closely monitor the credit exposure and repayment conditions of the customers. We did not make any provision for doubtful debts during the Track Record Period as the trade receivables were considered to be fully recoverable.

As at the Latest Practicable Date, approximately HK\$99.5 million or 100.0% of our trade receivables as at 31 August 2017 have been settled.

Other receivables, deposits and prepayments

Our other receivables, deposits and prepayments primarily comprised of rental deposits, prepaid insurance and other receivables.

The following table sets out the breakdown of our other receivables, deposits and prepayments as at the dates indicated:

	As at 31 March			As at
	2015	2016	2017	31 August
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Deposits	4,375	4,828	6,328	6,977
Prepaid listing expenses	–	–	–	67
Prepayments	4,338	3,731	3,710	2,479
Other receivables	<u>6,717</u>	<u>6,295</u>	<u>501</u>	<u>758</u>
	<u>15,430</u>	<u>14,854</u>	<u>10,539</u>	<u>10,281</u>

As at 31 March 2015, 2016 and 2017 and 31 August 2017, our other receivables, deposits and prepayments amounted to approximately HK\$15.4 million, HK\$14.9 million, HK\$10.5 million and HK\$10.3 million, respectively. The decrease in our other receivables as at 31 March 2017 as compared to that as at 31 March 2016 was mainly due to the settlement of an amount due from an Independent Third Party of approximately HK\$5.9 million during the year ended 31 March 2017. While our deposits increased as at 31 March 2017 as compared to that as at 31 March 2016 mainly attributable to the increase in our rental deposits driven by the increase in floor area of warehouses we rented for our air freight forwarding ground handling services.

For details of our other receivables, deposits and prepayment, please refer to note 16 to the Accountants' Report set out in Appendix I to this prospectus.

FINANCIAL INFORMATION

Trade and other payables

Our trade and other payables consisted of (i) trade payables; (ii) accruals and other payables; and (iii) deposits received. The following table sets forth the details of our trade and other payables during the Track Record Period:

	As at 31 March			As at
	2015	2016	2017	31 August
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2017</i> <i>HK\$'000</i>
Trade payables	7,144	10,648	10,664	15,226
Accruals and other payables (<i>Note</i>)	14,468	14,553	17,820	19,195
Deposits received	–	350	950	1,100
	<u>21,612</u>	<u>25,551</u>	<u>29,434</u>	<u>35,521</u>

Note: Accruals and other payables primarily consisted of accrued staff costs and other accrued expenses.

Trade payables

Trade payables were mainly related to purchases of packaging materials, forklift rental, transportation services received and dispatched labour. We generally receive credit terms of 7 to 60 days from our suppliers.

Our Group's trade payables increased from approximately HK\$7.1 million as at 31 March 2015 to approximately HK\$10.6 million as at 31 March 2016, HK\$10.7 million as at 31 March 2017 and further to approximately HK\$15.2 million as at 31 August 2017, which was mainly due to the increase in our dispatched labour to cope with our business growth during the Track Record Period.

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

	Five months ended			
	For the year ended 31 March			31 August
	2015	2016	2017	2017
Trade payables' turnover days (<i>Note</i>)	8.2 days	10.2 days	11.2 days	11.8 days

Note: Trade payables' turnover days for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017 are equal to the average trade payables divided by direct costs for the respective year/period and multiplied by 365 days for the years ended 31 March 2015 and 2017, 366 days for the year ended 31 March 2016 and 153 days for the five months ended 31 August 2017. Average trade payables are the average of trade payables at the beginning of the year/period and trade payables at the end of the year/period.

FINANCIAL INFORMATION

Our trade payables' turnover days were approximately 8.2 days, 10.2 days, 11.2 days and 11.8 days for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, respectively. There were no significant changes in the trade payables' turnover days during the Track Record Period and the trade payables' turnover days were within the credit terms generally offered by our suppliers.

The following table sets out the ageing analysis of our trade payables as at the end of each of the reporting dates presented based on the invoiced dates:

	As at 31 March			As at
	2015	2016	2017	31 August 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	3,980	4,863	5,990	7,725
31-60 days	2,910	3,415	2,931	3,147
61-90 days	76	189	931	1,084
Over 90 days	178	2,181	812	3,270
	<u>7,144</u>	<u>10,648</u>	<u>10,664</u>	<u>15,226</u>

As at the Latest Practicable Date, approximately HK\$13.2 million or 86.5% of our trade payables as at 31 August 2017 have been settled.

Amounts due from/to related parties

The following table sets forth the details of the amounts due from/to related parties of our Group as at the dates indicated:

Amounts due from related companies

Name of related companies	As at 31 March			As at
	2015	2016	2017	31 August 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASWC (Hong Kong) Logistics Limited	101	112	–	–
Gobo Trade Limited	1,879	249	221	–
Cheer Well Industrial Limited	75	99	110	112
Power Gold Transportation Limited	85	89	91	91
Wellgain Profit Group Limited	17	21	23	23
Dynamic Victor Limited	–	–	19	19
	<u>2,157</u>	<u>570</u>	<u>464</u>	<u>245</u>

FINANCIAL INFORMATION

Except for approximately HK\$1.4 million, HK\$0.2 million, HK\$0.2 million and nil as at 31 March 2015, 2016 and 2017 and 31 August 2017, respectively, included in amount due from Gobo Trade were arising from management fee income, the amounts due from related companies were non-trade in nature, unsecured, non-interest bearing, had no fixed terms of repayment and were denominated in Hong Kong Dollars. All amounts due from related companies will be settled prior to the Listing. For details, please refer to note 17 to the Accountants' Report set out in Appendix I to this prospectus.

Amounts due to directors

Name of Directors	As at 31 March			As at
	2015	2016	2017	31 August
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Mr. Alex Law	6,053	10,519	8,001	7,378
Mr. Simon Law	<u>19,192</u>	<u>19,560</u>	<u>12,080</u>	<u>11,074</u>
	<u>25,245</u>	<u>30,079</u>	<u>20,081</u>	<u>18,452</u>

Amounts due to directors were non-trade in nature, unsecured, non-interest bearing, had no fixed terms of repayment and were denominated in Hong Kong Dollars. Such amounts represented advances from Mr. Alex Law and Mr. Simon Law to finance the daily operation of our Group. All of the amounts due to directors will be settled by cash before the Listing.

FINANCIAL INFORMATION

RELATED PARTY TRANSACTIONS

The following table sets out the details of our Group's related party transactions during the Track Record Period:

Name of related party	Relationship	Nature of transactions	Year ended 31 March			Five months ended 31 August	
			2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000
						(unaudited)	
Mr. Alex Law and Mr. Simon Law	Directors of the Company	Office premises rental	300	300	300	125	130
Gobo Trade Limited	A company which Mr. Alex Law and Mr. Simon Law have joint control	Management fee income	554	624	624	240	60
		Revenue from logistics services	429	364	760	251	56
		Purchases of office supplies	611	748	1,002	319	604
		Purchases of packaging materials	14,134	14,423	12,258	5,028	4,359
Hung Kee Body Building Factory Limited	A company controlled by a close family member of Mr. Alex Law and Mr. Simon Law	Vehicle repair and maintenance expenses	59	1,197	1,459	769	865
		Purchases of property, plant and equipment	–	–	–	–	146
Hung Kee Body Building Factory	A sole proprietorship business owned by a close family member of Mr. Alex Law and Mr. Simon Law	Vehicle repair and maintenance expenses	1,307	222	–	–	–
		Car parking spaces rental	384	384	384	160	128

For details of our related party transactions, please refer to note 28 to the Accountants' Report set out in Appendix I to this prospectus. Having considered that the related party transactions were conducted with terms comparable to that with Independent Third Parties, our Directors consider and the Sole Sponsor concurs that these related party transactions were conducted on normal commercial terms, are fair and reasonable and in the interest of our Group, and would not distort our results of operations during the Track Record Period or make our historical results not reflective of our expectation for our future performance.

FINANCIAL INFORMATION

SELECTED KEY FINANCIAL RATIOS

The following table sets out the selected key financial ratios of our Group during the Track Record Period:

	Year ended or as at 31 March			Five months ended or as at 31 August
	2015	2016	2017	2017
Profitability ratios				
Return on total assets (<i>Note 1</i>)	16.0%	16.2%	21.1%	11.7%
Return on equity (<i>Note 2</i>)	49.8%	41.4%	42.6%	24.3%
Liquidity ratios				
Current ratio (<i>Note 3</i>)	1.4	1.6	1.9	1.8
Quick ratio (<i>Note 4</i>)	1.4	1.6	1.9	1.8
Capital adequacy ratios				
Gearing ratio (<i>Note 5</i>)	77.5%	33.7%	34.3%	28.3%
Interest coverage (<i>Note 6</i>)	18.5	24.6	31.7	25.3

Notes:

1. Return on assets is calculated based on the net profit for the respective period divided by the total assets as at the end of the respective period, multiplied by 100% for each of the years ended 31 March 2015, 2016 and 2017; or multiplied by 365/153 and then multiplying the resulting value by 100% for the five months ended 31 August 2017.
2. Return on equity is calculated based on the net profit attributable to the owners of our Company for the respective period divided by the total equity attributable to the owners of our Company as at the end of the respective period, multiplied by 100% for each of the years ended 31 March 2015, 2016 and 2017; or multiplied by 365/153 and then multiplying the resulting value by 100% for the five months ended 31 August 2017.
3. Current ratio is calculated based on the total current assets as at the end of the respective period divided by the total current liabilities as at the end of the respective period.
4. Quick ratio is calculated based on the total current assets (less inventory) as at the end of the respective period divided by the total current liabilities as at the end of the respective period.
5. Gearing ratio is calculated based on the total interest-bearing liabilities as at the end of the respective period divided by total equity as at the end of the respective period and multiplied by 100%.
6. Interest coverage is calculated based on the net profit before interest and tax for the respective period divided by the interest expenses for the respective period.

Return on total assets

Our return on total assets remained stable at approximately 16.0% and 16.2% for the years ended 31 March 2015 and 2016, respectively, and then increased to approximately 21.1% for the year ended 31 March 2017. Such increase was attributable to the higher rate of increase in net profit of approximately 79.1% over the increase of total assets of approximately 37.3%. The increase in net profit was mainly contributed by the increase in

FINANCIAL INFORMATION

gross profit as explained under the paragraph headed “Gross profit” in this section. However, the rate of increase of the total assets was lower because of the higher asset base. For the five months ended 31 August 2017, our return on total assets decreased to approximately 11.7%, mainly due to the decrease in net profit resulting from the recognition of listing expenses of approximately HK\$4.6 million.

Return on equity

Our return on equity decreased from approximately 49.8% for the year ended 31 March 2015 to approximately 41.4% for the year ended 31 March 2016. Such decrease was mainly due to the rate of increase in our equity, resulting from the contribution of net profit for the year ended 31 March 2016 to retained earnings, being higher than the rate of increase in our net profit for the year ended 31 March 2016. Our return on equity remained stable at approximately 42.6% for the year ended 31 March 2017. For the five months ended 31 August 2017, our return on equity decreased to approximately 24.3%. The decrease was mainly due to the decrease in net profit resulting from the recognition of listing expenses of approximately HK\$4.6 million.

Current/quick ratio

As our Group did not hold any inventory during the Track Record Period, the current ratio of our Group is identical to our quick ratio for the respective year. Our current ratio increased from approximately 1.4 times as at 31 March 2015 to approximately 1.6 times as at 31 March 2016 and further increased to approximately 1.9 times as at 31 March 2017. Such increase mainly reflected our better working capital position contributed by our increasing trade receivables and our cash and bank balances over the Track Record Period along our business growth. Our current ratio remained stable at approximately 1.8 times as at 31 August 2017.

Gearing ratio

Our gearing ratio decreased from approximately 77.5% as at 31 March 2015 to approximately 33.7% as at 31 March 2016, primarily due to (i) the repayment of bank and other borrowings during the year ended 31 March 2016; and (ii) the higher equity contributed by the net profit for the year partially offset by the impact of the dividends of HK\$10.0 million declared and paid by A & S (HK) to the then shareholders for the year. Our gearing ratio remained stable at approximately 34.3% as at 31 March 2017. Our gearing ratio decreased to approximately 28.3% as at 31 August 2017, mainly due to the repayment of bank and other borrowing for the five months ended 31 August 2017.

Interest coverage

Our interest coverage increased from approximately 18.5 times for the year ended 31 March 2015 to approximately 24.6 times for the year ended 31 March 2016, and further increased to approximately 31.7 times for the year ended 31 March 2017. Such increase was mainly due to the increase in our net profit before interest and tax over the Track Record Period driven by our business growth while our finance costs remained at similar level for the respective period. For the five months ended 31 August 2017, our interest coverage

FINANCIAL INFORMATION

decreased to approximately 25.3 times, mainly due to the decrease in net profit before interest and tax resulting from the recognition of listing expenses of approximately HK\$4.6 million.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Foreign currency risk

Our Group currently does not expose to material foreign exchange risk as most of our monetary assets and liabilities are denominated in Hong Kong Dollars.

Credit risk

We are exposed to credit risk primarily arising from trade receivables and bank deposits. Trade receivables are substantially from our customers with good collection track records with us. For trade receivables, we adopt the policy of dealing only with customers of appropriate credit history to mitigate credit risks. We are subject to concentration of credit risk with respect to trade receivables. As at 31 March 2015, 2016 and 2017 and 31 August 2017, there were 2, 2, 2 and 2 customers which collectively accounted for approximately 94%, 95%, 95% and 90% of our total trade receivables as at 31 March 2015, 2016 and 2017 and 31 August 2017 respectively. No provision for doubtful debts was recognised during the Track Record Period because there were subsequent settlements or no historical default of payments by the respective customers and the amounts are still considered recoverable.

Bank deposits are mainly deposits with banks with good credit ratings assigned by international credit-rating agencies or with good reputation. For bank deposits, we adopt the policy of dealing only with high credit quality counterparties.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as of the end of each reporting period in relation to each class of recognised financial assets was the carrying amounts of those assets as stated on our combined statements of financial position.

Liquidity risk

Our Group has policy in place to regularly monitor our Group's liquidity requirements, both existing and expected, in order to maintain sufficient reserves of cash from short term to long term.

Our Directors are of the view that our liquidity risk management policy enables our Group to have sufficient resources to meet our debt obligations and working capital needs.

Interest rate risk

Our interest rate risk relates primarily to our bank deposits and bank borrowings. We currently have not entered into interest rate swaps to hedge against our exposure to changes in fair values of our borrowings. It is our policy to maintain an appropriate level between

FINANCIAL INFORMATION

our deposits and borrowings so as to balance the fair value and cash flow interest rate risk. In addition, to the extent that we may need to raise debt financing in the future, upward fluctuations in interest rates will increase the cost of new debts. Fluctuations in interest rates can also lead to significant fluctuations in the fair values of our debt obligations. We currently do not use any derivative instruments to manage our interest rate risk. To the extent we decide to do so in the future, there can be no assurance that any future hedging activities will protect us from fluctuations in interest rates.

PROPERTY INTERESTS

As at 31 March 2015, 2016 and 2017 and 31 August 2017, our Group did not own any properties. For details, please also refer to the section headed “Business – Property interests” in this prospectus.

DIVIDEND AND DISTRIBUTABLE RESERVES

For the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, A & S (HK) declared dividend of nil, HK\$10.0 million, nil and HK\$11.0 million, respectively, to the then shareholders. All of such dividends have been fully settled and the payments were financed by our internal resources.

Our Company does not have any predetermined dividend payout ratio. The payment and the amount of any future dividends will be at the discretion of our Directors and will depend on the future operations and earnings, capital requirements and surplus, general financial condition and other factors that our Directors deem relevant. Investors should note that historical dividend distributions are not indicative of our Company’s future dividend distribution.

Our Company was incorporated on 7 July 2016 and has not carried out any business since the date of incorporation. Accordingly, our Company did not have any distributable reserve available for distribution to our Shareholders as at 31 August 2017.

LISTING EXPENSES AND FINANCIAL PERFORMANCE FOR THE YEAR ENDING 31 MARCH 2018

Our Group’s financial performance for the year ending 31 March 2018 will be affected by the non-recurring expenses incurred in relation to the Listing. The listing expenses are estimated to be approximately HK\$23.5 million (assuming an Offer Price of HK\$0.40, being the midpoint of the indicative Offer Price range of HK\$0.30 to HK\$0.50 per Offer Share), of which (i) approximately HK\$10.3 million is directly attributable to the issue of Offer Shares which is to be accounted for as a deduction from equity; (ii) approximately HK\$3.9 million and HK\$4.6 million has been charged to profit or loss of our Group for the year ended 31 March 2017 and the five months ended 31 August 2017, respectively; and (iii) approximately HK\$4.7 million is to be charged to profit or loss of our Group for the seven months ending 31 March 2018. Such cost is a current estimate and for reference only. The final amount to be recognised to the profit or loss of our Group or to be capitalised is subject to adjustment based on audit and the changes in variables and assumptions.

FINANCIAL INFORMATION

In addition, there will be an expected increase in administrative expenses for the year ending 31 March 2018 arising from the increase in remuneration of our Directors and the appointment of the new independent non-executive Directors and professional parties prior to and after the Listing.

Our Directors are of the opinion that there has been no fundamental deterioration in the commercial and operational viability in our Group's business despite the expected increase in our Directors' remuneration and professional fees and the non-recurring listing expenses.

MATERIAL ADVERSE CHANGE

Save for the expected non-recurring listing expenses disclosed above, our Directors have confirmed that, up to the date of this prospectus, there had been no material adverse change in the financial or trading positions or prospect of our Company or its subsidiaries since 31 August 2017 (being the date of which our Group's latest audited combined financial statements were made up as set out in the Accountants' Report in Appendix I to this prospectus) and there had been no event since 31 August 2017 which would materially affect the information shown in the Accountants' Report in Appendix I to this prospectus.

DISCLOSURE REQUIREMENTS UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, there were no circumstances which would have given rise to a disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

Please refer to the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus for details.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please see the section headed “Business – Business strategies” in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

We intend to apply the net proceeds to us from the Share Offer, after deducting related underwriting fees and estimated expenses in connection with the Share Offer and an Offer Price of HK\$0.4, being the mid-point of the Offer Price range, of approximately HK\$76.5 million as follows:

- approximately HK\$30.0 million or approximately 39.2% of the net proceeds will be used for the setting up of new warehouse premises in Tuen Mun of around 130,000 sq. ft. in about 12 months following the Listing. We intend to finance the capital expenditure for setting up such new warehouse premises for our usage using the net proceeds from the Share Offer. Based on the current market conditions, our Directors estimate that the set up cost of the warehouse premises includes the capital expenditure for warehouse facilities, such as installation of cargo storage and forklift operating systems, measurement and control systems, and RFID and scanning applications in the new warehouse premises, of approximately HK\$20.0 million, rental deposit of approximately HK\$6.0 million and working capital for the new warehouse premises of approximately HK\$4.0 million. Our Directors expect that we would rent the new warehouse premises for at least six years, and no further capital expenditure is required for setting up the new warehouse premises. For details of our expected implementation of our future plans and use of proceeds, please refer to the paragraph headed “Implementation plans” in this section.

As at the Latest Practicable Date, we rented warehouse premises in the AFFC of an aggregate floor area of approximately 235,293 sq.ft. Following the expansion of our warehouse premises at AFFC of approximately 139,000 sq. ft. in July 2016, we have provided more warehousing services to our customers. Since then and up to the Latest Practicable Date, our existing warehousing capacity has been almost fully utilised and we are not able to meet all of their demands. The warehousing capacity of our warehouses and an analysis of the utilisation rate during the Track Record Period are set out below:

FUTURE PLANS AND USE OF PROCEEDS

	For the year ended 31 March			For the five months ended 31 August
	2015	2016	2017	2017
Size of warehouse premises (Note 1)	112,124	88,062	188,169	225,430
	sq. ft.	sq. ft.	sq. ft.	sq. ft.
Estimated annualised warehousing capacity (Note 2)	63,911	50,195	107,256	128,495
	tonnes	tonnes	tonnes	tonnes
Actual warehousing services provided	46,180	40,764	102,905	47,762
	tonnes	tonnes	tonnes	tonnes
Utilisation rate (Note 3)	72.3%	81.2%	95.9%	89.2%

Notes:

1. Size of warehouse premises is estimated by the sum of the average floor area of all of our warehouse premises during the period indicated.
2. Estimated annualised warehousing capacity is estimated by the size of warehouse premises multiplied by the estimated unit warehousing capacity of the warehouse premises.
3. Utilisation rate is computed by dividing actual warehousing services provided by estimated annualised warehousing capacity for the years ended 31 March 2015, 2016 and 2017; and by dividing actual warehousing services provided by pro-rata estimated annualised warehousing capacity for the five months ended 31 August 2017.

