



# ASR Holdings Limited 瀚洋控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1803



## PLACING AND PUBLIC OFFER

Sole Sponsor



Shenyin Wanguo Capital (H.K.) Limited

Sole Bookrunner and Lead Manager



Oriental Patron Securities Limited

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## IMPORTANT

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



### ASR HOLDINGS LIMITED

瀚洋控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

### LISTING ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

BY WAY OF

### PLACING AND PUBLIC OFFER

<b>Number of Offer Shares</b>	<b>:</b>	<b>100,000,000 Shares (subject to the Over-allotment Option)</b>
<b>Number of Placing Shares</b>	<b>:</b>	<b>90,000,000 Shares (subject to re-allocation and the Over-allotment Option)</b>
<b>Number of Public Offer Shares</b>	<b>:</b>	<b>10,000,000 Shares (subject to re-allocation)</b>
<b>Maximum Offer Price</b>	<b>:</b>	<b>HK\$1.05 per Offer Share (payable in full upon application, plus brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003% and subject to refund)</b>
<b>Nominal value</b>	<b>:</b>	<b>HK\$0.01 per Share</b>
<b>Stock code</b>	<b>:</b>	<b>1803</b>

Sole Sponsor



**Shenyin Wanguo Capital (H.K.) Limited**

Sole Bookrunner and Lead Manager



**Oriental Patron Securities Limited**

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents contained in 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 full copy of this prospectus, having attached the documents thereto specified in the section headed "Documents delivered to the Registrar of Companies and available for inspection" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required under Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission in Hong Kong 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.

Prospective investors of the Offer Shares should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreements by notice in writing to be given by the Lead Manager (for itself and on behalf of the Underwriters) upon the occurrence of any of the events set forth in the section headed "Underwriting — Underwriting arrangements and expenses — Grounds for termination" at any time prior to 8:00 a.m. (Hong Kong time) on Monday, 16 January 2012 (the "Termination Time"), being the day on which dealings in the Shares on the Main Board first commence. Such events include, but without limitation, any act of God, acts of government, war, riot, public disorder, civil commotion, economic sanctions, fire, flood, explosion, epidemic, outbreak of an infectious disease (including but not limited to the severe acute respiratory syndrome, the swine flu), calamity, crisis, terrorism, strike or lock-out (whether or not covered by insurance). Accordingly, any share certificate relating to the Offer Shares issued by our Company or deposited into CCASS prior to the Termination Time will not constitute evidence of title of the Offer Shares until (i) the Share Offer becomes unconditional in all respects; and (ii) the right of termination as described in the section headed "Underwriting — Underwriting arrangements and expenses — Grounds for termination" has not been exercised and has lapsed. Investors who trade the Offer Shares on the basis of publicly available allocation results or other information prior to Termination Time will do so entirely at their own risks.

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

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## EXPECTED TIMETABLE *(Note 1)*

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An announcement will be published on our website at [www.asr.com.hk](http://www.asr.com.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) if there is any change to the following expected timetable.

Latest time for completing electronic applications  
under **HK eIPO White Form** service through the  
designated website [www.hkeipo.hk](http://www.hkeipo.hk) *(Note 2)* . . . . . 11:30 a.m. on Monday, 9 January 2012

Application lists open *(Note 3)* . . . . . 11:45 a.m. on Monday, 9 January 2012

Latest time for completing payment of **HK eIPO  
White Form** applications by effecting internet  
banking transfer(s) or PPS payment transfer(s) . . . . . 12:00 noon on Monday, 9 January 2012

Latest time to lodge **WHITE** and **YELLOW**  
Application Forms and giving **electronic application  
instructions** to HKSCC via CCASS *(Note 4)* . . . . . 12:00 noon on Monday, 9 January 2012

Application lists close *(Note 3)* . . . . . 12:00 noon on Monday, 9 January 2012

Expected Price Determination Date . . . . . Tuesday, 10 January 2012

Announcement of the level of indication of interests  
under the Placing, the results of applications under  
the Public Offer and the basis of allotment of the Public  
Offer Shares to be published in South China Morning  
Post (in English) and Hong Kong Economic Times (in  
Chinese) and on the website of our Company at  
[www.asr.com.hk](http://www.asr.com.hk) and the website of the Stock Exchange  
at [www.hkexnews.hk](http://www.hkexnews.hk) on or before . . . . . Friday, 13 January 2012

Results of allocations 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  
Public Offer Shares — Results of allocations" from . . . . . Friday, 13 January 2012

Results of allocations for the Public Offer to be  
available at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result),  
with a "search by ID" function . . . . . Friday, 13 January 2012

Despatch of refund cheques/e-Auto Refund payment  
instructions in respect of wholly or partially  
unsuccessful applications under the Public Offer  
on or before *(Notes 5 and 8)* . . . . . Friday, 13 January 2012

Despatch/collection of Share certificates in respect of  
wholly or partially successful applications under the  
Public Offer on or before *(Notes 5, 6 and 7)* . . . . . Friday, 13 January 2012

Dealings in Shares on the Main Board commence on . . . . . Monday, 16 January 2012

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## EXPECTED TIMETABLE *(Note 1)*