As at the Latest Practicable Date, several existing customers of our Group have approached us and expressed their interests in engaging us to expand our existing service scope to them. Based on the discussion between Customer D and our Group, Customer D intends to consolidate and outsource its existing integrated warehousing business in Kwai Chung and Tuen Mun with an aggregate size of approximately 70,000 sq.ft. into a single warehouse in order to improve their operating efficiency and cost effectiveness. As such, Customer D has approached us to discuss warehousing and related cargo handling services of similar scale. Given that (i) to our Directors' understanding, our proposed warehousing services cost less than their existing warehousing services in Kwai Chung and Tuen Mun; and (ii) the history of our cooperation and experience with Customer D in the AFFC and other warehouses, our Directors are of the view that we enjoy considerable advantage in the outsourcing tendering as compared with the other contenders. With reference to the unit rate of our existing warehousing and cargo handling services in the AFFC and the business size of the aforesaid potential integrated warehousing service, we expect that, if we are engaged, it will take up approximately 40% to 50% of the warehousing capacity of the proposed new warehouse premises and we will be able to capture an additional annual revenue of approximately HK\$20,000,000 to HK\$50,000,000 per year, subject to the extent of related cargo handling services being engaged.

FUTURE PLANS AND USE OF PROCEEDS

In addition, we have also been approached by Customer F and a potential new customer, which is a global logistics company, both of whom are currently using the warehouse facilities at the Asia Airfreight Terminal separately. Both of them intend to seek other warehouse facilities outside the Asia Airfreight Terminal, as we understand that they may not be able to renew their leasing arrangement with the landlord upon the expiration of their existing lease terms in late 2018 due to the limited warehouse spaces available following the growth of air freight terminal services of the Asia Airfreight Terminal. With limited availability of warehouse facilities at the AFFC, we understand that they intend to seek for warehouse facilities in the Tuen Mun area, which would be a strategic location for shipment from Shenzhen to Hong Kong for export upon the completion of the Hong Kong-Zhuhai-Macao Bridge and Tuen Mun-Chep Lap Kok Link. As such, the abovementioned global logistics company has expressed to us its interest in exploring cooperation opportunities with us, and Customer F has invited us to submit a service proposal to provide warehousing and related cargo handling services of similar scale to its existing ones. Given the previous satisfactory engagement experiences with us, our Directors are of the view that we are at an advantage in the invitation by Customer F. With reference to the unit rate of our existing warehousing and cargo handling services in the AFFC and the current business size of the invitation, we expect that, if we are engaged by either of them, it will take up approximately 40% to 50% of the warehousing capacity of the proposed new warehouses and we will be able to capture an additional annual revenue of approximately HK\$20,000,000 to HK\$50,000,000 per year from each of them, subject to the extent of related cargo handling services being engaged.

In addition, Customer P has approached us to express their interest in relocating their existing warehouse facilities from Kwai Chung to Tuen Mun district where the warehouse rental is expected to be lower and more strategically convenient for shipment from Shenzhen to Hong Kong. With reference to the unit rate of our existing warehousing and cargo handling services in the AFFC and the current business size of the invitation, we expect that, if we are engaged, it will take up approximately 70% to 80% of the warehousing capacity of the proposed new warehouse premises and we will be able to capture an additional annual revenue of approximately HK\$35,000,000 to HK\$80,000,000 per year, subject to the extent of related cargo handling services being engaged.

As at the Latest Practicable Date, our Group is actively deploying resources for the submission of proposals in response to the above invitations. Considering (i) the limitation on our existing warehousing capacity; (ii) the practical needs for extra capacity to accommodate the business opportunities raised from the abovementioned invitations we recently received; and (iii) the limited availability of extra warehouse facilities in the AFFC, our Directors are of the view that we have the business need to set up new warehouse premises outside the AFFC in order to provide extra capacity for capturing these business opportunities. Based on the current market indications, our Directors consider that setting up a new warehouse premises in Tuen Mun District is ideal for us, after taking into account that (i) the lower effective rental cost of approximately 30%, as compared to that of AFFC; (ii) the new warehouse is easily accessible to or from River Trade

FUTURE PLANS AND USE OF PROCEEDS

Terminal and Hong Kong International Airport and Air Cargo Terminals, especially when Tuen Mun-Chep Lap Kok Link is commissioned in year 2020; (iii) it is a good strategic location in the future for mainland cross-border e-commerce related logistics services opportunities for the flow of goods between Hong Kong and the Pearl River Delta region upon it links with Hong Kong-Shenzhen Western Corridor and the Hong Kong-Zhuhai-Macao Bridge; and (iv) our existing customers are mainly international logistics companies, which have also developed their businesses of express delivery, supply chain and contract logistics service, and they may prefer to have a warehouse, which is closer to their other logistics facilities near Tuen Mun area, for faster turnaround time to facilitate cross border trucking services. Our Directors are of the view that although the proposed new warehouse would be further away from the airport areas as compared to the AFFC, the operations of such new warehouse would be generally similar to that of our existing warehouses at the AFFC. In addition, despite that extra transportation costs of approximately 3% of the corresponding labour costs may be incurred for the extra transportation services between the new warehouse premises and the air terminals, such needs for extra transportation services may further create extra business opportunities for us, that may in turn contribute for more than 5% of the revenue generated from the corresponding warehousing and related cargo handling services. As at the Latest Practicable Date, we are in the course of identifying the potential new warehouse premises.

We estimate that the expansion would be completed by mid-2019 and upon completion of the expansion, our warehouse capacity will increase by approximately 80%. Given that our existing warehouse premises at the AFFC are almost fully utilised, we plan to accommodate the abovementioned new business opportunities at our proposed new warehouse. Although we are not able to secure any of the abovementioned invitations/proposals as at the Latest Practicable Date, our Directors believe that we have acquired considerable competitive advantages over other potential competitors in the tenderings, having considered that (i) we are currently providing cargo handling services to Customer D and Customer F, and the consolidation of their existing integrated warehousing business to our proposed warehouse in Tuen Mun could strategically improve their operating efficiency and cost effectiveness; (ii) our sizable labour force and experiences in providing warehousing and cargo handling services to Customer D, Customer F and Customer P allow us to manage our labour in a more flexible manner, which enable us to minimise our costs and quotations which in turn increase our chances of winning the invitations; (iii) to our Directors' understanding, our proposed warehousing services cost less than their existing warehousing services in Kwai Chung, Tuen Mun or the Asia Airfreight Terminal; (iv) our recent successful experience in similar tendering process, which include invitations from Customer F, Customer P and Customer U; and (v) it is proven that we are able to meet the service quality requirements of Customer D, Customer F and Customer P under our existing cooperations. Assuming that we are able to secure one of the invitations for full warehousing and related cargo handling services from either Customer D, Customer F or the global logistics company, 50% of the capacity of our proposed warehouse in Tuen Mun would be utilised in the first year of operation. In the event that the invitation from Customer P or more invitations are

FUTURE PLANS AND USE OF PROCEEDS

eventually awarded to us or the capacity of the proposed warehouse capacity is expected to be insufficient, our Directors may seek other warehouse premises in addition to proposed warehouse premises in accordance to the actual business needs.

According to the estimated investment of the expansion plan, there will be a capital expenditure of approximately HK\$20.0 million and a monthly rental cost of approximately HK2.0 million for the new warehouse premises. Assuming that we are able to secure one of the invitations for full warehousing and related cargo handling services from either Customer D, Customer F or the global logistics company, we expect the proposed warehouse premises will have a breakeven revenue of approximately HK\$30,000,000 per year and a payback period of approximately 2 to 3 years, based on our Directors' understanding on the expected expansion of these customers and the estimated labour cost and other operating cost of the new warehouse premises.

Having considered (i) our existing warehouse premises are almost fully utilised and extra capacity is needed to accommodate new businesses; (ii) the limited availability of extra warehouse facilities in the AFFC; (iii) our Directors are of the view that we will be able to achieve a revenue growth in the first year when the new warehouse premises commence operations, higher than the expected breakeven revenue; (iv) warehousing services are often complementary to other logistics services, such as transportation services and cargo handling services, and may also bring us other valuable business opportunities; (v) the expansion of our warehouse premises can increase the variety of our scope of service, including return and inventory management, which is believed to be in demand driven by the development of e-commerce and increasing usage of on-line shopping; (vi) the proposed warehouse premises in Tuen Mun could allow our customers to improve their operating efficiency and cost effectiveness by consolidating their existing warehouses and service providers and to achieve a lower rental and service fee; and (vii) the expected payback period is reasonable, our Directors believe that future demand would justify the plan of setting up new warehouse in Tuen Mun.

- approximately HK\$30.0 million or approximately 39.2% of the net proceeds will be used for the investment in upgrading our existing warehouses and offices and acquisition of additional trucks and equipment, which will be used for expanding the scale of our current logistics services, including express freight services, contract logistics services, transportation and other value added services. We intend to upgrade our existing warehouses with more computerised facilities, such as RFID, automatic measurement and weight check systems for pallet integrated into conveyor, and X-ray inspection systems for pallet up to TSA standard. Currently, we mainly rely on manual management to process air cargoes in our warehouses, which may affect our standard of services due to handling delays or human errors, and in turn will result in high operating costs. With the increasing adoption of computerised systems, such as RFID application, our operation and management team will be able to monitor cargoes location and their corresponding status inside our warehouse premises. Our Directors consider that a computerised air cargo warehouse management with cargo movement detection

FUTURE PLANS AND USE OF PROCEEDS

capability could reduce human errors or delay and allow our management to make timely planning for cargoes consolidation and ULD build-up in a cost-effective manner, which will result in higher freight operation efficiency. Total investment in setting up these facilities for our existing warehouses is estimated to be approximately HK\$20.0 million which we intend to finance using the net proceeds from the Share Offer. Our Directors consider a computerised warehouse, with the aid of appropriate information technology systems, including the new warehousing management system and human resources management system discussed below, could enhance the warehousing capacity by approximately 5% to 10% and reduce staff cost of our air freight forwarding ground handling services by approximately 3% to 5%, which is estimated to generate an annualised cost savings of approximately HK\$10.0 million. In addition, having considered (i) our existing trucking capacity are practically fully utilised; and (ii) to cope with our strategy to expand the scale of our current logistics services in the future, we also intend to invest approximately HK\$10.0 million to acquire 15 additional trucks. We estimate that upon the expansion of our trucking team, our transportation capacity will increase by approximately 25.0%, and in conjunction with the computerised warehouses and additional warehouse capacity, we may further expand our service to provide express freight services and other contract logistics services.

In view of (i) a computerised air cargo warehouse management can improve our freight operation efficiency and considerably reduce our costs of operations, which is justifiable to its costs; (ii) commitment to higher standards of service can further increase the service satisfaction to our customers and is very valuable to us in obtaining new service scope from our existing and potential customers, which are often international freight forwarders; (iii) the upgraded warehouse facilities increase the variety of our scope of services, such as return and inventory management, and X-ray inspection; and (iv) our existing trucking capacity are practically fully utilised and the replacement and expansion of trucking team could allow us to maintain our current capacity and further expand the scale of our current logistics services and scope of services, such as express freight services and other contract logistics services, in the future, which is believed to be in demand driven by the continuous development of e-commerce and increasing usage of on-line shopping, our Directors believe that the need for upgrading our existing facilities and acquiring additional trucks and equipment is justified.

- approximately HK\$12.0 million or approximately 15.7% of the net proceeds will be used for the investment in the new information system which will be used for streamlining management process, enhancing our operational efficiency, cost and warehouse management and quality of services. The above is intended to be fulfilled by implementing an enterprise resources planning system which is planned to be implemented across our organisation by phases and involve both hardware and software upgrade. Firstly, our Directors plan to upgrade the existing warehouse management system and accounting system to enhance documentation and manual procedures. Secondly, our human resources management system is targeted for optimisation, which aims at consolidating and automating attendance, payrolls and pension contribution. As such, we expect to recruit two experienced

FUTURE PLANS AND USE OF PROCEEDS

personnel responsible for the planning and implementation of the above-mentioned information system upgrade. Our Directors are of the view that the new information technology systems could enhance our freight operation efficiency and considerably reduce the costs of operations for both of our air freight forwarding ground handling services and air cargo terminal operating services. We plan to implement this within 12 months following the Listing;

- approximately HK\$4.5 million or approximately 5.9% of the net proceeds will be used as general working capital of our Group.

For the period from the Latest Practicable Date to 31 March 2020, our net proceeds from the Share Offer will be used as follows:

	From the Latest Practicable Date to 30 September 2018 <i>HK\$'000</i>	For the six months ended 31 March 2019 <i>HK\$'000</i>	For the six months ended 30 September 2019 <i>HK\$'000</i>	For the six months ended 31 March 2020 <i>HK\$'000</i>	For the six months ended 30 September 2020 <i>HK\$'000</i>	Total <i>HK\$'000</i>	Approximate percentage %
Setting up of new warehouse premises	–	14,000	14,000	1,000	1,000	30,000	39.2
Upgrading existing facilities and acquiring additional trucks and equipment	6,000	16,000	6,000	1,000	1,000	30,000	39.2
Implementing new information technology system	500	7,000	3,500	500	500	12,000	15.7
General working capital	4,500	–	–	–	–	4,500	5.9
	<u>11,000</u>	<u>37,000</u>	<u>23,500</u>	<u>2,500</u>	<u>2,500</u>	<u>76,500</u>	<u>100.0</u>

IMPLEMENTATION PLANS

We will endeavour to achieve the following milestone events during the period from the Latest Practicable Date to 30 September 2020, and their respective scheduled completion times are based on certain bases and assumptions as set out in the paragraph headed “Bases and key assumptions” in this section. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors as set out under the section headed “Risk Factors” in this prospectus. Therefore, there is no assurance that our business plans will materialise in accordance with the estimated time frame and that our future plans will be accomplished at all.

FUTURE PLANS AND USE OF PROCEEDS

From the Latest Practicable Date to 30 September 2018

Business strategy	Implementation activities	Sources of funding
Upgrading existing facilities and acquiring additional trucks and equipment	– Acquire one additional 5.5 ton truck, one additional 9 ton truck and four additional 16 ton trucks	Listing proceeds of approximately HK\$4.0 million
	– Install two automatic measurement and weight check systems for pallet integrated into conveyor in cargo receiving areas in our existing warehouses	Listing proceeds of approximately HK\$1.4 million
	– Upgrade other existing facilities in our warehouses and offices, such as shelving and racking, CCTV surveillance and fire equipment	Listing proceeds of approximately HK\$0.6 million
Implementing new information technology system	– Recruit two experienced personnel responsible for the planning and implementation of the information system upgrade	Listing proceeds of approximately HK\$0.5 million
	– Plan for upgrading the existing warehouse management system and accounting system	

FUTURE PLANS AND USE OF PROCEEDS

From 1 October 2018 to 31 March 2019

Business strategy	Implementation activities	Sources of funding
Setting up of new warehouse premises	– Rental deposit of new warehouse premises in Tuen Mun of around 130,000 sq. ft.	Listing proceeds of approximately HK\$6.0 million
	– Fitting out and renovation of new warehouse premises	Listing proceeds of approximately HK\$4.0 million
	– Installation of CCTV system, access control system and burglar alarm system	Listing proceeds of approximately HK\$3.0 million
	– Installation of cargo storage and forklift operating systems in the new warehouse premises	Listing proceeds of approximately HK\$1.0 million
Upgrading existing facilities and acquiring additional trucks and equipment	– Acquire one additional 5.5 ton truck, one additional 9 ton truck and four additional 16 ton trucks	Listing proceeds of approximately HK\$4.0 million
	– Upgrade our existing warehouses in the AFFC by installing computerized systems, such as RFID applications	Listing proceeds of approximately HK\$12.0 million
Implementing new information technology system	– Maintain the cost of additional personnel for information system upgrade	Listing proceeds of approximately HK\$0.5 million
	– Engage specialized service providers to upgrade the existing warehouse management system and accounting system	Listing proceeds of approximately HK\$5.0 million
	– Upgrade our existing hardwares and acquire for new computer facilities	Listing proceeds of approximately HK\$1.5 million
	– Plan for implementing a new human resources management system	

FUTURE PLANS AND USE OF PROCEEDS

From 1 April 2019 to 30 September 2019

Business strategy	Implementation activities	Sources of funding
Setting up of new warehouse premises	– Installation of RFID applications in various storage locations in the new warehouse premises for cargo in and out segregation	Listing proceeds of approximately HK\$8.0 million
	– Installation of measurement and control systems such as automatic measurement and weight check systems for pallet	Listing proceeds of approximately HK\$3.0 million
	– Acquire mobile devices for scanning applications	Listing proceeds of approximately HK\$1.0 million
	– Commence operations of the new warehouse premises	
	– Working capital for the initial operation of new warehouse premises	Listing proceeds of approximately HK\$2.0 million
Upgrading existing facilities and acquiring additional trucks and equipment	– Install two security X-ray inspection systems for pallet up to TSA standard for cargo screening process areas in our existing warehouses	Listing proceeds of approximately HK\$3.0 million
	– Acquire one additional 9 ton truck and two additional 16 ton trucks	Listing proceeds of approximately HK\$2.0 million
	– Maintenance for the upgraded and new facilities or other existing facilities	Listing proceeds of approximately HK\$1.0 million

FUTURE PLANS AND USE OF PROCEEDS

Business strategy	Implementation activities	Sources of funding
Implementing new information technology system	– Maintain the cost of additional personnel for information system upgrade	Listing proceeds of approximately HK\$0.5 million
	– Implement and evaluate the performance of the upgraded warehouse management system and accounting system	
	– Engage specialized service providers to develop the new human resources management system	Listing proceeds of approximately HK\$3.0 million

From 1 October 2019 to 31 March 2020

Business strategy	Implementation activities	Sources of funding
Setting up of new warehouse premises	– Working capital for new warehouse premises	Listing proceeds of approximately HK\$1.0 million
Upgrading existing facilities and acquiring additional trucks and equipment	– Maintenance for the upgraded and new facilities or other existing facilities	Listing proceeds of approximately HK\$1.0 million
Implementing new information technology system	– Maintain the cost of additional personnel for information technology system upgrade	Listing proceeds of approximately HK\$0.5 million
	– Implement and evaluate the performance of the new human resources management system	

FUTURE PLANS AND USE OF PROCEEDS

From 1 April 2020 to 30 September 2020

Business strategy	Implementation activities	Sources of funding
Setting up of new warehouse premises	– Working capital for new warehouse premises	Listing proceeds of approximately HK\$1.0 million
Upgrading existing facilities and acquiring additional trucks and equipment	– Maintenance for the upgraded and new facilities or other existing facilities	Listing proceeds of approximately HK\$1.0 million
Implementing new information technology system	– Maintain the cost of additional personnel for information technology system upgrade	Listing proceeds of approximately HK\$0.5 million

BASES AND KEY ASSUMPTIONS

The business objectives set out by our Directors are based on the following bases and key assumptions:

- there will be no significant economic change in respect of inflation, interest rate, tax rate and currency exchange rate that will adversely affect our business operations;
- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;
- there will be no material change in the existing laws (whether in the PRC or any part of the world), policies, or industry or regulatory treatment relating to us, or in the political, economic or market conditions in which we operate;
- there will be no material change in the bases or rates of taxation applicable to us;
- there will be no disaster, natural, political or otherwise, which would materially disrupt our business operations or cause substantial loss, damage or destruction to our properties or facilities;

FUTURE PLANS AND USE OF PROCEEDS

- there will be no significant change in the business relationships with our major clients and suppliers;
- there will be no change in the effectiveness of any licences and permits obtained by us; and
- we will not be materially affected by the risk factors as set out under the section headed “Risk Factors” in this prospectus.

In the event that the Offer Price is set at the high-end of the proposed Offer Price range, our Company will receive additional net proceeds of the Share Offer of approximately HK\$23.5 million when compared to the net proceeds receivable by our Company with the Offer Price being determined at the mid-point of the range as stated in this prospectus, which will be used in the same proportions as set out above.