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*Notes:*

1. All times and dates in this prospectus refer to Hong Kong local time and date. Details of the structure of the Share Offer, including its conditions and grounds for termination, are set out in the section headed “Structure and conditions of the Share Offer”.
2. You will not be permitted to submit your application through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) after 11:30 a.m. on Monday, 9 January 2012. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m. on Monday, 9 January 2012, you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on Monday, 9 January 2012, when the application lists close.
3. If a “black” rainstorm warning signal or a tropical cyclone warning signal number 8 or above is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 9 January 2012, the application lists will not open and close on that day. Further information is set out in the section headed “How to apply for Public Offer Shares — When to apply for the Public Offer Shares — Effect of bad weather conditions on the opening of the application lists”.
4. Applicants who apply for the Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed “How to apply for Public Offer Shares — How to apply by giving **electronic application instructions** to HKSCC”.
5. Applicants who apply with **WHITE** Application Forms or by way of giving electronic instructions to the **HK eIPO White Form** Service Provider through **HK eIPO White Form** service ([www.hkeipo.hk](http://www.hkeipo.hk)) for 1,000,000 Public Offer Shares or more under the Public Offer and have indicated on their Application Forms that they wish to collect their refund cheques (where applicable) and/or Share certificates in person from the Hong Kong Share Registrar may collect their refund cheques and/or Share certificates in person from the Hong Kong Share Registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 13 January 2012. Identification and authorisation documents (where applicable) acceptable to the Hong Kong Share Registrar must be produced at the time of collection.

Applicants who apply with **YELLOW** Application Forms for 1,000,000 Public Offer Shares or more under the Public Offer and have indicated on their Application Forms that they wish to collect their refund cheques in person may collect their refund cheques (where applicable) but may not elect to collect their Share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedure for collection of refund cheques for applicants who apply with **YELLOW** Application Forms is the same as that for the **WHITE** Application Form applicants.

Refund cheques will be issued in respect of wholly and partially unsuccessful applications, and also in respect of successful applications in the event that the Offer Price as finally determined is less than the maximum Offer Price per Offer Share initially paid on application.

Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post and at the own risk of the applicants shortly after the day as described in the section headed “How to apply for Public Offer Shares — Despatch/collection of Share certificates and refund cheques/e-Auto Refund payment instructions”.

6. Share certificates for the Placing Shares to be distributed via CCASS are expected to be deposited into CCASS for credit to the respective CCASS Participants’ stock accounts designated by the Placing Underwriter, the placees or their agents, as the case may be.
7. Share certificates for the Offer Shares will only become valid certificates of title with effect from Monday, 16 January 2012 provided that (i) the Share Offer becomes unconditional in all respects; and (ii) the right of termination as described in the section headed “Underwriting — Underwriting arrangements and expenses — Grounds for termination” has not been exercised and has lapsed.
8. Refund cheques or e-Auto Refund payment instructions will be issued in respect of wholly or partially unsuccessful applications, and also in respect of successful applications in the event that the Offer Price as finally determined is less than the maximum Offer Price per Offer Share initially paid 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 cashing the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may lead to delay in encashment of, or may invalidate, the refund cheque.

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*You should rely only on the information contained in this prospectus and the related Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus and the related Application Forms. Any information or representation not made in this prospectus and the related Application Forms must not be relied on by you as having been authorised by us, the Sponsor, the Underwriters, any of their respective directors, officers, employees, advisers, agents, representatives or affiliates of any of them or any other persons or parties involved in the Share Offer. The contents of our Group's website at [www.asr.com.hk](http://www.asr.com.hk) do not form part of this prospectus.*

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## SUMMARY

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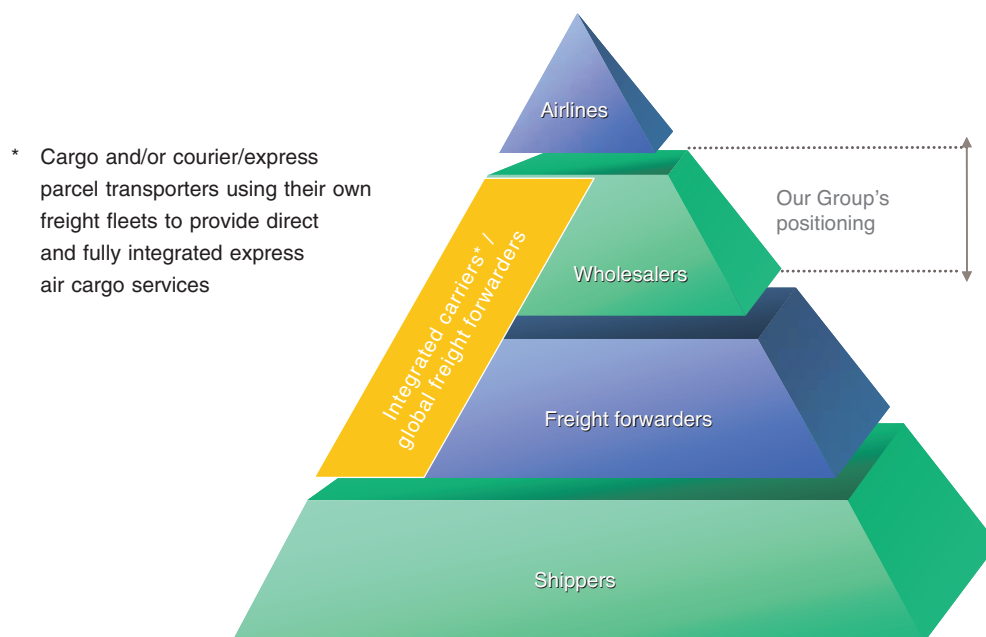
*This summary aims to give you a preliminary overview of the information contained in this prospectus. As this is a summary, it does not contain all of the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole document including the appendices hereto, which constitute an integral part of this prospectus, before you decide to invest in our Offer Shares. There are risks associated with any investment. Some of the particular risks of investing in our Offer Shares are set out in the section headed "Risk factors". You should read that section carefully before you decide to invest in our Offer Shares.*