In the event that the Offer Price is set at the low-end of the proposed Offer Price range, the net proceeds of the Share Offer will decrease by approximately HK\$23.5 million when compared to the net proceeds receivable by our Company with the Offer Price being determined at the mid-point of the range as stated in this prospectus. Under such circumstances, our Company intends to reduce its allocation of the net proceeds to the above purposes on a pro-rata basis.

To the extent that such net proceeds of the Share Offer are not immediately applied to the above purposes, it is our present intention that such net proceeds will be deposited into interest-bearing bank accounts with licensed banks and/or financial institutions in Hong Kong.

REASONS FOR THE LISTING

Our Directors believe that the Listing will allow us to stand out from other service providers in the logistics services market, and can further enhance our profile and recognition of our Group and hence further strengthen our existing and potential suppliers’ and customers’ confidence in us, enable us to attract and retain quality personnel in such competitive market, and enhance our internal corporate governance. In addition, the Listing and the Share Offer could enhance our capital base and provide our Company with additional avenues to raise capital to strengthen our financial position and enable us to implement our business objectives set out in this section. Furthermore, a public listing status will allow us access to the capital market for future corporate finance exercises, which will assist in our future business development and strengthen our competitiveness.

In order to capture the potential business opportunities, our Directors are of the view that we have the business need to set up new warehouse premises outside the AFFC and upgrade our existing warehouses, equipment and systems. However, in view of our substantial labour cost and receiving payments in arrears from our customers for our services, our Directors consider that our current working capital level could only support our current scale of operations, but is not sufficient to support such expansions, in particular setting up new warehouse premises and upgrading our existing warehouses. As such, extra working capital is crucial for our Group to capture these business opportunities and to meet

FUTURE PLANS AND USE OF PROCEEDS

our Group's liquidity needs. Despite the considerable expenses for the Listing, which are estimated to be approximately HK\$23.5 million (assuming an Offer Price of HK\$0.40, being the midpoint of the indicative Offer Price range of HK\$0.30 to HK\$0.50 per Offer Share), our Directors decided to proceed with this form of equity financing for the purpose of our business expansion instead of solely obtaining debt financing after taking into account of (i) additional bank borrowings of approximately HK\$76.5 million (representing the net proceeds to us from the Share Offer, after deducting related underwriting fees and estimated expenses in connection with the Share Offer and an Offer Price of HK\$0.40) will cause our Group's gearing ratio to rise substantially from approximately 28.3% to approximately 127.3% as at 31 August 2017, which our Directors believe that such level of gearing ratio would diminish the confidence of our customers, suppliers and creditors in our Group as a higher level of gearing reflects a higher chance of getting financially vulnerable and a higher risk of defaulting; (ii) it is not necessary for our Group to retain a portion of our business income for loan repayment under equity financing and thus all our business income can be reinvested for our business development; (iii) the market speculation that the interest rate in Hong Kong is set to rise and the use of debt financing for a material amount and the subsequent renewal of the debt will subject our Group to risk of increasing finance costs; and (iv) debt financing and equity financing are not mutually exclusive, but our Group may have a better position to bargain for more favourable terms from debt financiers with a larger equity base. As such, our Directors are of the views that raising capital by debt financing at the moment would not be beneficial to our Group and Shareholders as a whole, and equity financing is more appropriate for financing the expansion plan.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

Joint Bookrunners and Joint Lead Managers

Frontpage Capital Limited
Pacific Foundation Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Public Offer

Public Offer Underwriting Agreement

Our Company, our executive Directors, the Controlling Shareholders, the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners and the Public Offer Underwriter have entered into the Public Offer Underwriting Agreement. As described in the Public Offer Underwriting Agreement, we are offering the Public Offer Shares for subscription on the terms and conditions of this prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued, and to certain other conditions described in the Public Offer Underwriting Agreement (including the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) and us agreeing to the Offer Price), the Public Offer Underwriters have agreed severally to subscribe, or procure subscribers to subscribe, for the Public Offer Shares which are being offered but not taken up under the Public Offer on the terms and subject to the conditions of the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional upon and subject to, amongst other things, the Placing Underwriting Agreement having been signed and becoming unconditional.

Grounds for termination

If at any time prior to 8:00 a.m. on the Listing Date:

- (a) there comes to the notice of the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters):
 - (i) any new law or regulation in Hong Kong, Seychelles and the Cayman Islands comes into force, or there is any change in existing law or regulation in Hong Kong, Seychelles and the Cayman Islands, or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, Seychelles and the Cayman Islands; or

UNDERWRITING

- (ii) there is any material adverse change (including any event or series of events concerning or relating to or otherwise having an effect on) in Hong Kong financial, political, military, industrial, fiscal, legal, regulatory, economic or market conditions, stock or financial market conditions; or
- (iii) there is any material adverse change in the conditions of the Hong Kong securities markets including, for the avoidance of doubt, any significant adverse change in the index level or value of turnover of such markets; or
- (iv) without prejudice to sub-paragraph (ii) and (iii) above and (v) below, there is imposed any moratorium, suspension on trading in securities generally on the Stock Exchange due to exceptional financial circumstance, or minimum prices having been established for securities traded in general thereon; or
- (v) without prejudice to sub-paragraph (ii), (iii) and (iv) above, a general banking moratorium is declared by Hong Kong authorities; or
- (vi) there is a material adverse change or development involving a prospective material adverse change in taxation or exchange controls in Hong Kong, Seychelles, or the Cayman Islands; or
- (vii) there is any material investigation or litigation or claim being threatened or instituted against any executive Director or member of our Group; or
- (viii) there is any event or series of event of force majeure (including, but without limitation, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike, lockout, or outbreak of other diseases); or
- (ix) any statement contained in this prospectus and any announcement or circular published by our Company in relation to the Share Offer was, when any of such documents was issued, or has become, untrue, incorrect or misleading in any material respect; or
- (x) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission therefrom in the context of the Share Offer or the Listing; or
- (xi) a contravention by any member of our Group of the Companies Ordinance, the SFO, or any of the Listing Rules; or
- (xii) a prohibition on our Company for whatever reason from allotting and/or offering the Shares pursuant to the terms of the Share Offer; or
- (xiii) a petition is presented or an order is made for the winding up or liquidation of any member of our Group, or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of

UNDERWRITING

arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any material member of our Group,

which in the sole and reasonable opinion of the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) has or will have a material adverse effect on the business or financial conditions or prospects of our Group taken as a whole or to the success of the Share Offer or the distribution of the Offer Shares, or

- (b) any of the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters), the Sole Sponsor or any of the Public Offer Underwriters becomes aware, or has reasonable cause to believe that:
 - (i) there has occurred any breach which is material and adverse in the context of the Share Offer or the Listing, of any of the obligations and provisions (save for those from the Joint Lead Managers, the Joint Bookrunners, the Sole Sponsor and/or any of the Public Offer Underwriters) contained in the Public Offer Underwriting Agreement; or
 - (ii) there has occurred any material adverse change in the business or in the financial or trading positions or prospects of any member of our Group taken as a whole which is material and adverse in the context of the Share Offer and the Listing,

then and in any such case, the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) shall have the sole right upon giving notice in writing to our Company at any time prior to 8:00 a.m. on the Listing Date to terminate their obligations under the Public Offer Underwriting Agreement.

Undertakings given to the Stock Exchange pursuant to the Listing Rules

Undertaking by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by our Company or form the subject of any agreement to such an issue by our Company within six months from the Listing Date (whether or not such issue of Shares or securities of our Company will be completed within six months from the Listing Date), except in any of the circumstances provided for under Rule 10.08 of the Listing Rules or pursuant to the Share Offer.

UNDERWRITING

Undertaking by our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that, save as permitted under the Listing Rules:

- (a) in the period commencing on the date by reference to which disclosure of their shareholding is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-month Period**”), he/it shall not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests, or encumbrances in respect of, any of the Shares in respect of which he/it is shown in this prospectus to be the beneficial owner; and
- (b) in the period of six months commencing on the date which the First Six-month Period expires (the “**Second Six-month Period**”), he/it shall not dispose of, nor enter into any agreement to dispose of, or otherwise created any options, rights, interests or encumbrances in respect of, any of the Shares, if immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or it would then cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Each of our Controlling Shareholders has jointly and severally undertaken to the Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he or it will:

- (i) when he or it pledges or charges any Shares beneficially owned by him/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) (the “**Banking Ordinance**”) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, inform our Company immediately thereafter in writing of such pledge or charge together with the number of Shares so pledged or charged; and
- (ii) having pledged or charged any interest in the Shares under paragraph (i) above, inform our Company immediately in the event that he or it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of Shares affected.

Our Company will also inform the Stock Exchange as soon as we have been informed of any of the above matters (if any) by our Controlling Shareholders and disclose such matters by way of an announcement to be published in accordance with the publication requirements under of the Rule 2.07C of the Listing Rules as soon as possible after being so informed by our Controlling Shareholders.

UNDERWRITING

Undertakings pursuant to the Public Offer Underwriting Agreement

Undertaking by our Company

We have undertaken to the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners and the Public Offer Underwriters pursuant to the Public Offer Underwriting Agreement that, except pursuant to the Share Offer or grant of options or issue of our Shares upon exercise of such options pursuant to the Share Option Scheme, we will not without the prior written consent of the Sole Sponsor and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the Listing Rules, at any time during the First Six-month Period, offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right, warrant or other rights to subscribe for any Shares or other securities of our Company over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its subsidiaries), either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares or such securities, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction, and we further agree that, during the Second Six-month Period, we will not carry out any of the above transactions the completion of which would result in any of our Controlling Shareholders ceasing to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Undertaking by our Controlling Shareholders

Each of our Controlling Shareholders has respectively undertaken to the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Public Offer Underwriters and our Company that:

- (a) during the First Six-month Period, he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates and companies controlled by him/it and any nominee or trustee holding in trust for himself/itself shall not, without the prior written consent of the Sole Sponsor and the Joint Lead Managers or otherwise in compliance with the requirements of the Listing Rules:
 - (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Shares or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive any such Shares or such securities; or

UNDERWRITING

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Shares, whether any of the foregoing transactions is to be settled by delivery of Shares or such other securities, in cash or otherwise; or
 - (iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above; or
 - (iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above except in the event of any of our Controlling Shareholders using securities of our Company beneficially owned by him/it as security (including a charge or pledge) in favour of any authorised institution (as defined in the Banking Ordinance of the laws of Hong Kong) for a bona fide commercial loan or such other circumstances as permitted under the Listing Rules;
- (b) he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates or companies controlled by him/it and any nominee or trustee holding in trust for himself/itself shall not, without the prior written consent of the Stock Exchange (if required under the Listing Rules) during the Second Six-month Period commencing on the expiry of the First Six-month Period set out in paragraph (a) above, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Shares held by him/it or any of his/its associates or companies controlled by him/it or any nominee or trustee holding in trust for himself/itself if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be controlling shareholder (as defined in the Listing Rules) of our Company or the aggregate interest of all members of our Controlling Shareholders would be less than 30% of our Company's issued share capital except in the event of any of our Controlling Shareholders using securities of our Company beneficially owned by him/it as security (including a charge or pledge) in favour of any authorised institution (as defined in the Banking Ordinance of the laws of Hong Kong) for a bona fide commercial loan or such other circumstances as permitted under the Listing Rules; and
- (c) in the event of a disposal of any Shares or securities of our Company or any interest therein within the Second Six-month Period, he/it shall take all reasonable steps to ensure that such a disposal shall not create a disorderly or false market for any Shares or other securities of our Company.

Each of our Controlling Shareholders undertakes to the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Public Offer Underwriters and our Company that within the First Six-month Period and the Second Six-month Period, he/it shall:

UNDERWRITING

- (a) if and when he/it pledges or charges, directly or indirectly, any Shares or other securities of our Company beneficially owned by him/it (or any beneficial interest therein), immediately inform our Company, the Sole Sponsor and the Joint Lead Managers in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and
- (b) if and when he/it receives indications, either verbal or written, from any pledgee or chargee that any Shares or other securities in our Company (or any beneficial interest therein) pledged or charged by him/it will be disposed of, immediately inform our Company, the Sole Sponsor and the Joint Lead Managers in writing of such indications.

Our Company will notify the Stock Exchange as soon as our Company has been informed of such event and shall make a public disclosure by way of announcement in accordance with the Listing Rules.

The Placing

Placing Underwriting Agreement

In connection with the Placing, our Company, our executive Directors and the Controlling Shareholders expect to enter into the Placing Underwriting Agreement with the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners and the Placing Underwriters, on the 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, subject to the conditions set forth therein, the Placing Underwriters are expected to severally, but not jointly agree to procure subscribers to subscribe for, or failing which they shall subscribe for 225,000,000 Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and our Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed “Undertakings pursuant to the Public Offer Underwriting Agreement” above.

Voluntary lock-up undertakings by our Controlling Shareholders

Apart from satisfying the lock-up requirement under Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has voluntarily undertaken to the Company for a further 12 months commencing on the date on which the twelve-month lock-up period under Rule 10.07 of the Listing Rules expires, not to dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/it is or they are shown by this prospectus to be the

UNDERWRITING

beneficial owner(s) if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a Controlling Shareholder. This undertaking can only be waived by majority of the independent Shareholders.

Total commission, fee and expenses

In connection with the Share Offer, the Underwriters will receive an underwriting commission of 6.0% of the aggregate Offer Price 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, an underwriting commission at the rate applicable to the Placing will be paid to the relevant Placing Underwriters (but not the Public Offer Underwriters). Underwriting commission will be payable by our Company for the number of Offer Shares offered for subscription in the Share Offer.

In connection with the Listing, the Sole Sponsor will receive a sponsorship and documentation fees.

In connection with the Listing and the Share Offer, the total expenses (including underwriting commission, brokerage, the Stock Exchange trading fee, the SFC transaction levy, the sponsorship and documentation fee, the listing fee, legal and other professional fees, printing cost and other expenses relating to the Share Offer) are estimated to be approximately HK\$23.5 million (assuming that the underwriting commission is calculated with reference to the mid-point of the indicative offer price range of HK\$0.30 to HK\$0.50 per Offer Share) which will be solely borne by our Company.

Our Company and our Controlling Shareholders have agreed to indemnify the Joint Lead Managers and the Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Underwriting Agreements, and any breach by our Company or our Controlling Shareholders of the Underwriting Agreements.

Independence of the Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 3A.07 of the Listing Rules.

Sole Sponsor's, Joint Lead Managers' and Underwriters' interests in our Company

The Sole Sponsor has been appointed as the compliance adviser of our Company with effect from the Listing Date until the despatch of the audited consolidated financial results for the first full financial year after the Listing Date and our Company will pay to the Sole Sponsor an agreed fee for its provision of services as required under the Listing Rules.

Following the completion of the Share Offer, the Underwriters and their respective affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Underwriting Agreements.

UNDERWRITING

Save for their interests and obligations under the Underwriting Agreements and the advisory and documentation fee payable to the Sole Sponsor in respect of the Share Offer, none of the Sole Sponsor, the Joint Lead Managers and the Underwriters or any of their close associates is interested beneficially or non-beneficially in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

This prospectus is published in connection with the Share Offer. Frontpage Capital and Pacific Foundation Securities Limited are the Joint Bookrunners and the Joint Lead Managers of the Share Offer.

The Share Offer comprises:

- (a) the Public Offer of 25,000,000 Shares (subject to reallocation as mentioned below) in Hong Kong as further described in the paragraph headed “The Public Offer” below; and
- (b) the Placing of 225,000,000 Shares (subject to reallocation as mentioned below) which will conditionally be placed with selected professional, institutional and other investors, as further described in the paragraph headed “The Placing” below.

Investors may apply for the Shares under the Public Offer or indicate an interest, if qualified to do so, for the Shares under the Placing, but may not do both. Reasonable steps will be taken to identify and reject applications in the Public Offer from investors who have received Placing Shares in the Placing, and to identify and reject indications of interest in the Placing from investors who have applied for Public Offer Shares in the Public Offer. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong.

The Offer Shares will represent 25% of the enlarged total issued shares of our Company immediately after completion of the Share Offer.

The number of Shares to be offered under the Public Offer and the Placing respectively may be subject to reallocation as described in the paragraphs headed “The Public Offer – Reallocation” and “The Placing – Reallocation” below.

THE PUBLIC OFFER

Number of Shares initially offered

Our Company is initially offering 25,000,000 Public Offer Shares for subscription (subject to reallocation) by members of the public in Hong Kong, representing 10% of the Offer Shares initially available under the Share Offer. The Public Offer Shares are fully underwritten by the Public Offer Underwriter subject to the Offer Price being agreed on or before the Price Determination Date. Applicants for the Public Offer Shares are required on application to pay the maximum Offer Price of HK\$0.50 per Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing shares and other securities and corporate entities which regularly invest in shares and other securities.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Completion of the Public Offer is subject to the conditions as set out in the paragraph headed “Conditions of the Share Offer” in this section.

Allocation

The total number of Public Offer Shares available under the Public Offer will initially be divided equally into two pools for allocation purposes as follows:

- (i) Pool A: The Public Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Public Offer Shares each with a total subscription amount (excluding brokerage fee, Stock Exchange trading fee and SFC transaction levy) of HK\$5.0 million or less.
- (ii) Pool B: The Public Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Public Offer Shares each with a total subscription amount (excluding brokerage fee, Stock Exchange trading fee and SFC transaction levy) of more than HK\$5.0 million and up to the value of Pool B.

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 under-subscribed, the unsubscribed Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Allocation of Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Applicants can only receive an allocation of Public Offer Shares from either Pool A or Pool B but not from both pools. Multiple applications or suspected multiple applications and any application for more than 12,500,000 Offer Shares (being 50% of the Public Offer Shares initially available under the Public Offer) are liable to be rejected. Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application have not received any Shares under the Placing, and such applicant’s application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

Reallocation

The allocation of the Offer Shares between the Public Offer and the Placing is subject to reallocation under the Listing Rules. Paragraph 4.2 of the 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 percentages of the

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

total number of Offer Shares offered in the Share Offer if certain prescribed total demand levels are reached. If the number of Offer Shares validly applied for under the Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more of the number of Offer Shares initially available under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing. As a result of such reallocation, the total number of Offer Shares available under the Public Offer will be increased to 75,000,000 Offer Shares (in the case of (i)), 100,000,000 Offer Shares (in the case of (ii)) and 125,000,000 Offer Shares (in the case of (iii)), representing 30%, 40%, and 50% of the Offer Shares initially available under the Share Offer, respectively.

In such case, the number of Offer Shares allocated to the Placing will correspondingly be reduced in such manner as the Joint Lead Managers deem appropriate. If the Public Offer Shares are not fully subscribed for, the Joint Lead Managers have the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Joint Lead Managers deem appropriate. The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Lead Managers. With reference to Guidance Letter HKEX-GL91-18, if such reallocation is done other than pursuant to paragraph (i), (ii) or (iii) above, the maximum total number of Offer Shares that may be allocated to the Public Offer following such reallocation shall be not more than double the initial allocation to the Public Offer i.e. 50,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available for subscription under the Share Offer.

THE PLACING

Number of Offer Shares initially offered

Our Company is expected to offer initially 225,000,000 Shares (subject to reallocation) at the Offer Price under the Placing. The number of Placing Shares initially available for application under the Placing represents 90% of the total number of Offer Shares being initially offered under the Share Offer. The Placing Shares are expected to be fully underwritten by the Placing Underwriters subject to the Offer Price being agreed on or before the Price Determination Date.

Allocation

Pursuant to the Placing, the Placing Shares will be conditionally placed on behalf of our Company by the Placing Underwriters or through selling agents appointed by them. Placing Shares will be selectively placed with certain professional and institutional investors and other investors who 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 Placing is subject to the Public Offer being unconditional.

Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the “book-building” process described in the paragraph headed “Pricing and allocation” below and based on a number of factors, including the level and timing of demand, total

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell, Offer Shares after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of Shares on a basis which would lead to the establishment of a solid shareholder base which would be to our benefit and to that of the shareholders as a whole.

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Joint Lead Managers so as to allow them to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Offer Shares under the Public Offer.

Reallocation

The total number of Offer Shares to be issued pursuant to the Placing may change as a result of the clawback arrangement described in the paragraph headed "The Public Offer – Reallocation" above, the exercise of any reallocation of unsubscribed Offer Shares originally included in the Public Offer.

PRICING AND ALLOCATION

Determining the Offer Price

The Placing Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the Placing. Prospective professional, institutional and other investors will be required to specify the number of Offer Shares under the Placing which they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building" is expected to continue up to, and to cease on or around, the last day for lodging applications under the Public Offer.

Pricing for the Offer Shares for the purpose of the various offerings under the Share Offer will be fixed on the Price Determination Date, which is expected to be on or around Tuesday, 6 March 2018 and in any event on or before Monday, 12 March 2018, by agreement between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

Offer price range

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 further 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.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Price payable on application

Applicants for Public Offer Shares under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$0.50 for each Public Offer Share (plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), amounting to a total of HK\$5,050.39 for each board lot of 10,000 Shares. If the Offer Price is less than HK\$0.50, appropriate refund payments (including the brokerage fee, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies, without any interest) will be made to successful applications.

If, for any reason, our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Monday, 12 March 2018, the Share Offer will not proceed and will lapse.

Reduction in the indicative offer price range and/or number of Offer Shares

The Joint Lead Managers (for themselves and on behalf of the Underwriters), may where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, reduce the indicative offer price range and/or the number of Offer Shares initially offered in the Share Offer at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be published on the website of the Stock Exchange at www.hkexnews.hk and on the website of our Company at www.asl.hk notices of the reduction. In addition, we will:

- i) issue a supplemental prospectus updating investors of the reduction in the indicative offer price together with an update of all financial and other information in connection with such change;
- ii) extend the period under which the offer was open for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their existing subscriptions; and
- iii) give potential investors who had applied for the Offer Shares the right to withdraw their applications given the change in circumstances.

Upon issue of such a notice and supplemental prospectus, the revised indicative offer price range and/or number of Offer Shares will be final and conclusive and the Offer Price, if agreed upon by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company will be fixed within such revised range. Such notice and supplemental prospectus will also include confirmation or revision, as appropriate, of the working capital statement and the Share Offer statistics as currently set out in this prospectus, and any other financial information which may change materially as a result of such reduction.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative offer price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Public Offer. Applicants who have submitted their applications for Public Offer Shares before such announcement is made may subsequently withdraw their applications in the event that such announcement is subsequently made. In the absence of any such announcement so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company will under no circumstances be set outside the offer price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares, the Joint Lead Managers may, at their discretion, reallocate the number of Offer Shares to be offered in the Public Offer and the Placing, provided that the number of Offer Shares comprised in the Public Offer shall not be less than 10% of the total number of Offer Shares available under the Share Offer. The Offer Shares to be offered in the Public Offer and the Offer Shares to be offered in the Placing may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Lead Managers.

Announcement of Offer Price and Basis of Allocations

The final Offer Price, the level of indication of interest in the Placing, the level of application in the Public Offer and the basis of allocation of the Public Offer Shares are expected to be announced on Tuesday, 13 March 2018 on the website of the Stock Exchange at www.hkexnews.hk and on the website of our Company at www.asl.hk.

Results of allocation in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Public Offer Shares successfully applied for under **WHITE** Application Form or **HK eIPO White Form**, **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC will be made available through a variety of channels as described in the section headed “How to Apply for the Public Offer Shares – 11. Publication of results” in this prospectus.

UNDERWRITING

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to our Company and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) agreeing on the Offer Price.

Our Company expects to enter into the Placing Underwriting Agreement relating to the Placing on or about the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarised in the section headed “Underwriting” in this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares will be conditional on, among other things:

- the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Offer Shares in issue and to be issued pursuant to the Capitalisation Issue and the Share Offer (including the Shares to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme);
- the Price Determination Agreement having been duly executed on the Price Determination Date and such agreement not subsequently having been terminated;
- the Offer Price having been duly agreed between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters);
- the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement and the obligations of the Placing Underwriters under the Placing Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on or before Monday, 12 March 2018, the Share Offer will not proceed and will lapse.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be published on the website of the Stock Exchange at www.hkexnews.hk and our Company at www.asl.hk on the next Business Day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for the Public Offer Shares” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Share certificates for the Offer Shares are expected to be issued on Tuesday, 13 March 2018, and will only become valid at 8:00 a.m. on Wednesday, 14 March 2018, provided that (i) the Share Offer has become unconditional in all respects; and (ii) the right of termination as described in the section headed “Underwriting – Underwriting arrangements and expenses – The Public Offer – Grounds for termination” in this prospectus has not been exercised.

ADMISSION OF THE SHARES INTO CCASS

All necessary arrangements have been made enabling the Shares to be admitted into the CCASS.

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

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements will affect their rights and interests.

DEALING ARRANGEMENTS

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 14 March 2018, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 14 March 2018.

The Shares will be traded in board lots of 10,000 Shares each. The stock code of the Shares will be 1737.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** Application Form or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at *www.hkeipo.hk*; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Lead Managers, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** Application Form or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a U.S. person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also (i) have a valid Hong Kong identity card number; and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his/her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Joint Lead Managers, may accept it at their discretion, and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Public Offer Shares.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- are a Director or chief executive officer of our Company and/or any of its subsidiaries;
- are an associate (as defined in the Listing Rules) of any of the above;
- are a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer; and
- have been allocated or have applied for or indicated an interest in any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which application channel to use

For Public Offer Shares to be issued in your own name, either (i) use a **WHITE** Application Form; or (ii) apply online through the designated website of the **HK eIPO White Form** Service Provider at *www.hkeipo.hk* under the **HK eIPO White Form** service.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, either (i) use a **YELLOW** Application Form; or (ii) give **electronic application instructions** to HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Wednesday, 28 February 2018 until 12:00 noon on Monday, 5 March 2018 from:

- (a) any of the following offices of the Joint Lead Managers:

Name	Address
Frontpage Capital Limited	26th Floor, Siu On Centre 188 Lockhart Road Wan Chai Hong Kong

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Name	Address
Pacific Foundation Securities Limited	11th Floor New World Tower II 16-18 Queen's Road Central Hong Kong

- (b) any of the following branches of DBS Bank (Hong Kong) Limited, the receiving bank for the Public Offer:

District	Branch Name	Address
Hong Kong Island	Head Office	G/F, The Center 99 Queen's Road Central, Central
	Happy Valley Branch	G/F, 18A-22 King Kwong Street Happy Valley
Kowloon	Mei Foo Branch	Shops N26A & N26B Stage V Mei Foo Sun Chuen 10 & 12 Nassau Street
	Nathan Road – SME Banking Centre	2/F, Wofoo Commercial Building 574-576 Nathan Road Mongkok
New Territories	Ma On Shan Branch	Shop 205-206, Level 2 Ma On Shan Plaza Ma On Shan

You can collect a **YELLOW** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Wednesday, 28 February 2018 until 12:00 noon on Monday, 5 March 2018 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- your stockbroker.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Time for lodging Application Forms

Your completed **WHITE** Application Form or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**Ting Hong Nominees Limited – A & S Group Public Offer**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Wednesday, 28 February 2018 – 9:00 a.m. to 5:00 p.m.
Thursday, 1 March 2018 – 9:00 a.m. to 5:00 p.m.
Friday, 2 March 2018 – 9:00 a.m. to 5:00 p.m.
Saturday, 3 March 2018 – 9:00 a.m. to 1:00 p.m.
Monday, 5 March 2018 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, 5 March 2018, the last application day or such later time as described in the paragraph headed "10. Effect of bad weather on the opening of the application lists" in this section below.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Forms 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 (or if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Lead Managers (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law and the Memorandum and 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;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, the Sole Sponsor, the Hong Kong Branch Share Registrar, the receiving bank, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any Share certificate(s) and/or any e-Auto Refund payment instructions and/or any

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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 are eligible to collect the Share certificate(s) and/or refund cheque(s) in person;

- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, the Directors, the Sole Sponsor and the Joint Lead Managers, any of their respective directors, offices or representatives or any other person or parties involved in the Share Offer 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** Application Form or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by anyone 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** Application Form 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 the paragraph headed “2. Who can apply” in this section above, may apply through the **HK eIPO White Form** service for the Public Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Time for submitting applications under the HK eIPO White Form

You may submit your application online to the **HK eIPO White Form** Service Provider through the designated website at *www.hkeipo.hk* (24 hours daily, except on the last application day) from 9:00 a.m. on Wednesday, 28 February 2018 until 11:30 a.m. on Monday, 5 March 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, 5 March 2018 or such later time under the paragraph headed “10. Effect of bad weather on the opening of the application lists” in this section.

No multiple applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place
Central, Hong Kong

and complete an input request form.

You can also collect a copy of this prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Lead Managers and the Hong Kong Branch Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **YELLOW** 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 **YELLOW** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (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, the Sole Sponsor and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, the Sole Sponsor, our Hong Kong Branch Share Registrar, the receiving bank, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a 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

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

person before the fifth day after the time of the opening of the application lists (excluding any day which is a 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 giving **electronic application instructions** to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law and the Memorandum and Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- 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 **YELLOW** Application Form and in this prospectus.

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 10,000 Public Offer Shares. Instructions for more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the relevant 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:

Wednesday, 28 February 2018	– 9:00 a.m. to 8:30 p.m. ^(Note 1)
Thursday, 1 March 2018	– 8:00 a.m. to 8:30 p.m. ^(Note 1)
Friday, 2 March 2018	– 8:00 a.m. to 8:30 p.m. ^(Note 1)
Saturday, 3 March 2018	– 8:00 a.m. to 1:00 p.m. ^(Note 1)
Monday, 5 March 2018	– 8:00 a.m. ^(Note 1) to 12:00 noon

Note:

1. These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, 28 February 2018 until 12:00 noon on Monday, 5 March 2018 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, 5 March 2018, the last application day or such later time as described in the paragraph headed “10. Effect of bad weather on the opening of the application lists” in this section below.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** Application Form 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 Monday, 5 March 2018.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** Application Form or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“*Unlisted company*” means a company with no equity securities listed on the Stock Exchange.

“*Statutory control*” means you:

- control the composition of the board of directors of the company; or
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** Application Form and **YELLOW** Application Form have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

You may submit an application using a **WHITE** Application Form or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 10,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form or as otherwise specified on the designated website at www.hkeipo.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 5 March 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, 5 March 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expect to announce the final Offer Price, the level of indication of interest in the Placing, the results of applications and the level and the basis of allocation of the Public Offer Shares on Tuesday, 13 March 2018 on our website at www.asl.hk and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers (where appropriate) of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at www.asl.hk and the Stock Exchange’s website at www.hkexnews.hk by no later than 8:00 a.m. on Tuesday, 13 March 2018;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Tuesday, 13 March 2018 to 12:00 midnight on Monday, 19 March 2018;
- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, 13 March 2018 to Friday, 16 March 2018; and
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 13 March 2018 to Thursday, 15 March 2018 at all the receiving bank’s designated branches as set out in the paragraph headed “Where to collect the Application Forms” in this section.

If our Company accept your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure and Conditions of the Share Offer” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Lead Managers, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or are suspected of making multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated, (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Lead Managers believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.50 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Share Offer are not fulfilled in accordance with the section headed "Structure and Conditions of the Share Offer – Conditions of the Share Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Tuesday, 13 March 2018.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** Application Form 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 Form, 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

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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 about Tuesday, 13 March 2018. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, 14 March 2018, provided that the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised and the Share Offer has become unconditional. 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 the Hong Kong Branch Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 13 March 2018 or such other date as notified by us at www.hkexnews.hk.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Tuesday, 13 March 2018, by ordinary post and at your own risk.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(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 for collection of refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Tuesday, 13 March 2018, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, 13 March 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you are applying through a designated CCASS participant (other than a CCASS investor participant)*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph headed "11. Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 13 March 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.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 13 March 2018, or such other date as notified by our Company as the date of dispatch of Share certificates/ e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If you apply for less than 1,000,000 Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Tuesday, 13 March 2018 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via electronic application instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, 13 March 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in the paragraph headed "11. Publication of results" above on Tuesday, 13 March 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 13 March 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

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 13 March 2018. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 13 March 2018.

15. ADMISSION OF THE SHARES INTO CCASS

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

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, received from the Company's reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF A & S GROUP (HOLDINGS) LIMITED AND FRONTPAGE CAPITAL LIMITED

Introduction

We report on the historical financial information of A & S Group (Holdings) Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-4 to I-43, which comprises the combined statements of financial position of the Group as at 31 March 2015, 2016 and 2017 and 31 August 2017, the statements of financial position of the Company as at 31 March 2017 and 31 August 2017, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 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-4 to I-43 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 28 February 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 1 and Note 2 of Section II to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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 give a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 and Note 2 of Section II to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 March 2015, 2016 and 2017 and 31 August 2017, and of the Company's financial position as at 31 March 2017 and 31 August 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 1 and Note 2 of Section II 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 combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the five months ended 31 August 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 presentation and preparation set out in Note 1 and Note 2 of Section II 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 presentation and preparation set out in Note 1 and Note 2 of Section II 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-4 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Chan Ching Pang

Practising Certificate Number: P05746

Hong Kong

28 February 2018

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The combined financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by HLB Hodgson Impey Cheng Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

Combined statements of profit or loss and other comprehensive income

		Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2017	Five months ended 31 August 2016	Five months ended 31 August 2017
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(Unaudited)	
Revenue	5	364,491	378,761	430,093	161,414	200,683
Direct costs		<u>(303,145)</u>	<u>(318,252)</u>	<u>(346,845)</u>	<u>(131,303)</u>	<u>(168,421)</u>
Gross profit		61,346	60,509	83,248	30,111	32,262
Other income and gains	5	4,167	3,260	3,328	1,221	1,794
Administrative and other operating expenses		<u>(41,938)</u>	<u>(39,998)</u>	<u>(43,404)</u>	<u>(16,553)</u>	<u>(22,838)</u>
Operating profit		23,575	23,771	43,172	14,779	11,218
Finance costs	9	<u>(1,277)</u>	<u>(968)</u>	<u>(1,362)</u>	<u>(479)</u>	<u>(444)</u>
Profit before tax	6	22,298	22,803	41,810	14,300	10,774
Income tax expense	10	<u>(3,835)</u>	<u>(3,689)</u>	<u>(7,597)</u>	<u>(2,390)</u>	<u>(2,914)</u>
Profit and total comprehensive income for the year/period attributable to owners of the Company		<u>18,463</u>	<u>19,114</u>	<u>34,213</u>	<u>11,910</u>	<u>7,860</u>
Basic and diluted earnings per share	11	<u>HK cents 2.5</u>	<u>HK cents 2.5</u>	<u>HK cents 4.6</u>	<u>HK cents 1.6</u>	<u>HK cents 1.0</u>

Combined statements of financial position

		As at 31 March 2015 <i>Note</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>	As at 31 August 2017 <i>HK\$'000</i>
ASSETS					
Non-current assets					
Property, plant and equipment	<i>13</i>	<u>5,605</u>	<u>7,343</u>	<u>6,845</u>	<u>10,782</u>
Current assets					
Trade receivables	<i>15</i>	68,804	76,178	83,312	99,529
Other receivables, deposits and prepayments	<i>16</i>	15,430	14,854	10,539	10,281
Amounts due from related companies	<i>17</i>	2,157	570	464	245
Pledged deposit	<i>18</i>	–	–	3,000	3,000
Cash and bank balances	<i>18</i>	<u>23,714</u>	<u>19,220</u>	<u>58,095</u>	<u>35,999</u>
		<u>110,105</u>	<u>110,822</u>	<u>155,410</u>	<u>149,054</u>
Total assets		<u><u>115,710</u></u>	<u><u>118,165</u></u>	<u><u>162,255</u></u>	<u><u>159,836</u></u>
EQUITY					
Capital and reserves					
Issued capital	<i>19</i>	–	–	–	1
Reserves	<i>26</i>	<u>37,052</u>	<u>46,166</u>	<u>80,379</u>	<u>77,238</u>
Total equity		<u>37,052</u>	<u>46,166</u>	<u>80,379</u>	<u>77,239</u>
LIABILITIES					
Non-current liabilities					
Finance lease liabilities	<i>20</i>	1,345	1,142	257	–
Deferred tax liabilities	<i>25</i>	<u>–</u>	<u>–</u>	<u>–</u>	<u>741</u>
		<u>1,345</u>	<u>1,142</u>	<u>257</u>	<u>741</u>

		As at 31 March 2015	As at 31 March 2016	As at 31 March 2017	As at 31 August 2017
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities					
Trade payables	21	7,144	10,648	10,664	15,226
Accruals and other payables	21	14,468	14,903	18,770	20,295
Amounts due to directors	22	25,245	30,079	20,081	18,452
Bank and other borrowings	20	25,554	10,903	25,545	21,208
Finance lease liabilities	20	1,825	3,534	1,743	613
Tax payable		3,077	790	4,816	6,062
		<u>77,313</u>	<u>70,857</u>	<u>81,619</u>	<u>81,856</u>
Total liabilities		<u>78,658</u>	<u>71,999</u>	<u>81,876</u>	<u>82,597</u>
Total equity and liabilities		<u>115,710</u>	<u>118,165</u>	<u>162,255</u>	<u>159,836</u>
Net current assets		<u>32,792</u>	<u>39,965</u>	<u>73,791</u>	<u>67,198</u>
Total assets less current liabilities		<u>38,397</u>	<u>47,308</u>	<u>80,636</u>	<u>77,980</u>

Statements of financial position

		As at 31 March 2017 <i>HK\$'000</i>	As at 31 August 2017 <i>HK\$'000</i>
	<i>Note</i>		
EQUITY			
Capital and reserves			
Issued capital	19	–	–
Accumulated losses		<u>(73)</u>	<u>(75)</u>
Total equity		<u>(73)</u>	<u>(75)</u>
LIABILITIES			
Current liabilities			
Amount due to A & S (HK) Logistics Limited	23	<u>73</u>	<u>75</u>
		<u>73</u>	<u>75</u>
Total equity and liabilities		<u>–</u>	<u>–</u>
Total assets less current liabilities		<u>(73)</u>	<u>(75)</u>

Combined statements of changes in equity

	Combined capital <i>HK\$'000</i> <i>(Note 19)</i>	Other reserve <i>HK\$'000</i> <i>(Note 26)</i>	Retained earnings <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
Balance at 1 April 2014	–	–	18,589	18,589
Profit and total comprehensive income for the year	–	–	18,463	18,463
Balance at 31 March 2015	–	–	37,052	37,052
Balance at 1 April 2015	–	–	37,052	37,052
Profit and total comprehensive income for the year	–	–	19,114	19,114
Dividend (<i>Note 12</i>)	–	–	(10,000)	(10,000)
Balance at 31 March 2016	–	–	46,166	46,166
Balance at 1 April 2016	–	–	46,166	46,166
Profit and total comprehensive income for the year	–	–	34,213	34,213
Balance at 31 March 2017	–	–	80,379	80,379
Balance at 1 April 2017	–	–	80,379	80,379
Reorganisation (<i>Note 26</i>)	1	(1)	–	–
Profit and total comprehensive income for the period	–	–	7,860	7,860
Dividend (<i>Note 12</i>)	–	–	(11,000)	(11,000)
Balance at 31 August 2017	1	(1)	77,239	77,239
(Unaudited)				
Balance at 1 April 2016	–	–	46,166	46,166
Profit and total comprehensive income for the period	–	–	11,910	11,910
Balance at 31 August 2016	–	–	58,076	58,076

Combined statements of cash flows

		Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2017	Five months ended 31 August 2016	Five months ended 31 August 2017
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities						
Net cash generated from/(used in) operations	24	29,357	27,110	48,487	(8,431)	3,490
Tax paid		<u>(1,370)</u>	<u>(5,976)</u>	<u>(3,571)</u>	<u>(965)</u>	<u>(927)</u>
Net cash generated from/(used in) operating activities		<u>27,987</u>	<u>21,134</u>	<u>44,916</u>	<u>(9,396)</u>	<u>2,563</u>
Cash flows from investing activities						
Proceeds from disposal of property, plant and equipment		103	108	–	–	380
Purchases of property, plant and equipment		(1,352)	(1,696)	(2,448)	(1,115)	(6,242)
Increase in pledged deposit		<u>–</u>	<u>–</u>	<u>(3,000)</u>	<u>–</u>	<u>–</u>
Net cash used in investing activities		<u>(1,249)</u>	<u>(1,588)</u>	<u>(5,448)</u>	<u>(1,115)</u>	<u>(5,862)</u>
Cash flows from financing activities						
Repayment of finance leases		(1,870)	(3,255)	(3,875)	(1,645)	(1,387)
Drawdown of bank borrowings		–	–	15,000	–	3,153
Repayment of bank borrowings		(3,225)	(11,351)	(8,358)	(1,435)	(2,490)
Drawdown of other borrowings		–	–	15,000	15,000	–
Repayment of other borrowings		(5,200)	(3,300)	(7,000)	(1,500)	(5,000)

	Year ended 31 March 2015 <i>Note</i> <i>HK\$'000</i>	Year ended 31 March 2016 <i>HK\$'000</i>	Year ended 31 March 2017 <i>HK\$'000</i>	Five months ended 31 August 2016 <i>HK\$'000</i> <i>(Unaudited)</i>	Five months ended 31 August 2017 <i>HK\$'000</i>
Interest paid on finance leases	(111)	(167)	(133)	(65)	(26)
Interest paid on bank and other borrowings	(1,166)	(801)	(1,229)	(414)	(418)
(Decrease)/Increase in amounts due to directors	(791)	334	(9,998)	(2,873)	(1,629)
Dividend paid	—	(5,500)	—	—	(11,000)
Net cash (used in)/ generated from financing activities	<u>(12,363)</u>	<u>(24,040)</u>	<u>(593)</u>	<u>7,068</u>	<u>(18,797)</u>
Net increase/(decrease) in cash and cash equivalents	14,375	(4,494)	38,875	(3,443)	(22,096)
Cash and cash equivalents at beginning of year/ period	<u>9,339</u>	<u>23,714</u>	<u>19,220</u>	<u>19,220</u>	<u>58,095</u>
Cash and cash equivalents at end of year/period	<i>18</i> <u><u>23,714</u></u>	<u><u>19,220</u></u>	<u><u>58,095</u></u>	<u><u>15,777</u></u>	<u><u>35,999</u></u>

II NOTES TO HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION AND BASIS OF PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Company was incorporated in the Cayman Islands on 7 July 2016 as an exempted company with limited liability. In the opinion of the directors of the Company, as at 31 August 2017, its parent and ultimate holding company is Dynamic Victor Limited, a company incorporated in the Republic of Seychelles (the “Seychelles”) and owned as to 60% by Mr. Law Kwok Leung Alex (“Mr. Alex Law”), 30% by Mr. Law Kwok Ho Simon (“Mr. Simon Law”) and 10% by Mr. Chiu Tat Ting Albert (“Mr. Chiu”) (collectively referred to as the “Controlling Shareholders”).