### OUR BUSINESS MODEL

We are an air freight solution provider positioned in the wholesale market, with an operating history since 1991. Our business model principally involves purchasing air cargo space from airlines and/or integrated carriers and on-selling such space to our customers, namely freight forwarders. Airlines and integrated carriers generally engage their respective appointed wholesalers and freight forwarders to market and/or on-sell their air cargo space for ease of management, cost effectiveness and minimising credit exposure instead of dealing with a large pool of freight forwarders and shippers themselves. Our main role for airlines and integrated carriers is to source a necessary amount of air cargos from freight forwarders on a timely basis to enable them to maximise the utilisation of air cargo space of their aircrafts. We handled approximately 13,386 tons, 18,849 tons, 29,114 tons and 17,059 tons of cargo for the three financial years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 respectively.

### Our wholesale market positioning

Airlines and integrated carriers are the initiating parties along the supply chain of the air cargo industry for the delivery of air freight services through layers of intermediaries to the eventual shippers. Our wholesale market positioning is demonstrated in the below diagram:



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## SUMMARY

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We position ourselves as an air freight solution provider in the wholesale market so that our freight forwarding customers do not have to worry about their own retail customers i.e. shippers being solicited by us. Positioning ourselves in the wholesale market therefore enables us to secure an extensive network of freight forwarders as our customers. During the Track Record Period, we served over 1,000 freight forwarders, comprising 100 of them contributing to approximately 79.9%, 80.8%, 78.5% and 77.1% of our total sales for the respective years and period as well as other freight forwarders of a scale who can hardly secure air cargo space from airlines and/or integrated carriers directly. Our strong customer base has helped us strengthen our business relationships with airlines and integrated carriers over the years.

### **Our business focus**

The majority of air cargo space we on-sell is for the outbound air routes originating from the Pearl River Delta, predominantly Hong Kong, to various destinations around the world. As at the Latest Practicable Date, we were marketing and/or on-selling air cargo space allocated by over 25 airlines and integrated carriers covering almost every major airport in the world. As a result, our freight forwarding customers can always rely on us to provide them with the optimal air freight solutions, in terms of delivery time and cost, at competitive prices by bundling air routes from different airlines and integrated carriers in order to enable them to satisfy the logistical needs of shippers.

In order to enhance our competitiveness in the market and maintain the viability of our business, we have focused on:

- delivering deferred air freight service; and
- providing air freight solutions in connection with destinations in the Developing Countries such as South East Asia, Russia, Africa and the Middle East.

### *Our focus on the deferred air freight segment*

Our Directors are of the view that air freight services are generally categorised into **time definite air freight service** and **deferred air freight service**. *Time definite air freight service* targets time sensitive air cargo which requires short delivery time (usually 1 to 2 days) or guaranteed delivery at a specific time by flying on scheduled flights whereas *deferred air freight service* targets less time sensitive air cargo which can be delivered on the earliest available flights with a generally expected delay in transit time ranging from 3 to 7 days.

The *time definite air freight segment* is well served by a wide selection of airlines and integrated carriers which provide scheduled flights and therefore pricing is competitive amongst wholesalers and freight forwarders because there are readily available alternative air freight services. On the other hand, the *deferred air freight segment* is served by infrequent flights or lack of daily flights with less readily available alternative air freight services and hence pricing is less competitive. Our Directors believe that our Group is able to source deferred air cargo space directly from airlines and integrated carriers given our established relationships with over 25 airlines and integrated carriers or bundle air cargo routes within our extensive portfolio of air cargo routes to serve our customers in the deferred air freight segment.



## SUMMARY

### *Our focus on reaching the Developing Countries*

Our Directors also consider that flight routes in relation to destinations in the **Developed Countries** are generally well covered by a wide selection of flight routes served by various airlines or integrated carriers and hence pricing is more competitive because of a high supply of air transport service. Flight routes in relation to destinations in the **Developing Countries**, on the other hand, are less well served by airlines or integrated carriers with infrequent flights or lack of daily flights because of a relatively lower demand for air transport service as compared to those in the Developed Countries.

### **Our financial performance**

Our Group achieved growth in both revenue and gross profit margin during the Track Record Period as set forth in the below tables:

	Year ended 31 December						Six months ended 30 June			
	2008		2009		2010		2010		2011	
	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%
<i>Revenue</i>										
Deferred . . . . .	226.3	77.0%	203.2	68.4%	317.7	64.8%	143.4	63.3%	210.0	71.2%
- Developed Countries. . . . .	159.3	54.2%	128.6	43.3%	178.0	36.3%	82.0	36.2%	105.2	35.7%
- Developing Countries . . . . .	67.0	22.8%	74.6	25.1%	139.7	28.5%	61.4	27.1%	104.8	35.5%
Time definite . . . . .	48.4	16.5%	78.4	26.4%	164.3	33.6%	78.6	34.7%	84.2	28.6%
- Developed Countries. . . . .	33.9	11.5%	37.4	12.6%	58.5	11.9%	33.5	14.8%	14.7	5.0%
- Developing Countries . . . . .	14.5	5.0%	41.0	13.8%	105.8	21.7%	45.1	19.9%	69.5	23.6%
Sea freight . . . . .	19.1	6.5%	15.5	5.2%	7.9	1.6%	4.6	2.0%	0.7	0.2%
<b>Total revenue . . . . .</b>	<b>293.8</b>	<b>100.0%</b>	<b>297.1</b>	<b>100.0%</b>	<b>489.9</b>	<b>100.0%</b>	<b>226.6</b>	<b>100.0%</b>	<b>294.9</b>	<b>100.0%</b>
<i>Gross profit</i>										
Deferred . . . . .	36.4	82.0%	50.8	68.2%	100.8	69.5%	44.7	65.2%	66.6	69.2%
- Developed Countries. . . . .	13.5	30.4%	24.0	32.2%	42.1	29.0%	19.5	28.5%	24.6	25.5%
- Developing Countries . . . . .	22.9	51.6%	26.8	36.0%	58.7	40.5%	25.2	36.7%	42.0	43.7%
Time definite . . . . .	7.6	17.1%	23.2	31.1%	44.0	30.4%	23.7	34.5%	29.6	30.7%
- Developed Countries. . . . .	2.2	5.0%	3.0	4.0%	3.3	2.3%	2.0	2.9%	1.1	1.1%
- Developing Countries . . . . .	5.4	12.1%	20.2	27.1%	40.7	28.1%	21.7	31.6%	28.5	29.6%
Sea freight . . . . .	0.4	0.9%	0.5	0.7%	0.2	0.1%	0.2	0.3%	0.1	0.1%
<b>Total gross profit. . . . .</b>	<b>44.4</b>	<b>100.0%</b>	<b>74.5</b>	<b>100.0%</b>	<b>145.0</b>	<b>100.0%</b>	<b>68.6</b>	<b>100.0%</b>	<b>96.3</b>	<b>100.0%</b>

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## SUMMARY

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	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	%	%	%	%	%
<i>Gross profit margin</i>					
Deferred. . . . .	16.1%	25.0%	31.7%	31.2%	31.7%
- Developed Countries. . . . .	8.5%	18.7%	23.7%	23.8%	23.4%
- Developing Countries . . . . .	34.2%	35.9%	42.0%	41.0%	40.1%
Time definite . . . . .	15.7%	29.6%	26.8%	30.2%	35.2%
- Developed Countries. . . . .	6.5%	8.0%	5.6%	6.0%	7.5%
- Developing Countries . . . . .	37.2%	49.3%	38.5%	48.1%	41.0%
Sea freight . . . . .	2.1%	3.2%	2.5%	4.3%	14.3%
<b>Overall gross profit margin . . . .</b>	<b>15.1%</b>	<b>25.1%</b>	<b>29.6%</b>	<b>30.3%</b>	<b>32.7%</b>

We have enjoyed growth in revenue and profitability over the Track Record Period. Our revenues were HK\$293.8 million, HK\$297.1 million, HK\$489.9 million and HK\$294.9 million for the three financial years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 respectively. Our net profits attributable to equity holders of our Company were HK\$20.8 million, HK\$42.8 million, HK\$92.1 million and HK\$59.4 million for the three financial years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 respectively. Our Directors believe that our growth is attributable to our critical mass of business, our wholesale market positioning, our extensive portfolio of air routes, our business focus on the deferred air freight segment and the Developing Countries, and our experienced management team.

### COMPETITIVE STRENGTHS

We believe that the following competitive strengths are the key factors contributing to our success to date and will enable us to increase market share and capture the future growth opportunities in our target markets.

- Our critical mass of business
- Our wholesale market positioning
- Extensive portfolio of air cargo routes
- Our business focus on deferred air freight service and Developing Countries
- Our experienced management team
- Our pioneering entry into the PRC market under the CEPA

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## SUMMARY

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### BUSINESS STRATEGIES

Our goal is to become one of the leading air freight solution providers in Asia built on our established business model in Hong Kong. In order to achieve our goal, which we believe will maximise shareholder value, we have developed the following business strategies:

- Continue to improve and expand our service network
- Continue to expand our portfolio of air cargo routes
- Establish an e-platform booking system for our business
- Set up logistics hub centres in Southern China
- Establish effective operational and financial management systems
- Continue to invest in staff training

### COMPETITION

Our Directors consider that the freight forwarding segment is highly fragmented and competitive with numerous freight forwarders and/or wholesalers with varying capacities and roles and the freight forwarders are relatively regional and local. Due to the variety of air cargo routes offered by different wholesalers, there is a possibility that we compete with our customers who are also wholesalers of certain air cargo routes, and may be even our suppliers from whom we source air cargo space for certain other air cargo routes.

Set out below are the roles and responsibilities of different participants along the supply chain of the air cargo industry:

<u>Participants</u>	<u>Roles and responsibilities</u>
Airlines/integrated carriers	Providers of air cargo space
Freight forwarders	Intermediaries to coordinate between airlines or integrated carriers and shippers
Shippers/consignors	Ones from whom consignments are made
Consignees	Ones to whom consignments are made

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## SUMMARY

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Our business model as an air freight solution provider positioned in the wholesale market principally involves purchasing air cargo space from airlines and/or integrated carriers and on-selling such space to our customers, namely freight forwarders.

In order to enhance our competitiveness in the market and maintain the viability of our business, we have focused on:

- positioning ourselves in the wholesale market so that our freight forwarding customers do not have to worry about their own retail customers i.e. shippers being solicited by us, which enables us to secure an extensive network of freight forwarders as our customers;
- delivering deferred air freight service; and
- providing air freight solutions in connection with destinations in the Developing Countries which are under served by airlines and integrated carriers because of the considerably limited demand for passenger and air cargo services.