The addresses of the registered office and the principal place of business of the Company are set out in the section headed “Corporate Information” to the Prospectus. The Company is an investment holding company. The Group is principally engaged in provision of air freight forwarding ground handling services and air cargo terminal operating services in Hong Kong.

Throughout the Track Record Period, the group entities were collectively controlled by the Controlling Shareholders. Through the Reorganisation as more fully explained in the paragraph headed “Corporate Reorganisation” in Appendix IV “Statutory and General Information” to the Prospectus, the Company became the holding company of the companies now comprising the Group on 21 February 2018. Accordingly, for the purpose of the preparation of the Historical Financial Information of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the Track Record Period. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the common control of the Controlling Shareholders prior to and after the Reorganisation.

The Historical Financial Information has been prepared as if the Company had been the holding company of the Group throughout the Track Record Period in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA. The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Track Record Period, which include the results, changes in equity and cash flows of the companies now comprising the Group, have been prepared as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation where this is a shorter period. The combined statements of financial position as at the respective reporting dates have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates.

Upon completion of the Reorganisation and as of the date of this report, the Company has the direct and indirect interest in the following wholly-owned subsidiaries:

Name of subsidiary	Legal form, date and place of incorporation/ operations	Issued and fully paid up share capital	Proportion ownership interest held by the Company	Principal activities	Note
Metro Talent Limited (“Metro Talent”)	Limited liability company incorporated on 15 March 2016, Seychelles	US\$1.00	100% (direct)	Investment holding	1
A & S (HK) Logistics Limited (“A & S (HK)”)	Limited liability company incorporated on 9 October 2002, Hong Kong	HK\$10.00	100% (indirect)	Engaging in air freight forwarding ground handling services and air cargo terminal operating services	2

Note 1: No audited statutory financial statements have been prepared for Metro Talent since its date of incorporation as it was incorporated in a country where there is no statutory audit requirement.

Note 2: The statutory financial statements of A & S (HK) for the years ended 31 March 2015 and 2016, which were prepared in accordance with Small and Medium-sized Entity Financial Reporting Standard issued by the HKICPA, were audited by BATNA C.P.A. Limited, Certified Public Accountants (Practising), Hong Kong.

The statutory financial statements of A & S (HK) for the year ended 31 March 2017, which were prepared in accordance with HKFRSs issued by the HKICPA and were audited by us.

All companies now comprising the Group have adopted 31 March as their financial year end date.

The Historical Financial Information is presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company. All values are rounded to nearest thousand (HK\$'000) except when otherwise indicated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of preparation

The principal accounting policies applied in the preparation of the Historical Financial Information which are in accordance with the HKFRSs issued by the HKICPA are set out below. 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 set out in this report has been prepared under the historical cost convention, except as otherwise stated in the accounting policies below.

The preparation of the Historical Financial Information in accordance with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Company. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4 below.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following new or revised standards, amendments and interpretations to existing standards have been published but are not yet effective for the Track Record Period and which the Group has not early adopted:

		Effective for accounting periods of the Group beginning on or after
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers and related Amendments	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
Amendments to HKFRS 9	Payment Features with Negative Compensation	1 January 2019

		Effective for accounting periods of the Group beginning on or after
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle	1 January 2018
Amendments to HKAS 40	Transfers of Investment Property	1 January 2018
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments	1 January 2019

(i) *HKFRS 9 “Financial Instruments”*

HKFRS 9 replaces the whole of HKAS 39 Financial Instruments: Recognition and Measurement. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income (“OCI”) and fair value through profit or loss. Classification is driven by the entity’s business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities, there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability’s own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss. HKFRS 9 introduces a new model for the recognition of impairment losses, the expected credit losses (“ECL”) model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on the ECL model either on a twelve-month basis or a lifetime basis.

The Group does not expect the adoption of HKFRS 9 will have a significant impact on the classification of financial instruments and the Group’s financial performance and financial position, including the measurement of financial assets and disclosures, except for the adoption of the ECL model may result in earlier recognition of credit losses of the Group’s receivables. The Group expects to apply simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of ECL on its trade and other receivables upon the adoption of HKFRS 9.

(ii) *HKFRS 15 “Revenue from contracts with customers”*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company do not expect the adoption of HKFRS 15 would result in significant impact on the amounts reported on the Group’s consolidated financial statements in the future. However, there will be additional qualitative and quantitative disclosures upon the adoption of HKFRS 15.

(iii) *HKFRS 16 “Leases”*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating 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. However, the standard does not significantly change the accounting of lessors. Application of HKFRS 16 will result in the Group’s recognition of right-of-use assets and corresponding liabilities in respect of many of the Group’s lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments to these Historical Financial Information. Total operating lease commitment of the Group as at 31 August 2017 amounted to approximately HK\$100,461,000 (Note 27(b)). The management of the Group do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group’s results but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

Except as discussed above, the directors of the Company anticipate that the application of the other new and amendments to HKFRSs will have no material impact on the Historical Financial Information of the Group.

Consolidation and combination

The combined financial information includes the financial information of the Company and all its subsidiaries made up to respective year end dates during the Track Record Period.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Except for the Reorganisation, the Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the recognised amount of the acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Merger accounting for common control combinations

The Historical Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting reported to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information is presented in HK\$, which is the Company's functional and presentation currency.

Property, plant and equipment

The property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives or lease term, where applicable, as follows:

Leasehold improvements	Over lease term
Warehouse operating equipment	30%
Furniture, fixtures and office equipment	20%-30%
Trucks, pallet trucks and motor vehicles	30%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the combined statements of profit or loss and other comprehensive income.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are charged to the combined statements of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other short-term and other long-term payables. The interest element of the finance cost is charged to the combined statements of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. 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.

Financial assets

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "amounts due from related companies" and "cash and bank balances" in the combined statements of financial position.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the 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. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Cash and cash equivalents

In the combined statements of cash flow, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (if any).

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences, arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, the deferred tax liabilities are not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of each reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred taxation liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Retirement benefits

Payment to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered services entitling them to the contributions.

Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amounts have been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligations. The increase in the provision due to passage of time is recognised as interest expense.

Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resource will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the Historical Financial Information. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the Historical Financial Information when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivables represents amounts receivable for services provided in the ordinary course of business.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

Revenue from the provision of logistics services, including air freight forwarding ground handling services and air cargo terminal operating services, is recognised in the accounting period in which the services rendered.

Interest income is recognised on a time proportion basis using the effective interest method.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's combined financial statements in the period in which the dividends are approved by the Group's shareholders or directors, where appropriate.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities exposed it to a variety of financial risks: interest rate risk, credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Interest rate risk

Other than bank balances with variable interest rate, the Group has no other significant interest-bearing assets. Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

The Group's interest rate risk arises from borrowings. Borrowings obtained with variable rates expose the Group to cash flow interest rate risk. The Group has not hedged its cash flow interest rate risks.

If the interest rate on all variable-rate borrowings had been 100 basis points higher/lower with all other variables held constant, the Group's profit before tax for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017 would have been decreased/increased by approximately HK\$223,000, HK\$109,000 and HK\$177,000 and HK\$182,000 respectively, mainly as a result of higher/lower interest expense on borrowings with floating interest rates.

(ii) Credit risk

Credit risk arises mainly from trade and other receivables, amounts due from related companies and cash and bank balances. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the reporting dates in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the combined statements of financial position.

The credit risk of bank balances is limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies.

In respect of trade and other receivables, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivable balance at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts.

As at 31 March 2015, 2016 and 2017 and 31 August 2017, there were 2, 2, 2 and 2 customers which individually contributed over 10% of the Group's trade receivables, respectively. The aggregate amounts of trade receivables from these customers amounted to approximately 94%, 95%, 95% and 90% of the Group's total trade receivables as at 31 March 2015, 2016 and 2017 and 31 August 2017 respectively.

(iii) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet their liquidity requirements in the short and long term. Management believes there is no significant liquidity risk as the Group has sufficient committed facilities to fund their operations.

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current rates at the year-end/period-end dates during the Track Record Period) and the earliest date the Group may be required to

pay. Specifically, bank loans with a repayment on demand clause give the bank the unconditional right to call in the loan at any time. Therefore, for the purpose of the below maturity profile, the amounts are classified as "On demand".

	On demand or within one year HK\$'000	Between one and two years HK\$'000	Between two and five years HK\$'000	Over five years HK\$'000	Total HK\$'000
At 31 March 2015					
Trade payables	7,144	–	–	–	7,144
Accruals and other payables	14,468	–	–	–	14,468
Amounts due to directors	25,245	–	–	–	25,245
Bank and other borrowings	26,758	–	–	–	26,758
Finance lease liabilities	1,905	1,318	69	–	3,292
	<u>75,520</u>	<u>1,318</u>	<u>69</u>	<u>–</u>	<u>76,907</u>
At 31 March 2016					
Trade payables	10,648	–	–	–	10,648
Accruals and other payables	14,903	–	–	–	14,903
Amounts due to directors	30,079	–	–	–	30,079
Bank borrowings	11,582	–	–	–	11,582
Finance lease liabilities	3,646	1,156	–	–	4,802
	<u>70,858</u>	<u>1,156</u>	<u>–</u>	<u>–</u>	<u>72,014</u>
At 31 March 2017					
Trade payables	10,664	–	–	–	10,664
Accruals and other payables	18,770	–	–	–	18,770
Amounts due to directors	20,081	–	–	–	20,081
Bank and other borrowings	26,922	–	–	–	26,922
Finance lease liabilities	1,777	258	–	–	2,035
	<u>78,214</u>	<u>258</u>	<u>–</u>	<u>–</u>	<u>78,472</u>
At 31 August 2017					
Trade payables	15,226	–	–	–	15,226
Accruals and other payables	20,295	–	–	–	20,295
Amounts due to directors	18,452	–	–	–	18,452
Bank and other borrowings	22,279	–	–	–	22,279
Finance lease liabilities	622	–	–	–	622
	<u>76,874</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>76,874</u>

Notwithstanding the above clauses, the directors do not believe that the loans will be called, in their entirety or in part, within 12 months and they consider that the loans will be repaid in accordance with the maturity dates as set out in the loan agreements. This evaluation was made considering the Group's compliance with the loan covenants, the lack of events of default, and the fact that the Group has made all previously scheduled repayments on time. In accordance with the terms of the loans of the Group, the maturity analysis based on the scheduled repayment dates of bank and other borrowings during the Track Record Period will be as follows:

	Within one year HK\$'000	Between one and two years HK\$'000	Between two and five years HK\$'000	Over five years HK\$'000	Total HK\$'000
At 31 March 2015					
Bank and other borrowings	<u>15,175</u>	<u>3,919</u>	<u>6,702</u>	<u>962</u>	<u>26,758</u>
At 31 March 2016					
Bank borrowings	<u>3,919</u>	<u>3,726</u>	<u>3,937</u>	<u>–</u>	<u>11,582</u>
At 31 March 2017					
Bank and other borrowings	<u>14,117</u>	<u>3,904</u>	<u>8,901</u>	<u>–</u>	<u>26,922</u>
At 31 August 2017					
Bank and other borrowings	<u>10,129</u>	<u>4,598</u>	<u>7,552</u>	<u>–</u>	<u>22,279</u>

(b) Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, to support the Group's stability and growth; to earn a margin commensurate with the level of business and market risks in the Group's operations and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the total interest-bearing liabilities divided by the total equity as at the end of each of the Track Record Period.

The gearing ratios at the end of each of the Track Record Period are as follows:

	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 31 August 2017 HK\$'000
Total borrowings (Note 20)	28,724	15,579	27,545	21,821
Total equity	<u>37,052</u>	<u>46,166</u>	<u>80,379</u>	<u>77,239</u>
Gearing ratio	<u>78%</u>	<u>34%</u>	<u>34%</u>	<u>28%</u>

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the Historical Financial Information are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment of receivables

Management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its customers and the current market condition. Management reassesses the provision at the end of each financial period.

Significant judgement is exercised on the assessment of the collectability of receivables from each customer. In making the judgement, management considers a wide range of factors such as results of follow-up procedures, customer payment trends including subsequent payments and customers' financial positions. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

5 REVENUE, OTHER INCOME AND GAINS AND SEGMENT INFORMATION

Revenue and other income and gains recognised during the Track Record Period are as follows:

	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000	Year ended 31 March 2017 HK\$'000	Five months ended 31 August 2016 HK\$'000 (Unaudited)	Five months ended 31 August 2017 HK\$'000
Revenue					
Air freight forwarding ground handling services and air cargo terminal operating services	364,491	378,761	430,093	161,414	200,683
Other income and gains					
Gain on disposal of property, plant and equipment	67	–	–	–	64
Income from sales of scrap materials	1,344	1,665	1,373	603	558
Management fee income	554	624	624	240	60
Reversal of other payables and accruals	306	89	–	–	–
Others	1,896	882	1,331	378	1,112
	<u>4,167</u>	<u>3,260</u>	<u>3,328</u>	<u>1,221</u>	<u>1,794</u>

Segment information

The chief operating decision-maker has been identified as the executive directors of the Company. The executive directors regard the Group's business as a single operating segment and review Historical Financial Information accordingly. Also, all of the Group's revenue during the Track Record Period are derived from Hong Kong, the place of domicile of the Group's operating subsidiary. Therefore, no segment information is presented.

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group during the Track Record Period are as follows:

	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000	Year ended 31 March 2017 HK\$'000	Five months ended 31 August 2016 HK\$'000 (Unaudited)	Five months ended 31 August 2017 HK\$'000
Customer A	165,173	184,860	215,904	81,342	96,484
Customer B ¹	<u>167,082</u>	<u>161,426</u>	<u>187,890</u>	<u>68,913</u>	<u>79,773</u>

¹ The above customer represent a collective of companies within a group.

6 PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000	Year ended 31 March 2017 HK\$'000	Five months ended 31 August 2016 HK\$'000 (Unaudited)	Five months ended 31 August 2017 HK\$'000
Included in direct costs:					
Direct labour costs					
(Note 7)	152,917	145,552	137,825	56,168	54,646
Dispatched labour costs	83,719	112,430	131,794	48,075	72,726
Costs of packaging materials	14,152	14,427	12,258	5,028	4,359
Depreciation	3,061	2,877	2,569	1,263	1,296
Forklift rental	9,088	9,175	9,842	3,737	4,773
Operating lease rental on					
– Car parking spaces	737	1,420	1,718	695	735
– Warehouses and loading bay	<u>17,050</u>	<u>13,050</u>	<u>30,918</u>	<u>8,797</u>	<u>16,423</u>
Included in administrative and other operating expenses:					
Auditors' remuneration	35	35	60	25	25
Depreciation	1,067	1,588	1,576	638	693
Listing expenses	–	–	3,901	–	4,595
Loss on disposal of property, plant and equipment	–	146	–	–	–
Operating lease rental on					
– Premises	300	300	300	125	130
Staff costs, including directors' emoluments (Note 7)	<u>11,136</u>	<u>11,595</u>	<u>12,106</u>	<u>4,855</u>	<u>5,053</u>

7 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000	Year ended 31 March 2017 HK\$'000	Five months ended 31 August 2016 HK\$'000 (Unaudited)	Five months ended 31 August 2017 HK\$'000
Salaries, allowances and other benefits	156,789	150,243	143,433	58,367	57,147
Retirement scheme contributions	<u>7,264</u>	<u>6,904</u>	<u>6,498</u>	<u>2,656</u>	<u>2,552</u>
	<u>164,053</u>	<u>157,147</u>	<u>149,931</u>	<u>61,023</u>	<u>59,699</u>

The Group operates defined contribution schemes in Hong Kong which comply with the requirements under the Mandatory Provident Fund ("MPF") Schemes Ordinance. All assets under the scheme are held separately from the Group under independently administered funds. Contributions to the MPF scheme follow the MPF Schemes Ordinance.

8 DIRECTORS' EMOLUMENTS

(a) Directors' emoluments

The remuneration of each director for the Track Record Period is set out below:

	Fee HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
Year ended					
31 March 2015					
<i>Executive directors</i>					
Mr. Alex Law	–	3,850	–	18	3,868
Mr. Simon Law	–	2,100	–	18	2,118
Mr. Chiu	–	<u>1,273</u>	<u>60</u>	<u>18</u>	<u>1,351</u>
	–	<u>7,223</u>	<u>60</u>	<u>54</u>	<u>7,337</u>
Year ended					
31 March 2016					
<i>Executive directors</i>					
Mr. Alex Law	–	4,225	–	18	4,243
Mr. Simon Law	–	1,950	–	18	1,968
Mr. Chiu	–	<u>1,278</u>	<u>79</u>	<u>18</u>	<u>1,375</u>
	–	<u>7,453</u>	<u>79</u>	<u>54</u>	<u>7,586</u>

	Fee <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Discretionary bonuses <i>HK\$'000</i>	Retirement scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended					
31 March 2017					
<i>Executive directors</i>					
Mr. Alex Law	–	4,436	–	18	4,454
Mr. Simon Law	–	2,048	–	18	2,066
Mr. Chiu	–	1,328	79	18	1,425
	–	7,812	79	54	7,945
Five months ended					
31 August 2016					
(Unaudited)					
<i>Executive directors</i>					
Mr. Alex Law	–	1,706	–	8	1,714
Mr. Simon Law	–	787	–	8	795
Mr. Chiu	–	519	39	8	566
	–	3,012	39	24	3,075
Five months ended					
31 August 2017					
<i>Executive directors</i>					
Mr. Alex Law	–	1,749	170	8	1,927
Mr. Simon Law	–	807	79	8	894
Mr. Chiu	–	529	41	8	578
	–	3,085	290	24	3,399

Mr. Alex Law, Mr. Simon Law and Mr. Chiu were appointed as directors of the Company on 7 July 2016 and re-designated as executive directors of the Company on 3 July 2017. They were also directors of certain subsidiaries of the Company and/or employees of the Group during the Track Record Period and the Group paid emoluments to them in their capacity as the directors of these subsidiaries and/or employees of the Group before their appointment as executive directors of the Company.