Furthermore, there are major entry barriers to the air cargo space wholesalers market such as proven historical sales track records and air cargo sourcing capabilities as well as financial strengths to provide bank guarantees to airlines or integrated carriers in order to be appointed as their selected air cargo space wholesalers. On this front, our Directors believe that we have established an extensive customer network and air routes portfolio as well as sufficient financial resources over the past 20 years of operations to continue to be successful in this market.

As an air freight solution provider positioned in the wholesale market, our Directors consider that our Group is operating in a niche market in which most of the players are private companies. Therefore, there is no publicly available information which can accurately estimate our market share in the wholesale market or facilitate the identification of other major freight forwarders specialising in the wholesale market with specific details such as relevant financial information, operational data and major routes covered.

## SUMMARY

### SUMMARY OF FINANCIAL INFORMATION

Set out below are our results of operations for the Track Record Period extracted from the financial information section of the Accountants' Report:

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)
				(unaudited)	
<b>Revenue</b> . . . . .	293.8	297.1	489.9	226.6	294.9
Cost of sales . . . . .	(249.4)	(222.6)	(344.9)	(158.0)	(198.6)
<b>Gross profit</b> . . . . .	<u>44.4</u>	<u>74.5</u>	<u>145.0</u>	<u>68.6</u>	<u>96.3</u>
Other (losses)/gains, net . . . . .	(0.1)	0.1	2.5	(0.1)	2.0
Other income . . . . .	—	1.3	0.3	0.2	0.1
Administrative expenses . . . . .	<u>(20.6)</u>	<u>(26.3)</u>	<u>(40.2)</u>	<u>(20.0)</u>	<u>(28.0)</u>
<b>Operating profit</b> . . . . .	23.7	49.6	107.6	48.7	70.4
Finance (costs)/income, net . . . . .	<u>(0.9)</u>	<u>(0.4)</u>	<u>(0.5)</u>	<u>(0.2)</u>	<u>0.1</u>
<b>Profit before income tax</b> . . . . .	22.8	49.2	107.1	48.5	70.5
Income tax expense . . . . .	<u>(2.0)</u>	<u>(6.3)</u>	<u>(13.9)</u>	<u>(6.2)</u>	<u>(10.1)</u>
<b>Profit for the year/period</b> . . . . .	<u><u>20.8</u></u>	<u><u>42.9</u></u>	<u><u>93.2</u></u>	<u><u>42.3</u></u>	<u><u>60.4</u></u>
<b>Attributable to:</b>					
Equity holders of the Company . . . . .	20.8	42.8	92.1	41.8	59.4
Non-controlling interests . . . . .	—	0.1	1.1	0.5	1.0
<b>Profit for the year/period</b> . . . . .	<u><u>20.8</u></u>	<u><u>42.9</u></u>	<u><u>93.2</u></u>	<u><u>42.3</u></u>	<u><u>60.4</u></u>

Set out below is our Group's revenue by flight destination over the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2008		2009		2010		2010		2011	
	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%
Europe . . . . .	66.1	22.5%	67.7	22.8%	125.1	25.5%	53.6	23.7%	66.9	22.7%
America . . . . .	140.2	47.7%	84.7	28.5%	91.2	18.6%	54.8	24.2%	22.7	7.7%
Asia-Pacific* . . . . .	82.9	28.2%	131.9	44.4%	241.2	49.2%	103.5	45.7%	173.6	58.9%
Others . . . . .	4.6	1.6%	12.8	4.3%	32.4	6.7%	14.7	6.4%	31.7	10.7%
<b>Total revenue</b> . . . . .	<u><u>293.8</u></u>	<u><u>100.0%</u></u>	<u><u>297.1</u></u>	<u><u>100.0%</u></u>	<u><u>489.9</u></u>	<u><u>100.0%</u></u>	<u><u>226.6</u></u>	<u><u>100.0%</u></u>	<u><u>294.9</u></u>	<u><u>100.0%</u></u>

\* *Asia-Pacific* includes Malaysia, Australia, China, Singapore and Thailand.

For the list of countries or regions covered by each of *Europe*, *America*, *Asia-Pacific* and *others*, please refer to the section headed "Business — Our business model — Extensive portfolio of air cargo routes".

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## SUMMARY

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Set out below is our Group's cost of sales by type of suppliers under non-committed purchases and firm commitments during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2008		2009		2010		2010		2011	
	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%
Non-committed purchases.	196.3	78.7%	132.8	59.7%	199.6	57.9%	95.5	60.4%	124.8	62.8%
- Airlines . . . . .	20.2	8.1%	7.5	3.4%	33.9	9.8%	9.7	6.1%	35.5	17.9%
- Integrated carriers . . . . .	97.8	39.2%	36.5	16.4%	51.9	15.1%	21.2	13.4%	30.3	15.2%
- Freight forwarders . . . . .	70.3	28.2%	81.0	36.4%	105.8	30.7%	60.2	38.1%	53.4	26.9%
- Subcontractors and others . . . . .	8.0	3.2%	7.8	3.5%	8.0	2.3%	4.4	2.8%	5.6	2.8%
Firm commitments										
- Airlines . . . . .	53.1	21.3%	89.8	40.3%	145.3	42.1%	62.5	39.6%	73.8	37.2%
<b>Total cost of sales . . . . .</b>	<b>249.4</b>	<b>100.0%</b>	<b>222.6</b>	<b>100.0%</b>	<b>344.9</b>	<b>100.0%</b>	<b>158.0</b>	<b>100.0%</b>	<b>198.6</b>	<b>100.0%</b>

During the three financial years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, we purchased air cargo space from (i) 12, 15, 18 and 23 airlines; and (ii) 2, 3, 4 and 4 integrated carriers, respectively.

### RECENT TREND OF OUR GROUP'S BUSINESS

Attributable to our business strategies to focus on the deferred air freight segment and to serve the destinations in the Developing Countries, our Group managed to handle approximately 12,206 tons of air cargo for the four months ended 31 October 2011 (i.e. 3,052 tons per month on average) as compared to approximately 17,059 tons recorded for the six months ended 30 June 2011 (i.e. 2,843 tons per month on average). In other words, our Group managed to achieve the tonnage of air cargo handled on a monthly average basis during the four months ended 31 October 2011 exceeding that during the six months ended 30 June 2011 in spite of the recent statistical data of Hong Kong Air Cargo Terminals Limited and Asia Airfreight Terminal revealing that the total domestic exports by air in terms of tonnage fell by approximately 8.7% to 12.9% on a year-on-year basis in respect of each of the four months from July to October 2011.

Our gross profit contributed from destinations in the Asia Pacific region represented approximately 56.5% of our total gross profit in 2008 which increased to 87.1% for the six months ended 30 June 2011 primarily due to our business focus on the Developing Countries. Accordingly, our Group's business was not materially adversely affected by the recent downturn of European and American markets in the midst of the euro zone sovereign debt crisis and the weakening U.S. economy. Included in the section headed "Financial information — Principal income statement components — Revenue, cost of sales and gross profit" is more detailed discussion and analysis on our revenue and gross profit.



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## SUMMARY

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Further, we consider our business model is sustainable taking account of our pricing strategy in the midst of the uncertain world economy. Our Group generally sets the selling price for air cargo space on a cost plus margin basis regardless of our purchasing arrangements with airlines and integrated carriers, namely *non-committed purchases* and *firm commitments* as set out in the section headed "Business — Our business model — Purchase arrangements for air cargo space". In the case of non-committed purchases, we source air cargo space only when we are able to on-sell such air cargo space at profit, whereas, under firm commitments, we are obliged to pay for the air cargo space allocated under block space agreements or the MGP under the GSA agreements (as the case may be). Our Group was able to source sufficient air cargos exceeding our firm commitments during the Track Record Period and the period up to 31 October 2011.

We confirm that, up to the Latest Practicable Date, there had been no material adverse change in the financial or trading position or prospects of us since 30 June 2011, and there had been no event since 30 June 2011 which would materially affect the financial information shown in the Accountants' Report, in each case except as otherwise disclosed herein.

Our Directors are of the opinion that, taking into consideration the financial resources presently available to us, including the banking facilities and other internal resources, and the estimated net proceeds of the Share Offer, we have sufficient working capital for our present requirements at least in the next 12 months commencing on the date of this prospectus.

### SENSITIVITY ANALYSIS

Set out below is the sensitivity analysis on our net profit after tax for the year ended 31 December 2010 should our average selling price, tons of air cargo handled or cost of sales change while other factors are assumed to be constant:

Average selling price/tons of air cargo handled	Increase (decrease) in our net profit after tax for 2010
	(HK\$'000)
+ 5% . . . . .	21,315
- 5% . . . . .	(21,315)
+ 10% . . . . .	42,629
- 10% . . . . .	(42,629)
	Increase (decrease) in our net profit after tax for 2010
Cost of sales	Increase (decrease) in our net profit after tax for 2010
	(HK\$'000)
+ 5% . . . . .	(15,006)
- 5% . . . . .	15,006
+ 10% . . . . .	(30,012)
- 10% . . . . .	30,012

The above analysis is prepared for illustration purposes only and may not give a true picture of our Group due to its hypothetical nature.

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## SUMMARY

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### LISTING EXPENSES

In accordance with paragraph 37 of Hong Kong Accounting Standard 32 issued by the Hong Kong Institute of Certified Public Accountants, the transaction costs of an equity transaction are accounted for as deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided, and the costs of an equity transaction that is abandoned are recognised as an expense. Our Directors currently estimate that total listing expenses relating to the Share Offer amount to approximately HK\$22.9 million, of which HK\$12.7 million (inclusive of the underwriting commission, the related Stock Exchange trading fee and the SFC transaction levy) is directly attributable to the issue of new Shares and is to be accounted for as a deduction from equity. The remaining estimated expenses of HK\$10.2 million will be charged to the combined statement of comprehensive income of our Group for the year ending 31 December 2011. Such amount of expenses is a current estimate for reference only and the final amount is subject to adjustment based on audit and changes in variables and assumptions.