Mr. Iu Tak Meng Teddy, Mr. Kwan Ngai Kit, and Mr. Ho Chun Chung Patrick were appointed as independent non-executive directors of the Company on 21 February 2018. During the Track Record Period, the independent non-executive directors have not yet been appointed and received no directors' remuneration in their capacity as directors.

During the Track Record Period, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments during the Track Record Period.

(b) Five highest paid individuals

For the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, the five individuals whose emoluments were the highest in the Group include 3, 3, 3 and 3 directors respectively, whose emoluments are disclosed above. The emoluments paid to the remaining 2, 2, 2 and 2 individuals are as follows:

	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000	Year ended 31 March 2017 HK\$'000	Five months ended 31 August 2016 HK\$'000 (Unaudited)	Five months ended 31 August 2017 HK\$'000
Salaries and allowances	1,125	1,302	1,461	565	579
Discretionary bonuses	175	214	242	121	148
Retirement scheme contributions	35	36	36	15	15
	<u>1,335</u>	<u>1,552</u>	<u>1,739</u>	<u>701</u>	<u>742</u>

The emoluments fell within the following bands:

	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2017	Five months ended 31 August 2016 (Unaudited)	Five months ended 31 August 2017
Nil-HK\$1,000,000	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

During the Track Record Period, no emoluments were paid by the Group to the above highest paid individuals as (i) an inducement to join or upon joining the Group or (ii) as compensation for loss of office as a director or management of any members of the Group.

9 FINANCE COSTS

	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000	Year ended 31 March 2017 HK\$'000	Five months ended 31 August 2016 HK\$'000 (Unaudited)	Five months ended 31 August 2017 HK\$'000
Interest on finance leases	111	167	133	65	26
Interest on bank borrowings	838	748	502	158	243
Interest on other borrowings	328	53	727	256	175
	<u>1,277</u>	<u>968</u>	<u>1,362</u>	<u>479</u>	<u>444</u>

10 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in or derived from Hong Kong for the Track Record Period.

	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000	Year ended 31 March 2017 HK\$'000	Five months ended 31 August 2016 HK\$'000 (Unaudited)	Five months ended 31 August 2017 HK\$'000
Hong Kong profits tax					
Current income tax	3,845	3,689	7,597	2,390	2,173
Overprovision in prior years	(10)	–	–	–	–
Deferred income tax (Note 25)	–	–	–	–	741
Income tax expense	<u>3,835</u>	<u>3,689</u>	<u>7,597</u>	<u>2,390</u>	<u>2,914</u>

The taxation on the Group's profit before tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000	Year ended 31 March 2017 HK\$'000	Five months ended 31 August 2016 HK\$'000 (Unaudited)	Five months ended 31 August 2017 HK\$'000
Profit before tax	<u>22,298</u>	<u>22,803</u>	<u>41,810</u>	<u>14,300</u>	<u>10,774</u>
Calculated at a tax rate of 16.5%	3,679	3,763	6,899	2,360	1,777
Income not subject to tax	(496)	(819)	(784)	(351)	(109)
Expenses not deductible for tax purposes	682	765	1,502	401	1,246
Tax concession	(20)	(20)	(20)	(20)	–
Adjustments in respect of current tax of previous periods	(10)	–	–	–	–
Income tax expense	<u>3,835</u>	<u>3,689</u>	<u>7,597</u>	<u>2,390</u>	<u>2,914</u>

11 EARNINGS PER SHARE

For the purpose of this report, the calculation of the basic earnings per share attributable to owners of the Company was based on (i) the profit attributable to owners of the Company for the Track Record Period and (ii) the weighted average number of 750,000,000 shares (comprising 10,000 shares in issue and 749,990,000 shares to be issued under the capitalisation issue as described in Appendix IV "Statutory and General Information" to the Prospectus) as if these 750,000,000 shares were outstanding throughout the Track Record Period.

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary share in issue during the Track Record Period.

12 DIVIDENDS

During the year ended 31 March 2016, A & S (HK) declared dividends of HK\$10,000,000 to the then shareholders.

During the five months ended 31 August 2017, A & S (HK) declared dividends of HK\$11,000,000 to the then shareholders.

During the Track Record Period, no dividend was paid or declared by the Company since its incorporation.

13 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improve- ments <i>HK\$'000</i>	Warehouse operating equipment <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Trucks, pallet trucks and motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost					
At 1 April 2014	2,837	295	835	22,161	26,128
Additions	–	–	58	3,111	3,169
Disposals	–	–	–	(1,920)	(1,920)
At 31 March 2015	<u>2,837</u>	<u>295</u>	<u>893</u>	<u>23,352</u>	<u>27,377</u>
Accumulated depreciation					
At 1 April 2014	1,813	231	753	16,732	19,529
Charge for the year	527	32	67	3,502	4,128
Disposals	–	–	–	(1,885)	(1,885)
At 31 March 2015	<u>2,340</u>	<u>263</u>	<u>820</u>	<u>18,349</u>	<u>21,772</u>
Net book value					
At 31 March 2015	<u><u>497</u></u>	<u><u>32</u></u>	<u><u>73</u></u>	<u><u>5,003</u></u>	<u><u>5,605</u></u>
Cost					
At 1 April 2015	2,837	295	893	23,352	27,377
Additions	271	–	388	5,798	6,457
Disposals	(1,324)	–	–	(453)	(1,777)
At 31 March 2016	<u>1,784</u>	<u>295</u>	<u>1,281</u>	<u>28,697</u>	<u>32,057</u>
Accumulated depreciation					
At 1 April 2015	2,340	263	820	18,349	21,772
Charge for the year	327	16	108	4,014	4,465
Disposals	(1,114)	–	–	(409)	(1,523)
At 31 March 2016	<u>1,553</u>	<u>279</u>	<u>928</u>	<u>21,954</u>	<u>24,714</u>
Net book value					
At 31 March 2016	<u><u>231</u></u>	<u><u>16</u></u>	<u><u>353</u></u>	<u><u>6,743</u></u>	<u><u>7,343</u></u>

	Leasehold improve- ments <i>HK\$'000</i>	Warehouse operating equipment <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Trucks, pallet trucks and motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost					
At 1 April 2016	1,784	295	1,281	28,697	32,057
Additions	878	786	690	1,293	3,647
Disposals	—	—	—	(915)	(915)
At 31 March 2017	<u>2,662</u>	<u>1,081</u>	<u>1,971</u>	<u>29,075</u>	<u>34,789</u>
Accumulated depreciation					
At 1 April 2016	1,553	279	928	21,954	24,714
Charge for the year	168	108	280	3,589	4,145
Disposals	—	—	—	(915)	(915)
At 31 March 2017	<u>1,721</u>	<u>387</u>	<u>1,208</u>	<u>24,628</u>	<u>27,944</u>
Net book value					
At 31 March 2017	<u>941</u>	<u>694</u>	<u>763</u>	<u>4,447</u>	<u>6,845</u>
Cost					
At 1 April 2017	2,662	1,081	1,971	29,075	34,789
Additions	157	14	843	5,228	6,242
Disposals	—	—	—	(1,769)	(1,769)
At 31 August 2017	<u>2,819</u>	<u>1,095</u>	<u>2,814</u>	<u>32,534</u>	<u>39,262</u>
Accumulated depreciation					
At 1 April 2017	1,721	387	1,208	24,628	27,944
Charge for the period	98	106	166	1,619	1,989
Disposals	—	—	—	(1,453)	(1,453)
At 31 August 2017	<u>1,819</u>	<u>493</u>	<u>1,374</u>	<u>24,794</u>	<u>28,480</u>
Net book value					
At 31 August 2017	<u>1,000</u>	<u>602</u>	<u>1,440</u>	<u>7,740</u>	<u>10,782</u>

Trucks, pallet trucks and motor vehicles includes the following amounts where the Group is a lessee under finance leases:

	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>	As at 31 August 2017 <i>HK\$'000</i>
Cost – capitalised finance leases	7,044	11,498	11,931	1,918
Accumulated depreciation	<u>(3,084)</u>	<u>(5,874)</u>	<u>(8,068)</u>	<u>(795)</u>
Net book value	<u>3,960</u>	<u>5,624</u>	<u>3,863</u>	<u>1,123</u>

14 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>	As at 31 August 2017 <i>HK\$'000</i>
Financial assets				
<i>Loans and receivables</i>				
Trade receivables	68,804	76,178	83,312	99,529
Other receivables and deposits	11,092	11,123	6,829	7,735
Amounts due from related companies	2,157	570	464	245
Pledged deposit	–	–	3,000	3,000
Cash and bank balances	23,714	19,220	58,095	35,999
Total	105,767	107,091	151,700	146,508
Financial liabilities				
<i>Financial liabilities at amortised cost</i>				
Trade payables	7,144	10,648	10,664	15,226
Accruals and other payables	14,468	14,903	18,770	20,295
Amounts due to directors	25,245	30,079	20,081	18,452
Bank and other borrowings	25,554	10,903	25,545	21,208
Finance lease liabilities	3,170	4,676	2,000	613
Total	75,581	71,209	77,060	75,794

15 TRADE RECEIVABLES

	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>	As at 31 August 2017 <i>HK\$'000</i>
Trade receivables	68,804	76,178	83,312	99,529

The credit period granted to customers is 30 to 60 days from invoice date generally. Trade receivables are denominated in HK\$.

The ageing analysis of the trade receivables based on invoice date is as follows:

	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>	As at 31 August 2017 <i>HK\$'000</i>
0-30 days	30,242	29,990	40,502	41,515
31-60 days	34,896	39,793	37,329	37,871
61-90 days	3,414	3,268	5,150	17,502
Over 90 days	252	3,127	331	2,641
	68,804	76,178	83,312	99,529

Trade receivables that neither past due nor impaired related to customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The ageing analysis of the trade receivables that are individually nor collectively considered to be impaired is as follows:

	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>	As at 31 August 2017 <i>HK\$'000</i>
Neither past due nor impaired	67,643	62,758	62,327	75,565
Less than 1 month past due	830	11,404	15,477	21,261
1-3 months past due	128	502	5,452	2,568
Over 3 months past due	203	1,514	56	135
	<u>68,804</u>	<u>76,178</u>	<u>83,312</u>	<u>99,529</u>

The Group does not hold any collateral as security.

16 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>	As at 31 August 2017 <i>HK\$'000</i>
Deposits	4,375	4,828	6,328	6,977
Prepaid listing expenses	–	–	–	67
Prepayments	4,338	3,731	3,710	2,479
Other receivables	6,717	6,295	501	758
	<u>15,430</u>	<u>14,854</u>	<u>10,539</u>	<u>10,281</u>

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

17 AMOUNTS DUE FROM RELATED COMPANIES

	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 31 August 2017 HK\$'000
<i>Amounts due from related companies:</i>				
ASWC (Hong Kong) Logistics Limited ¹	101	112	–	–
Gobo Trade Limited ² (“Gobo”)	1,879	249	221	–
Cheer Well Industrial Limited ³	75	99	110	112
Power Gold Transportation Limited ¹	85	89	91	91
Wellgain Profit Group Limited ⁴	17	21	23	23
Dynamic Victor Limited ⁵	–	–	19	19
	<u>2,157</u>	<u>570</u>	<u>464</u>	<u>245</u>
<i>Maximum outstanding balance during the year/period:</i>				
ASWC (Hong Kong) Logistics Limited ¹	247	112	112	–
Gobo ²	1,879	2,847	2,797	471
Cheer Well Industrial Limited ³	75	99	110	112
Power Gold Transportation Limited ¹	85	89	91	91
Wellgain Profit Group Limited ⁴	17	21	23	23
Dynamic Victor Limited ⁵	–	–	19	19
	<u>–</u>	<u>–</u>	<u>19</u>	<u>19</u>

¹ Mr. Alex Law and Mr. Simon Law were shareholders and directors of ASWC (Hong Kong) Logistics Limited and Power Gold Transportation Limited.

² Mr. Alex Law, Mr. Simon Law and their close family member had material beneficial interest in Gobo.

³ Mr. Alex Law was the sole shareholder and sole director of Cheer Well Industrial Limited.

⁴ Mr. Alex Law, Mr. Simon Law and their close family member were shareholders and directors of Wellgain Profit Group Limited.

⁵ Mr. Alex Law, Mr. Simon Law and Mr. Chiu were shareholders and directors of Dynamic Victor Limited.

The amounts due were non-trade in nature, unsecured, non-interest bearing and had no fixed terms of repayment, except for approximately HK\$1,415,000, HK\$249,000, HK\$221,000 and Nil as at 31 March 2015, 2016 and 2017 and 31 August 2017, respectively, included in amount due from Gobo were arising from management fee income.

18 CASH AND BANK BALANCES AND PLEDGED DEPOSIT

	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>	As at 31 August 2017 <i>HK\$'000</i>
Cash at banks (<i>Note a</i>)	23,578	19,065	57,921	35,785
Cash on hand	136	155	174	214
Time deposit	—	—	3,000	3,000
	<u>23,714</u>	<u>19,220</u>	<u>61,095</u>	<u>38,999</u>
Less: Pledged deposit (<i>Note b</i>)	—	—	3,000	3,000
Cash and bank balances	<u><u>23,714</u></u>	<u><u>19,220</u></u>	<u><u>58,095</u></u>	<u><u>35,999</u></u>

Notes:

- (a) Cash at banks earns interest at floating rates based on daily bank deposit rates.
- (b) As at 31 March 2017 and 31 August 2017, the pledged deposit was placed to secure the Group's outstanding bank borrowings disclosed in Note 20 below.

19 COMBINED CAPITAL

	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>	As at 31 August 2017 <i>HK\$'000</i>
Combined capital	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>1</u></u>

For the purpose of the preparation of the combined statements of financial position, the balance of combined capital at 31 March 2015, 2016 and 2017 and 31 August 2017 represents the aggregate of the paid up share capital of the companies comprising the Group held by the Controlling Shareholders of the Company prior to the Reorganisation.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 7 July 2016 with an initial authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. On 7 July 2016, one nil-paid share was allotted and issued to the initial subscriber to the memorandum and articles of association of the Company, which was transferred to Dynamic Victor Limited at nil consideration on 7 July 2016.

20 BORROWINGS

	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 31 August 2017 HK\$'000
Non-current				
Finance lease liabilities (<i>Note b</i>)	1,345	1,142	257	–
Current				
Bank borrowings (<i>Note a</i>)	22,254	10,903	17,545	18,208
Other borrowings (<i>Note c</i>)	3,300	–	8,000	3,000
Finance lease liabilities (<i>Note b</i>)	1,825	3,534	1,743	613
	<u>27,379</u>	<u>14,437</u>	<u>27,288</u>	<u>21,821</u>
Total borrowings	<u><u>28,724</u></u>	<u><u>15,579</u></u>	<u><u>27,545</u></u>	<u><u>21,821</u></u>

Notes:

(a) Bank borrowings

The bank borrowings are classified as current liabilities according to the HK Interpretation 5, *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* issued by the HKICPA. According to the repayment schedule, the bank borrowings are repayable as follows:

	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 31 August 2017 HK\$'000
Within 1 year	11,351	3,571	5,423	6,619
Between 1 and 2 years	3,571	3,538	3,594	4,308
Between 2 and 5 years	6,383	3,794	8,528	7,281
Over 5 years	949	–	–	–
	<u>22,254</u>	<u>10,903</u>	<u>17,545</u>	<u>18,208</u>

The carrying amounts of the bank borrowings are denominated in HK\$.

As at 31 March 2015, 2016 and 2017 and 31 August 2017, the undrawn banking facilities amounted to approximately Nil, Nil, HK\$15,000,000 and HK\$19,592,000 respectively.

These banking facilities are secured/guaranteed by:

- (i) Personal guarantees given by Mr. Alex Law and Mr. Simon Law as at 31 March 2015, 2016 and 2017 and 31 August 2017;
- (ii) Certain properties held by Mr. Alex Law and Mr. Simon Law as at 31 March 2015, 2016 and 2017 and 31 August 2017;
- (iii) Guarantee by The Hong Kong Mortgage Corporation Limited under SME Financing Guarantee Scheme as at 31 March 2015, 2016 and 2017 and 31 August 2017; and

(iv) Certain cash deposits of the Group of approximately HK\$3,000,000 as at 31 March 2017 and 31 August 2017.

(b) Finance lease liabilities

Lease liabilities are secured as the rights to the leased assets revert to the lessors in the event of default.

At the end of lease term of certain finance leases the Group has the option to purchase the leased assets at a price deemed to be a bargain purchase option.

	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 31 August 2017 HK\$'000
Gross finance lease liabilities – minimum lease payments				
Within 1 year	1,905	3,646	1,777	622
Between 1 and 2 years	1,318	1,156	258	–
Between 2 and 5 years	<u>69</u>	<u>–</u>	<u>–</u>	<u>–</u>
	3,292	4,802	2,035	622
Future finance charges on finance leases	<u>(122)</u>	<u>(126)</u>	<u>(35)</u>	<u>(9)</u>
Present value of finance lease liabilities	<u><u>3,170</u></u>	<u><u>4,676</u></u>	<u><u>2,000</u></u>	<u><u>613</u></u>

The present value of finance lease liabilities is as follows:

	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 31 August 2017 HK\$'000
Within 1 year	1,825	3,534	1,743	613
Between 1 and 2 years	1,280	1,142	257	–
Between 2 and 5 years	<u>65</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u><u>3,170</u></u>	<u><u>4,676</u></u>	<u><u>2,000</u></u>	<u><u>613</u></u>

The finance leases are secured by the Group's trucks, pallet trucks and motor vehicles with an aggregate net book value of approximately HK\$3,960,000, HK\$5,624,000, HK\$3,863,000 and HK\$1,123,000 as at 31 March 2015, 2016 and 2017 and 31 August 2017 respectively.

Certain finance leases are guaranteed by Mr. Simon Law as at 31 March 2015, 2016 and 2017 and 31 August 2017.

The carrying amounts of all finance lease liabilities are denominated in HK\$.

(c) The other borrowings were secured by certain of the Group's trucks with an aggregate net book value of approximately Nil, Nil, Nil and Nil as at 31 March 2015, 2016 and 2017 and 31 August 2017 respectively.

The carrying amounts of the other borrowings are denominated in HK\$.

(d) The interest rates per annum of borrowings are as follows:

	As at 31 March 2015	As at 31 March 2016	As at 31 March 2017	As at 31 August 2017
Bank borrowings	3.00% to 4.50%	3.00% to 4.50%	2.10% to 4.25%	1.80% to 4.25%
Finance lease liabilities	1.75% to 1.80%	1.75% to 1.80%	1.75% to 1.80%	1.75% to 1.80%
Other borrowings	<u>5%</u>	<u>5%</u>	<u>7%</u>	<u>7%</u>

21 TRADE AND OTHER PAYABLES

	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 31 August 2017 HK\$'000
Trade payables	7,144	10,648	10,664	15,226
Accruals and other payables	14,468	14,553	17,820	19,195
Deposits received	<u>–</u>	<u>350</u>	<u>950</u>	<u>1,100</u>
	<u>21,612</u>	<u>25,551</u>	<u>29,434</u>	<u>35,521</u>

Notes:

(a) Payment terms granted by suppliers are generally 7 to 60 days from the invoice date of the relevant purchases.

The ageing analysis of trade payables based on the invoice date is as follows:

	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 31 August 2017 HK\$'000
0-30 days	3,980	4,863	5,990	7,725
31-60 days	2,910	3,415	2,931	3,147
61-90 days	76	189	931	1,084
Over 90 days	<u>178</u>	<u>2,181</u>	<u>812</u>	<u>3,270</u>
	<u>7,144</u>	<u>10,648</u>	<u>10,664</u>	<u>15,226</u>

As at 31 March 2015, 2016 and 2017 and 31 August 2017, included in trade payables was approximately HK\$2,656,000, HK\$4,903,000, HK\$4,077,000 and HK\$6,167,000 respectively payable to a related company, Gobo.

As at 31 March 2015, 2016 and 2017 and 31 August 2017, included in trade payables was approximately Nil, HK\$125,000, HK\$107,000 and HK\$250,000 respectively payable to a related company, Hung Kee Body Building Factory Limited.