### OFFERING STATISTICS

	Based on the Offer Price of	
	HK\$1.05	HK\$0.88
Market capitalisation ( <i>Note 1</i> ) . . . . .	HK\$420 million	HK\$352 million
Unaudited pro forma adjusted net tangible assets per Share ( <i>Note 2</i> ) . . . . .	HK\$0.39	HK\$0.35
Historical price/earnings multiple ( <i>Note 3</i> ) . . . . .	4.56x	3.82x

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*Notes:*

1. The calculation of market capitalisation is based on 400,000,000 Shares to be in issue immediately following completion of the Capitalisation Issue and the Share Offer.
2. The unaudited pro forma adjusted net tangible assets per Share is calculated after making the adjustments referred to in the section headed "Unaudited pro forma adjusted net tangible assets" in Appendix II to this prospectus and on the basis of a total of 400,000,000 Shares to be in issue immediately following completion of the Capitalisation Issue and the Share Offer, and taking into account the Offer Price of not more than HK\$1.05 and not less than HK\$0.88 per Offer Share.
3. The calculation of the historical price/earnings multiple is based on the net profit attributable to equity holders of our Company for the year ended 31 December 2010, the respective Offer Prices of HK\$1.05 and HK\$0.88 and a total of 400,000,000 Shares assumed to be in issue throughout the year.

### DIVIDENDS AND DIVIDEND POLICY

Dividends may be paid out by way of cash or by other means that we consider appropriate. We have declared dividends of approximately HK\$26.4 million, HK\$32.8 million and HK\$100.5 million for the financial years ended 31 December 2009 and 2010 and the six months ended 30 June 2011 respectively. As at the Latest Practicable Date, the amount of our declared but unpaid dividends was HK\$21.6 million. The payment of such dividends is expected to be made prior to Listing. The declaration of dividends is

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## SUMMARY

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subject to the discretion of our Board and the approval of our Shareholders. Our Directors may recommend a payment of dividends in the future after taking into account our operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors as it may deem relevant at such time.

Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents including the approval of our Shareholders. Investors should note that historical dividend distributions are not indicative of our future dividend distribution policy.

Subject to the factors above, we currently intend to recommend an annual dividend of not less than 25% of the net profit attributable to equity holders of our Company for the financial years subsequent to the Share Offer. Such intention does not amount to any guarantee or representation or indication that we must or will declare and pay dividends in such manner or declare and pay dividends at all.

### USE OF PROCEEDS

We estimate that the aggregate net proceeds (assuming the Over-allotment Option is not exercised) available to us from the Share Offer (after deducting the underwriting commissions and estimated expenses payable by us in connection with the Share Offer) will be approximately HK\$73.6 million (assuming the Offer Price is HK\$0.965 per Offer Share, being the mid point of the indicative Offer Price range). We intend to apply the net proceeds in the following manner:

- approximately 30% of the net proceeds to finance the expansion of our service network in relation to the set-up of branches and subsidiaries in China, Asia and Europe;
- approximately 20% of the net proceeds to finance the expansion of our portfolio of air cargo routes which comprises cash reserves as collaterals for bank guarantees provided to the 12 additional airlines we plan to engage with;
- approximately 20% of the net proceeds to finance the capital expenditure for the development of our own e-platform booking system;
- approximately 15% of the net proceeds to fund the capital expenditure for setting up logistics hub centres in China which mainly includes construction of warehouse, development of warehouse management system and collective house system and establishment of courier handling facilities;
- approximately 5% of the net proceeds to fund the capital expenditure for upgrading our management information system to establish effective operational and financial management systems which can support the planned expansion of service network; and
- approximately 10% of the net proceeds to be used as our general working capital.

Based on the maximum Offer Price of HK\$1.05 per Offer Share, if the Over-allotment Option is exercised in full, we estimate that the net proceeds to be received from the Share Offer will be approximately HK\$96.7 million, after deducting the underwriting commissions and estimated expenses payable by us in relation to the Share Offer. The additional net proceeds of approximately HK\$23.1 million will be applied by us in the same proportions as set out above.

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## SUMMARY

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To the extent, if any, that the net proceeds available to us from the Share Offer are not immediately applied for the above purposes, we intend to deposit the net proceeds into interest-bearing bank accounts or to purchase money market instruments e.g. capital preservation instruments excluding listed equity securities.

### RISK FACTORS

We believe that there are certain risks involved in our business operations and the investment in the Share Offer. A detailed discussion of the risk factors is set out in the section headed “Risk factors”.

#### Risks relating to our business

- We rely on the continued patronage of our customers for our recurring income
- The termination or non renewal of the firm commitments with the airlines could have an adverse effect on our business
- The fluctuating selling prices of air cargo space could have an adverse impact on our results of operations
- Our results of operations are affected by global trading volumes, Chinese export volume and economic, financial and political conditions
- We rely on certain of our management members
- Our sales are subject to seasonal fluctuation
- We may not sustain our gross profit margin
- We have experienced significant growth in the past and may not be able to maintain such growth in the future
- We may have to relocate the offices of our branches in Shenzhen, Nanchang, Hangzhou and Tianjin
- Our revenue which is currently attributed to Macau for tax purposes may be subject to tax in Hong Kong or China
- We may not be able to achieve our goal to become one of the leading air freight solution provider in the Asia as we have expected
- We may not successfully develop and implement our own e-platform booking system as planned
- We may not be able to achieve our future plans

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## SUMMARY

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### **Risk relating to our industry**

- The air cargo industry in which we are involved is highly cyclical
- We operate in a competitive industry
- Increases in fuel prices or shortage of fuel supply may indirectly and adversely affect the demand for our services
- Our operations are subject to various laws and regulations and international conventions
- Natural disasters, acts of war, epidemics and other events may adversely affect our operations
- Future terrorist attacks, or the threat of such attacks, may increase the costs of our operations and reduce demand for our services