As at 31 March 2015, 2016 and 2017 and 31 August 2017, included in trade payables was approximately HK\$88,000, Nil, Nil and Nil respectively payable to a related company, Hung Kee Body Building Factory.

(b) All trade and other payables are denominated in HK\$.

22 AMOUNTS DUE TO DIRECTORS

	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>	As at 31 August 2017 <i>HK\$'000</i>
Name of directors				
Mr. Alex Law	6,053	10,519	8,001	7,378
Mr. Simon Law	19,192	19,560	12,080	11,074
	<u>25,245</u>	<u>30,079</u>	<u>20,081</u>	<u>18,452</u>

The amounts due were non-trade in nature, unsecured, non-interest bearing and had no fixed terms of repayment.

23 AMOUNT DUE TO A & S (HK)

The amount due was non-trade in nature, unsecured, non-interest bearing and had no fixed terms of repayment.

24 NOTES TO COMBINED STATEMENTS OF CASH FLOWS

(a) Reconciliation of profit before tax to net cash generated from/(used in) operations

	Year ended 31 March 2015 <i>HK\$'000</i>	Year ended 31 March 2016 <i>HK\$'000</i>	Year ended 31 March 2017 <i>HK\$'000</i>	Five months ended 31 August 2016 <i>HK\$'000</i> <i>(Unaudited)</i>	Five months ended 31 August 2017 <i>HK\$'000</i>
Profit before tax	22,298	22,803	41,810	14,300	10,774
Adjustments for:					
Depreciation	4,128	4,465	4,145	1,901	1,989
Interest expense	1,277	968	1,362	479	444
(Gain)/Loss on disposal of property, plant and equipment	<u>(67)</u>	<u>146</u>	<u>–</u>	<u>–</u>	<u>(64)</u>
Operating profit before working capital changes	27,636	28,382	47,317	16,680	13,143
Decrease/(Increase) in trade receivables	6,831	(7,374)	(7,134)	(19,411)	(16,217)
(Increase)/Decrease in other receivables, deposits and prepayments	(79)	576	4,315	(8,525)	258
(Increase)/Decrease in amounts due from related companies	(1,823)	1,587	106	(1,068)	219
Increase in trade payables	692	3,504	16	2,542	4,562
(Decrease)/Increase in accruals and other payables	<u>(3,900)</u>	<u>435</u>	<u>3,867</u>	<u>1,351</u>	<u>1,525</u>
Net cash generated from/(used in) operations	<u>29,357</u>	<u>27,110</u>	<u>48,487</u>	<u>(8,431)</u>	<u>3,490</u>

(b) Material non-cash transactions

During the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, additions to property, plant and equipment of approximately HK\$1,817,000, HK\$4,761,000, HK\$1,199,000 and Nil were financed by finance lease arrangement respectively.

During the year ended 31 March 2016, dividend declared by A & S (HK) of approximately HK\$4,500,000 was settled through current accounts with the directors.

(c) Reconciliation of liabilities arising from financing activities:

	As at 1 April 2014 HK\$'000	Cash flows HK\$'000	Non-cash changes HK\$'000	As at 31 March 2015 HK\$'000
Amounts due to directors	26,036	(791)	–	25,245
Bank and other borrowings	33,979	(8,425)	–	25,554
Finance lease liabilities (<i>note i</i>)	<u>3,223</u>	<u>(1,870)</u>	<u>1,817</u>	<u>3,170</u>
Total liabilities from financing activities	<u><u>63,238</u></u>	<u><u>(11,086)</u></u>	<u><u>1,817</u></u>	<u><u>53,969</u></u>
	As at 1 April 2015 HK\$'000	Cash flows HK\$'000	Non-cash changes HK\$'000	As at 31 March 2016 HK\$'000
Amounts due to directors (<i>note ii</i>)	25,245	334	4,500	30,079
Bank and other borrowings	25,554	(14,651)	–	10,903
Finance lease liabilities (<i>note i</i>)	<u>3,170</u>	<u>(3,255)</u>	<u>4,761</u>	<u>4,676</u>
Total liabilities from financing activities	<u><u>53,969</u></u>	<u><u>(17,572)</u></u>	<u><u>9,261</u></u>	<u><u>45,658</u></u>
	As at 1 April 2016 HK\$'000	Cash flows HK\$'000	Non-cash changes HK\$'000	As at 31 March 2017 HK\$'000
Amounts due to directors	30,079	(9,998)	–	20,081
Bank and other borrowings	10,903	14,642	–	25,545
Finance lease liabilities (<i>note i</i>)	<u>4,676</u>	<u>(3,875)</u>	<u>1,199</u>	<u>2,000</u>
Total liabilities from financing activities	<u><u>45,658</u></u>	<u><u>769</u></u>	<u><u>1,199</u></u>	<u><u>47,626</u></u>
	As at 1 April 2017 HK\$'000	Cash flows HK\$'000	Non-cash changes HK\$'000	As at 31 August 2017 HK\$'000
Amounts due to directors	20,081	(1,629)	–	18,452
Bank and other borrowings	25,545	(4,337)	–	21,208
Finance lease liabilities	<u>2,000</u>	<u>(1,387)</u>	<u>–</u>	<u>613</u>
Total liabilities from financing activities	<u><u>47,626</u></u>	<u><u>(7,353)</u></u>	<u><u>–</u></u>	<u><u>40,273</u></u>

(Unaudited)

	As at 1 April 2016 <i>HK\$'000</i>	Cash flows <i>HK\$'000</i>	Non-cash changes <i>HK\$'000</i>	As at 31 August 2016 <i>HK\$'000</i>
Amounts due to directors	30,079	(2,873)	–	27,206
Bank and other borrowings	10,903	12,065	–	22,968
Finance lease liabilities (<i>note i</i>)	<u>4,676</u>	<u>(1,645)</u>	<u>1,199</u>	<u>4,230</u>
Total liabilities from financing activities	<u>45,658</u>	<u>7,547</u>	<u>1,199</u>	<u>54,404</u>

Note:

- (i) Non-cash change represents acquisition of property, plant and equipment
- (ii) Non-cash change represents settlement of dividends

25 DEFERRED INCOME TAX

The movement of the deferred tax liabilities during the Track Record Period is as follows:

	Accelerated tax depreciation <i>HK\$'000</i>
At 1 April 2014, 2015, 2016 and 2017	–
Charged to profit or loss (<i>Note 10</i>)	<u>741</u>
At 31 August 2017	<u>741</u>
(Unaudited)	
At 1 April 2016	–
Charged to profit or loss (<i>Note 10</i>)	<u>–</u>
At 31 August 2016	<u>–</u>

26 RESERVES**The Group***Other reserve*

Other reserve represents the difference between the nominal value of the shares issued by Metro Talent in exchange for the nominal value of share capital of A & S (HK) held by the Controlling Shareholders arising from the Reorganisation.

27 COMMITMENTS

(a) Operating lease commitments – Group as lessor

At the end of each of the Track Record Period, the total future minimum lease receivable under non-cancellable operating leases were as follows:

	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 31 August 2017 HK\$'000
Within one year	–	–	4,443	4,443
In the second to fifth years inclusive	–	–	5,553	3,702
	<u>–</u>	<u>–</u>	<u>9,996</u>	<u>8,145</u>

The Group is the lessor in respect of warehouses under operating leases. The leases typically run for an initial period of 30 months.

(b) Operating lease commitments – Group as lessee

At the end of each of the Track Record Period, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 31 August 2017 HK\$'000
Within one year	17,020	7,151	50,771	54,094
In the second to fifth years inclusive	2,166	894	62,386	46,367
	<u>19,186</u>	<u>8,045</u>	<u>113,157</u>	<u>100,461</u>

The Group is the lessee in respect of forklifts, warehouses and loading bay under operating leases. The leases typically run for an initial period of 1 to 3 years.

28 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in making financial or operational decisions. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

- (a) During the Track Record Period, the Company entered into the following transactions with related parties:

Name of related party	Relationship
Mr. Alex Law and Mr. Simon Law	Directors of the Company
Gobo	Mr. Alex Law and Mr. Simon Law have joint control
Hung Kee Body Building Factory Limited	Controlled by a close family member of Mr. Alex Law and Mr. Simon Law
Hung Kee Body Building Factory	A sole proprietorship business owned by a close family member of Mr. Alex Law and Mr. Simon Law

Name of related party	Nature of transactions	Year ended	Year ended	Year ended	Five	Five
		31 March 2015 HK\$'000	31 March 2016 HK\$'000	31 March 2017 HK\$'000	months ended 31 August 2016 HK\$'000 (Unaudited)	months ended 31 August 2017 HK\$'000
Mr. Alex Law and Mr. Simon Law	Office premises rental	300	300	300	125	130
Gobo	Management fee income	554	624	624	240	60
	Revenue from logistics services	429	364	760	251	56
	Purchases of office supplies	611	748	1,002	319	604
	Purchases of packaging materials	14,134	14,423	12,258	5,028	4,359
Hung Kee Body Building Factory Limited	Vehicle repair and maintenance expenses	59	1,197	1,459	769	865
	Purchases of property, plant and equipment	–	–	–	–	146
Hung Kee Body Building Factory	Vehicle repair and maintenance expenses	1,307	222	–	–	–
	Car parking spaces rental	384	384	384	160	128
		<u>384</u>	<u>384</u>	<u>384</u>	<u>160</u>	<u>128</u>

(b) Related party balances

Details of the outstanding balances with related parties are disclosed in Notes 17, 21 and 22.

(c) The emoluments of the directors and senior executives (representing the key management personnel) during the Track Record Period are disclosed in Note 8.

29 CONTINGENT LIABILITIES

The Group, in the ordinary course of its business, is involved in various claims, suits, investigations, and legal proceedings that arise from time to time. Although the Group does not expect that the outcome in any of these legal proceedings, individually or collectively, will have a material adverse effect on its financial position or results of operations, litigation is inherently unpredictable. Therefore, the Group could incur judgements or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period.

30 SUBSEQUENT EVENTS

The Group had the following significant events took place subsequent to 31 August 2017:

- The Reorganisation as set out in Note 1 was completed on 21 February 2018.
- The Company adopted a share option scheme on 21 February 2018, a summary of the terms and conditions of which are set out in the paragraph headed "Share Option Scheme" in Appendix IV "Statutory and General Information" to the Prospectus.
- On 21 February 2018, the authorised share capital of the Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of an additional of 1,962,000,000 shares of HK\$0.01 each.

31 SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies comprising the Group in respect of any period subsequent to 31 August 2017.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this appendix does not form part of the Accountants' Report on the financial information of our Group for the Track Record Period prepared by HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set out in Appendix I to this prospectus, and is included in this prospectus for illustrative purpose only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted combined net tangible assets prepared in accordance with paragraph 4.29 of the Listing Rules are set out below to illustrate the effect of the Share Offer on the combined net tangible assets of our Group attributable to owners of our Company as of 31 August 2017 as if the Share Offer had taken place on that date.

The unaudited pro forma adjusted combined net tangible assets have been prepared for illustrative purposes only and, because of their hypothetical nature, they may not give a true picture of the combined net tangible assets of our Group had the Share Offer been completed as of 31 August 2017 or of any future dates. The unaudited pro forma adjusted combined net tangible assets are prepared based on the audited combined net tangible assets of our Group attributable to owners of our Company as of 31 August 2017 as set out in the Accountants' Report of our Company, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	Audited combined net tangible assets of our Group attributable to owners of our Company as at 31 August 2017 <i>HK\$'000</i> <i>(Note 1)</i>	Add: Estimated net proceeds from the Share Offer <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted combined net tangible assets <i>HK\$'000</i>	Unaudited pro forma adjusted combined net tangible assets per Share <i>HK\$</i> <i>(Note 3)</i>
Based on the Offer Price of HK\$0.30 per Share	77,239	61,452	138,691	0.14
Based on the Offer Price of HK\$0.50 per Share	77,239	108,452	185,691	0.19

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

1. The combined net tangible assets of our Group attributable to owners of our Company as at 31 August 2017 are based on combined net assets of our Group attributable to owners of our Company as at 31 August 2017 of approximately HK\$77,239,000 as shown in the financial information section of 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 Shares to be issued at the minimum and maximum Offer Price of HK\$0.30 and HK\$0.50 per share, respectively, after deduction of the underwriting fees and related expenses payable by our Company (excluding approximately HK\$8,496,000 listing-related expenses which have been accounted for prior to 31 August 2017), which has not been reflected in net tangible assets of our Group as at 31 August 2017. No account has been taken of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme referred to Appendix IV to this prospectus.
3. The unaudited pro forma adjusted net tangible assets per Share is calculated based on 1,000,000,000 Shares in issue immediately following the completion of the Share Offer, but taking no account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to Appendix IV to this prospectus.
4. No adjustment has been made to the unaudited pro forma adjusted net tangible assets of our Group to reflect any trading results or other transactions of our Group entered into subsequent to 31 August 2017.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus.



國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

28 February 2018

The Directors
A & S Group (Holdings) Limited

Dear Sirs,

Introduction

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of A & S Group (Holdings) Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted combined net tangible assets of the Group as at 31 August 2017, and related notes (the “Unaudited Pro Forma Financial Information”) as set out in Section A of Appendix II to the prospectus issued by the Company dated 28 February 2018 (the “Prospectus”). The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described in Section A of Appendix II to the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed share offer of the shares of the Company (the “Share Offer”) on the Group’s financial position as at 31 August 2017 as if the Share Offer had taken place at 31 August 2017. As part of this process, information about the Group’s financial position has been extracted by the directors from the Group’s financial information for the five months ended 31 August 2017, on which an accountants’ report has been published.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline (“AG”) 7, “*Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

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 the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 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 the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 August 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:

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- 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' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Chan Ching Pang
Practising Certificate Number: P05746
Hong Kong

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR 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 Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 7 July 2016 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**Articles**).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, inter alia, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since 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) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 21 February 2018 and with effect from the Listing Date. A summary of certain provisions of the Articles is set out below.

(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 any class of shares may (unless otherwise provided for by the terms of issue of the shares 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. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND
CAYMAN ISLANDS COMPANY LAW**

authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

(iv) Transfer of shares

Subject to the Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be 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 transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND
CAYMAN ISLANDS COMPANY LAW**

to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided 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 register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may 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 requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be 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 the ownership of shares in the Company by a subsidiary.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND
CAYMAN ISLANDS COMPANY LAW**

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit 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) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment 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 money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, 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, nevertheless, 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 payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest 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 shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term 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 the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND
CAYMAN ISLANDS COMPANY LAW**

The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time 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 also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also 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 shall, in the exercise of the powers 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, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND
CAYMAN ISLANDS COMPANY LAW**

terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) 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 shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be 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 whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall 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

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may 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, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(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 uncalled capital of the Company and, subject to the Companies Law, to issue

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND
CAYMAN ISLANDS COMPANY LAW**

debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, 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 shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make 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 former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND
CAYMAN ISLANDS COMPANY LAW**

Such pension or benefit may, if deemed desirable by the Board, 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

Payments to any present 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 or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with 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 for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of 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 or other benefits received by him as a director, officer or member of 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 in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, 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 for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND
CAYMAN ISLANDS COMPANY LAW**

relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) 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/have 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 proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND
CAYMAN ISLANDS COMPANY LAW**

(ee) 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, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) Meetings of member

(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 by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is 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 members which 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.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) 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 share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised 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 in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND
CAYMAN ISLANDS COMPANY LAW**

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND
CAYMAN ISLANDS COMPANY LAW**

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(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, and continues to be present until the conclusion of the meeting.

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 shall be 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 shall be 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. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company 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 account, book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) 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.

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 of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) 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 members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members 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.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND
CAYMAN ISLANDS COMPANY LAW**

Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

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.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used 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, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, 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.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(i) 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, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction 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 consist of property of one kind or 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 so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise 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 the shares to

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 7 July 2016 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or 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 arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

Notwithstanding the foregoing, 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.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so 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 are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. 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 member and, for the avoidance of doubt, 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; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, 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. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, 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, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has 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 the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member 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.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

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.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect 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 that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company; or

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND
CAYMAN ISLANDS COMPANY LAW**

(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 9 August 2016.

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.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in 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 member, 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 (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate 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 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a 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 the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized 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.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member 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 members.

(s) 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, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND
CAYMAN ISLANDS COMPANY LAW**

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the 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 V. 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**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 7 July 2016. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 23 August 2016 and our principal place of business in Hong Kong is at Room 11, 14th Floor, Ever Gain Plaza, Tower 2, 88 Container Port Road, Kwai Chung, New Territories, Hong Kong. CFN Lawyers in association with Broad & Bright of Units 4101-04, 41st Floor, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the Cayman Islands, our Company is subject to the relevant laws of the Cayman Islands and the constitution which comprises the Memorandum and the Articles. A summary of the relevant aspects of the Companies Law and certain provisions of the Articles is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

- (a) As at the date of incorporation of our Company, the authorised share capital was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. One nil-paid Share was allotted and issued to the initial subscriber on 7 July 2016, which was subsequently transferred to Dynamic Victor at nil consideration on the same date.
- (b) Pursuant to the Reorganisation and as a consideration for the acquisition by Metro Talent of the entire issued share capital of A & S (HK), on 19 May 2017, 99 shares of Metro Talent were allotted and issued at par to Dynamic Victor, credited as fully paid.
- (c) Pursuant to the Reorganisation and as a consideration for the acquisition by our Company of the entire issued share capital of Metro Talent, on 21 February 2018, our Company credited one nil-paid Share held by Dynamic Victor as fully-paid and allotted and issued 9,999 Shares, credited as fully-paid, to Dynamic Victor.
- (d) On 21 February 2018, our Shareholders resolved to increase the authorised share capital of our Company from HK\$380,000 to HK\$20,000,000 by the creation of 1,962,000,000 additional Shares, each ranking pari passu with our Shares then in issue in all respects.
- (e) Immediately following completion of the Capitalisation Issue and the Share Offer, and taking no account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, 1,000,000,000 Shares will be issued fully paid or credited as fully paid, and 1,000,000,000 Shares will remain unissued.

- (f) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “A. Further information about our Company – 3. Written resolutions of our sole Shareholder passed on 21 February 2018” in this appendix and pursuant to the Share Option Scheme, our Company does not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares which would effectively alter the control of our Company will be made.
- (g) Save as disclosed in the section headed “Share Capital” of this prospectus and in this paragraph, there has been no alteration in our Company’s share capital since its incorporation.

3. Written resolutions of our sole Shareholder passed on 21 February 2018

On 21 February 2018, resolutions in writing were passed by our sole Shareholder pursuant to which, among other things:

- (a) our Company approved and adopted the Memorandum;
- (b) our Company conditionally approved and adopted the Articles;
- (c) the authorised share capital of our Company be increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 Shares of HK\$0.01 each by creation of an additional 1,962,000,000 Shares of HK\$0.01 each, ranking *pari passu* with the existing Shares in all respects;
- (d) conditional on the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and Shares to be issued as mentioned in this prospectus, including any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:
 - (i) the Share Offer was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer to rank *pari passu* with the then existing Shares in all respects;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “D. Share Option Scheme” of this appendix, were approved and adopted and our Directors were authorised, at their absolute discretion, subject to the terms and conditions of the Share Option Scheme to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights

attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;

- (iii) conditional further on the share premium account of our Company being credited as a result of the Share Offer, the Capitalisation Issue be approved, and our Directors were authorised to capitalise an amount of HK\$7,499,900 standing to the credit of the share premium account of our Company and to appropriate such amount as capital to pay up in full at par 749,990,000 Shares for allotment and issue to the person(s) whose name(s) appear on the register of members of our Company at the close of business on 21 February 2018 in proportion (as nearly as possible without involving fractions) to its/ their then existing shareholdings in our Company, each ranking *pari passu* in all respects with the Shares then in issue, and our Directors were authorised to give effect to such capitalisation and distributions;
- (e) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issues or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Shares allotted in lieu of the whole or part of a dividend on our Shares or similar arrangement in accordance with the Memorandum and the Articles or pursuant to a specific authority granted by our Shareholders in general meetings or pursuant to the Capitalisation Issue and the Share Offer, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements or options which might require the exercise of such power, with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, and such mandate to remain in effect until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of our Company;
 - (ii) 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 the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;
- (f) 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 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 aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme (the “**Repurchase Mandate**”), and the Repurchase Mandate to remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
 - (ii) 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 the Cayman Islands to be held; or
 - (iii) the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting; and
- (g) the Repurchase Mandate mentioned in sub-paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to the Repurchase Mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the Repurchase Mandate to repurchase Shares referred to in sub-paragraph (d) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

4. Corporate Reorganisation

In preparing for the Listing, the companies comprising our Group underwent the Reorganisation to rationalise the corporate structure of our Group and our Company became the holding company of our Group. Please refer to the paragraph headed “History, Development and Reorganisation – Reorganisation” in this prospectus for further details.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountant’s Report, the text of which is set out in Appendix I to this prospectus. Save for the alterations described in paragraph headed “4. Corporate reorganisation” above, no changes in the share capital of the subsidiaries of our Company took place within the two years immediately preceding the date of this prospectus.

6. Repurchase of our Shares by our Company

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase of our Shares by our Company.

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions, a summary of which is set out below:

(i) *Shareholders' approval*

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

Note: Pursuant to the written resolutions of the sole Shareholder passed on 21 February 2018, the Repurchase Mandate was given to our Directors authorising our Directors to exercise all powers of our Company to purchase 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 such number of Shares representing up to 10% of the aggregate of the nominal value of the share capital in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Share which may fall to be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until the earliest of the conclusion of the next annual general meeting of our Company, 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 the Cayman Islands to be held, or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time the Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) Connected parties

The Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a “core connected person”, which includes a director, chief executive or substantial shareholder of our Company or any of its subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company’s net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and the Shareholders.

(c) Exercise of the Repurchase Mandate

Exercise in full of the Repurchase Mandate, on the basis of 1,000,000,000 Shares in issue after completion of the Share Offer, could accordingly result in up to 100,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) Funding of repurchase

In repurchasing the Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

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.

(e) General

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates, has any present intention if the Repurchase Mandate is exercised to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person of our Company has notified our Company that he 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 OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:




- (a) an agreement dated 19 May 2017 entered into between (i) Law Kwok Leung Alex, Law Kwok Ho Simon and Chiu Tat Ting Albert as vendors; and (ii) Metro Talent Limited as purchaser, for the sale and purchase of 10 issued shares in the share capital of A & S (HK) Logistics Limited (亞洲實業(香港)物流有限公司), in consideration of which Metro Talent Limited allotted and issued an aggregate of 99 fully-paid shares in the share capital of Metro Talent Limited to Dynamic Victor Limited;
- (b) a share swap deed dated 21 February 2018 entered into between (i) Dynamic Victor Limited; (ii) Law Kwok Leung Alex; (iii) Law Kwok Ho Simon; (iv) Chiu Tat Ting Albert; and (v) A & S Group (Holdings) Limited (亞洲實業集團(控股)有限公司) in relation to the transfer of the entire issued share capital of Metro Talent Limited to A & S Group (Holdings) Limited;
- (c) the Deed of Non-competition dated 21 February 2018 given by (i) Law Kwok Leung Alex; (ii) Law Kwok Ho Simon; (iii) Chiu Tat Ting Albert; and (iv) Dynamic Victor Limited in favour of A & S Group (Holdings) Limited (亞洲實業集團(控股)有限公司) (for itself and as trustee of its subsidiaries), details of which are set out in the paragraph headed "Relationships with our Controlling Shareholders – Non-competition undertakings" in this prospectus;

- (d) the Deed of Indemnity dated 21 February 2018 given by (i) Law Kwok Leung Alex; (ii) Law Kwok Ho Simon; (iii) Chiu Tat Ting Albert; and (iv) Dynamic Victor Limited in favour of A & S Group (Holdings) Limited (亞洲實業集團(控股)有限公司) (for itself and as trustee of its subsidiaries) containing indemnities referred to in the paragraph headed “E. Other information – 1. Tax and other indemnities” in this appendix; and
- (e) the Public Offer Underwriting Agreement.

2. Intellectual property rights

(a) Trademarks

As at the Latest Practicable Date, our Group has registered the following trademarks in Hong Kong:

No.	Trademark	Registered owner	Class(es)	Registration number	Duration
1.		A & S (HK)	39	303693259	23 February 2016 – 22 February 2026
2.		A & S (HK)	39	303693312	23 February 2016 – 22 February 2026
3.		A & S (HK)	39	303663108	19 January 2016 – 18 January 2026

(b) Domain names

As at the Latest Practicable Date, our Group has registered the following domain name:

Registrant	Domain Name	Duration
A & S(HK)	<i>www.asl.hk</i>	26 May 2006 – 27 May 2018 (Note)

Note: Our Group expects to renew the domain name accordingly before its expiry date.

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of interests

(a) Interests of Directors and chief executive in Shares, underlying Shares and debentures of our Company and its associated corporations

Immediately following the completion of the Capitalisation Issue and the Share Offer but taking no account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, the interests and short positions of our Directors or chief executive of our Company in our Shares, underlying Shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed on the Main Board, 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 any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies Contained in the Listing Rules, to be notified to our Company and the Stock Exchange, will be as follows:

(i) Long position in the Share

Name of Director	Capacity/Nature	Number of Shares held/ Interested (Note 1)	Percentage of interest
Mr. Alex Law (Note 2)	Interest of a controlled corporation	750,000,000	75%
Mr. Simon Law (Note 3)	Interest of a controlled corporation	225,000,000	22.5%
Mr. Albert Chiu (Note 4)	Interest of a controlled corporation	75,000,000	7.5%

Notes:

- (1) All interests stated are long positions.
- (2) Mr. Alex Law beneficially owns 60% of the issued share capital of Dynamic Victor. Therefore, Mr. Alex Law is deemed, or taken to be, interested in all the Shares held by Dynamic Victor for the purpose of the SFO.
- (3) Mr. Simon Law beneficially owns 30% of the issued share capital of Dynamic Victor. Therefore, Mr. Simon Law is deemed to be interested in 225,000,000 Shares held by Dynamic Victor.
- (4) Mr. Albert Chiu beneficially owns 10% of the issued share capital of Dynamic Victor. Therefore, Mr. Albert Chiu is deemed to be interested in 75,000,000 Shares held by Dynamic Victor.

(b) Interests of substantial and other Shareholders in our Shares and underlying Shares

So far as is known to our Directors and taking no account of any Shares which may be taken up under the Share Offer, and Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Capitalisation Issue and the Share Offer, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Capacity/ Nature of interest	Number of Shares held/ interested (Note 1)	Percentage of interest
Dynamic Victor	Beneficial owner	750,000,000	75%
Ms. Lau Lai Ha Sunshine (Note 2)	Interest of spouse	750,000,000	75%
Ms. Choi Yuen Lam Bonnie (Note 3)	Interest of spouse	75,000,000	7.5%

Notes:

- (1) All interests stated are long positions.
- (2) Ms. Lau Lai Ha Sunshine is the spouse of Mr. Alex Law. Under the SFO, Ms. Lau Lai Ha Sunshine is deemed to be interested in the same number of Shares in which Mr. Alex Law is interested.
- (3) Ms. Choi Yuen Lam Bonnie is the spouse of Mr. Albert Chiu. Under the SFO, Ms. Choi Yuen Lam Bonnie is deemed to be interested in the same number of Shares in which Mr. Albert Chiu is interested.

2. Particulars of service agreements

None of our Directors has entered into any service agreement 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)).

3. Directors' remuneration

- (a) The aggregate amount of remuneration paid to our Directors by our Group in respect of the Track Record Period were approximately HK\$7.3 million, HK\$7.6 million, HK\$7.9 million and HK\$3.4 million, respectively.

- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 March 2018 will be approximately HK\$7.0 million.
- (c) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

	<i>HK\$</i>
Executive Director(s)	
Mr. Alex Law	4,095,000
Mr. Simon Law	1,890,000
Mr. Albert Chiu	989,000
Independent non-executive Directors	
Mr. Ho Chun Chung Patrick	120,000
Mr. Iu Tak Meng Teddy	120,000
Mr. Kwan Ngai Kit	120,000

- (d) Each of our Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice served by either party on the other, and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Memorandum and the Articles.

4. Fees or commission received

Save as disclosed in the section headed "Underwriting" in this prospectus, none of our Directors or the experts named in the paragraph headed "E. Other Information – 7. Consents of experts" in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

5. Related party transactions

Details of the related party transactions are set out under notes 26 to the Accountants' Report set out in Appendix I to this prospectus.

6. Disclaimers

Save as disclosed in this prospectus:

- (a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group;

- (b) none of our Directors or the experts named in the paragraph headed “E. Other information – 7. Consents of experts” in this appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors or the experts named in the paragraph headed “E. Other information – 7. 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;
- (d) taking no account of Shares which may be taken up under the Share Offer, and Shares to be issued pursuant to options which may be granted under the Share Option Scheme, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Share Offer, have any interest in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (e) none of our Directors or chief executive of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of the associated corporations (within the meaning of the SFO) which, once our Shares are listed on the Stock Exchange, 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 any interests and short positions which he will be taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies in the Listing Rules, to be notified to our Company and the Stock Exchange; and
- (f) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. SHARE OPTION SCHEME**1. Definitions**

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	21 February 2018, the date on which the Share Option Scheme is conditionally adopted by the sole Shareholder by way of written resolutions
“Board”	the board of Directors or a duly authorised committee of the board of Directors
“Business Day”	any day on which the Stock Exchange is open for the business of dealings in securities
“Group”	our Company and any entity in which our Company, directly or indirectly, holds any equity interest
“Scheme Period”	the period commencing on the Adoption Date and expiring at the close of business on the business day immediately preceding the tenth anniversary thereof

2. Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of the sole Shareholder passed on 21 February 2018:

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

(b) who may join and basis of eligibility

Our Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (c) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by our Board (or as the case may be, our independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(c) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by our Board and notified to a participant and shall be at least the higher of: (i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a Business Day; (ii) the average of the closing prices of our Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option. For the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than five Business Days, the issue price of the Shares on the Stock Exchange shall be used as the closing price for any Business Day fall within the period before listing.

(d) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.

(e) Maximum number of Shares

- (i) Subject to sub-paragraphs (ii) and (iii) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all our Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 100,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 100,000,000 Shares from time to time) to the participants under the Share Option Scheme.
- (ii) The 10% limit as mentioned above may be refreshed at any time by approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of our Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the

terms of the Share Option Scheme and any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to the Shareholders containing the information as required under the Listing Rules in this regard.

- (iii) Our Company may seek separate approval from our Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose and all other information required under the Listing Rules.
- (iv) The aggregate 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 must not exceed 30% of our Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such 30% limit being exceeded.

(f) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of our Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his close associates abstaining from voting. In such event, our Company must send a circular to the Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the Shareholders and the date of our Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(g) Grant of options to certain connected persons

- i. Any grant of an option to a Director, chief executive or substantial shareholder of our Company (or any of their respective close associates) must be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- ii. Where any grant of options to a substantial Shareholder or an independent non-executive Director (or any of their respective close associates) will result in the total number of Shares issued and to be issued upon exercise of

all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:

- (a) representing in aggregate over 0.1% of our Shares in issue; and
- (b) having an aggregate value, based on the closing price of our Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options is required to be approved by the Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to the Shareholders containing all information as required under the Listing Rules in this regard. All core connected persons of our Company shall abstain from voting (except where any core connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a substantial Shareholder or an independent non-executive Director or any of their respective close associates is also required to be approved by the Shareholders in the aforesaid manner.

(h) Restrictions on the times of grant of options

- (i) Our Company may not grant any options after inside information has come to its knowledge until such inside information has been announced. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:
 - (a) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, 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 the results for any year, or half-year under the Listing Rules, or quarterly or other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement.

- (ii) Further to the restrictions in paragraph (i) above, no option may be granted to a Director on any day on which financial results of our Company are published:
 - (a) 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 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.

(i) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as our Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(j) Performance targets

Save as determined by our Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(k) Ranking of Shares

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with our fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(l) Rights are personal to grantee

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(m) Rights on cessation of employment by death

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (n) below arises within a period of three years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (q), (r) and (s) occurs prior to his death or within such period of 12 months following his death, then his legal personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(n) Rights on cessation of employment by dismissal

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

(o) Rights on cessation of employment for other reasons

In the event that the grantee is an employee, a consultant or an adviser (as the case may be) of a member of our Group at the date of grant and he subsequently ceases to be an employee, a consultant or an adviser (as the case may be) of our Group for any reason other than his death or the termination of his employment of an employee or engagement of a consultant or an adviser (as the case may be) on one or more of the grounds specified in (n) above, the option (to the extent not already lapsed or exercised) shall lapse on the expiry of three months after the date of cessation of such employment of an employee or engagement of a consultant or an adviser (as the case may be) (which date will be in the case of an employee the last actual working day, on which the grantee was physically at work with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not, and in the case of a consultant or an adviser (as the case may be), the last actual day of providing consultancy or advisory services to the relevant member of our Group).

(p) Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time, provided that any alteration shall give a grantee, as near as possible, the same proportion of the issued share capital of our Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(q) Rights on a general offer

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/ or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already lapsed or exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(r) Rights on winding-up

In the event a notice is given by our Company to our 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 member of our Group give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two Business Days prior to the proposed general meeting of our Company 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 prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(s) Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and the Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to the Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already lapsed or exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (“**Suspension Date**”), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, 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. Our Board shall endeavor to

procure that our Shares issued as a result of the exercise of options hereunder 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 court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) 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 such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or wilful default on the part of our Company or any of our officers.

(t) Lapse of options

An option shall lapse automatically on the earliest of:

- (i) the expiry of the period referred to in paragraph (i) above;
- (ii) the date on which our Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (l);
- (iii) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (m), (o), (q), (r) or (s) above;
- (iv) subject to paragraph (r) above, the date of the commencement of the winding-up of our Company;
- (v) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;
- (vi) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or
- (vii) subject to the compromise or arrangement as referred to in paragraph (s) become effective, the date on which such compromise or arrangement becomes effective.

(u) Cancellation of options granted but not yet exercised

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as our Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(v) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

(w) Alteration to the Share Option Scheme

- (i) The Share Option Scheme may be altered in any respect by resolution of our Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 17.03 of the Listing Rules shall not be made except with the prior approval of the Shareholders in general meeting.
- (ii) Any amendment to any terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of our Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (iii) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

(x) Termination to the Share Option Scheme

Our Company by resolution in general meeting or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(y) Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon the Listing Committee granting the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

3. Present status of the Share Option Scheme

Application has been made to the Listing Committee for the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Tax and other indemnities

Our Controlling Shareholders (collectively, the “**Indemnifiers**”) have, under a deed of indemnity referred to in paragraph (B. Further information about the business of our Group – 1. Summary of material contracts) of the sub-section headed “B. Further information about the business of our Group – 1. Summary of material contracts” in this appendix, given joint and several indemnities to our Company for ourselves and as trustee for our subsidiaries in connection with, among other things, (a) any taxation falling on any member of our Group (i) in respect of or by reference to any income, profits or gains earned, accrued or received or deemed or alleged to have been earned, accrued or received on or before the date on which our Share Offer becomes unconditional; or (ii) in respect of or by reference to any transaction, act, omission or event entered into or occurring or deemed to enter into or occur on or before the date on which our Share Offer becomes unconditional; and (b) any claims, actions, demands, proceedings, judgements, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group as a result of or in connection with any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings instituted by or against any member of our Group in relation to events occurred on or before the date on which our Share Offer becomes unconditional. The Indemnifiers will, however, not be liable under the deed of indemnity for taxation to the extent that, among others:

- (a) specific provision, reserve or allowance has been made for such liability in the audited consolidated financial statements of any member of our Group for the Track Record Period; or
- (b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Share Offer becomes unconditional; or
- (c) the taxation liability arises in the ordinary course of business of our Group after 31 August 2017 up to and including the date of which the Share Offer becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

2. Litigation

Save as disclosed in the paragraph headed “Business – Litigation and potential claims” in this prospectus, as at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group.

3. Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned herein including any Shares falling to be issued pursuant to the exercise of any options which may be under the Share Option Scheme.

The Sole Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

Our Company has entered into an agreement with the Sole Sponsor, pursuant to which our Company agreed to pay HK\$5 million to the Sole Sponsor to act as the sponsor to our Company for purposes of the Share Offer.

4. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$43,875 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
Frontpage Capital Limited	A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
HLB Hodgson Impey Cheng Limited	Certified Public Accountants
CFN Lawyers in association with Broad & Bright	Legal adviser to our Company as to Hong Kong laws
Appleby	Legal adviser to our Company as to Cayman Islands law
Frost & Sullivan International Limited	Market research consultant
Sam K. M. Ng CPA Limited	Internal control consultant

7. Consents of experts

Each of Frontpage Capital Limited, HLB Hodgson Impey Cheng Limited, Appleby, Frost & Sullivan, CFN Lawyers in association with Broad & Bright and Sam K. M. Ng CPA Limited has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports and/or letter and/or opinion and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which it is respectively included.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Taxation of holders of Shares

(a) *Hong Kong*

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

(b) *Cayman Islands*

No stamp duty is payable in the Cayman Islands on transfer of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) *Consultation with professional advisers*

Intending holders of our Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasised that none of our Company, our Directors or other parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

10. Registration procedures

The principal register of members of our Company in the Cayman Islands will be maintained by Estera Trust (Cayman) Limited and a branch register of members of our Company will be maintained by Tricor Investor Services Limited. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable our Shares to be admitted into CCASS.

11. No material adverse change

Our Directors confirm that there has not been any material adverse change in the financial or trading position or prospects of our Group since 31 August 2017 (being the date to which the latest audited consolidated financial statements of our Group were made up).

12. Miscellaneous

(a) Save as disclosed in this prospectus:

- (i) no share or loan capital of our Company or any of the subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration than cash;
- (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of the subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of the subsidiaries;
- (iii) no commission has been paid or is payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares or debenture of any of our Company or our subsidiaries; and
- (iv) no share or loan capital of our Company or any of the subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(b) Neither our Company nor any of its subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures.

- (c) Save as disclosed in the section headed “Underwriting” of this prospectus, none of the parties listed in the paragraph headed “E. Other information – 7. Consents of experts” in this appendix is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries.
- (d) The branch register of members of our Company will be maintained in Hong Kong by the Hong Kong Branch Share Registrar. Unless our Directors otherwise agree, all transfer and other documents of title of 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. All necessary arrangements have been made to ensure our Shares to be admitted into CCASS for clearing and settlement.
- (e) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus.
- (f) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (g) Our Group has no outstanding convertible debt securities.
- (h) Our Directors have been advised that, under Cayman Islands law, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with the English name does not contravene Cayman Islands law.
- (i) The English text of this prospectus shall prevail over the Chinese text.

13. 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.

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of each of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) copies of the material contracts referred to in the paragraph headed “Statutory and General Information – B. Further information about the business of our Group – 1. Summary of material contracts” in Appendix IV to this prospectus; and
- (c) the written consents referred to in the paragraph headed “Statutory and General Information – E. Other information – 7. Consents of experts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of CFN Lawyers in association with Broad & Bright at Units 4101-04, 41st Floor, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the Accountants’ Report and the report on the unaudited pro forma financial information of our Group prepared by HLB Hodgson Impey Cheng Limited, the texts of which are set out in Appendices I and II to this prospectus;
- (c) the audited combined financial statements of the companies comprising our Group for the three years ended 31 March 2017 and the five months ended 31 August 2017;
- (d) the letter of advice prepared by Appleby, summarising certain aspects of Cayman Islands company law referred to in Appendix III to this prospectus;
- (e) the material contracts referred to in the paragraph headed “Statutory and General Information – B. Further information about the business of our Group – 1. Summary of material contracts” in Appendix IV to this prospectus;
- (f) the written consents referred to in the paragraph headed “Statutory and General Information – E. Other information – 7. Consents of experts” in Appendix IV to this prospectus;
- (g) the service contracts of our Directors referred to in the paragraph headed “Statutory and General Information – C. Further information about substantial shareholders, directors and experts – 3. Directors’ remuneration” in Appendix IV to this prospectus;

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR
OF COMPANIES AND AVAILABLE FOR INSPECTION**

- (h) the Companies Law;
- (i) the rules of the Share Option Scheme;
- (j) the internal control report prepared by Sam K. M. Ng CPA Limited; and
- (k) the market research report issued by Frost & Sullivan.



A & S Group (Holdings) Limited
亞洲實業集團(控股)有限公司