### **Risk relating to the PRC**

- Political and economic policies of the PRC government could affect our business
- Fluctuation of the Renminbi may adversely affect our operations and financial results
- Our operations in China are subject to various PRC laws and regulations
- There are uncertainties regarding the interpretation and enforcement of PRC laws and regulations
- Restrictions under PRC law on our PRC subsidiaries' ability to pay dividends and other distributions could adversely affect our ability to grow, make investments or acquisitions that could benefit our business, pay dividends to you, and otherwise fund and conduct our businesses

### **Risk relating to the Share Offer**

- The interests of our Controlling Shareholders may differ from those of our other Shareholders
- There has been no prior public market for our Shares. If an active trading market of our Shares does not develop, the price of our Shares may suffer and may decline below the Offer Price
- The liquidity and market price of our Shares following the Share Offer may be volatile
- The market price of the Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins

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## SUMMARY

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- Future sales by our current shareholders of a substantial number of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares
- Shareholders' interests in our Company may be diluted in the future
- The laws of the Cayman Islands relating to the protection of minority shareholders are different from those in Hong Kong
- Our ability to pay dividends and utilise cash resources in our subsidiaries is dependent upon the earnings of, and distributions by, our subsidiaries
- Certain facts, forecasts and statistics from official sources contained in this prospectus have come from various publicly available sources whose reliability cannot be assumed or assured
- You should read the entire prospectus and should not rely on any information contained in press coverage or other media regarding us and the Share Offer



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## DEFINITIONS

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

“Accountants’ Report”	the accountants’ report set out in Appendix I to this prospectus
“Airocean”	Airocean Group Limited, a company incorporated in Singapore with limited liability, which shares were listed on the Singapore Exchange Limited in 2000 but were subsequently delisted in 2006, and wholly-owned by A-Sonic Logistics Solutions Pte. Ltd., a company incorporated in Singapore with limited liability and an Independent Third Party
“AOE Freight”	AOE Freight (HK) Limited (瀚洋貨運有限公司), a limited liability company incorporated in Hong Kong on 30 April 1991 and wholly-owned by ASR Limited
“AOE Freight (Shenzhen)”	瀚洋國際貨運代理(深圳)有限公司 (AOE Freight (Shenzhen) Limited), a limited liability company established in the PRC on 18 November 2004 and wholly-owned by AOE Freight
“Application Form(s)”	<b>WHITE</b> application form(s), <b>YELLOW</b> application form(s) and <b>GREEN</b> application form(s), or where the context so requires, any of them
“Articles of Association” or “Articles”	the articles of association of our Company adopted on 28 June 2011 and as amended from time to time, a summary of which is set out in Appendix IV to this prospectus
“ASR Champion”	ASR Champion Limited, a limited liability company incorporated in the BVI on 3 June 2011 and wholly-owned by our Company, and an intermediate holding company in our Group
“ASR Europe”	ASR Europe Logistics Limited, a limited liability company incorporated in Hong Kong on 15 September 2010, being 60% owned by ASR Limited and 40% owned by Mr. Ritola
“ASR Infrastructure”	ASR Infrastructure Limited, a limited liability company incorporated in Hong Kong on 25 March 2011 and wholly-owned by ASR Limited
“ASR Limited”	ASR Limited, a limited liability company incorporated in Hong Kong on 24 May 2005 and indirectly wholly-owned by our Company and formerly known as AOE Logistics Limited (瀚洋物流有限公司) and ASR Holdings Limited (瀚洋控股有限公司)

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## DEFINITIONS

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“ASR Logistics”	ASR Logistics Limited (瀚洋物流有限公司), a limited liability company incorporated in Hong Kong on 24 January 2007 and wholly-owned by ASR Limited
“ASR Victory”	ASR Victory Limited, a limited liability company incorporated in the BVI on 3 June 2011, being 33.33% owned by Mr. Yu, 33.33% owned by Mr. Mak and 33.33% owned by Mr. Law as at the Latest Practicable Date, and a Controlling Shareholder
“ASR Victory Shares”	share(s) of US\$1.00 each in the share capital of ASR Victory
“ASR Worldwide”	ASR Worldwide Logistics Limited, a limited liability company incorporated in Hong Kong on 3 April 2008, being 60% owned by ASR Limited and 40% owned by Worldwide Logistics
“ASRCO”	ASRCO Logistics Limited (溢利物流有限公司), a limited liability company incorporated in Hong Kong on 3 November 2009 and wholly-owned by ASR Limited
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Baht”	Thai Baht, the lawfully currency of Thailand
“Bluestream Aviation”	Bluestream Aviation Limited, a limited liability company incorporated in Hong Kong on 11 March 2008 and wholly-owned by OA Cargo
“Board” or “Board of Directors”	the board of Directors of our Company
“Boeing”	The Boeing Company
“Business Day(s)”	any day(s) (excluding Saturdays, Sundays and public holidays) in Hong Kong on which licensed banks in Hong Kong are generally open for normal banking business to the public
“BVI”	the British Virgin Islands
“CAD”	Civil Aviation Department of Hong Kong
“CAGR”	compound annual growth rate
“CAO”	the Carriage by Air Ordinance (Chapter 500 of the Laws of Hong Kong)
“Capitalisation Issue”	the issue of Shares to be made upon stabilising on of certain sums standing to the credit of the share premium account of our Company as referred to in the section headed “Further information about our Group — Written resolutions of the sole shareholder” in Appendix V to this prospectus

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## DEFINITIONS

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“Cayman Islands Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“CEPA”	Closer Economic Partnership Arrangement, the first free trade agreement entered into between the government of Hong Kong and the PRC on 29 June 2003
“China Pacific”	China Pacific Logistics (H.K.) Limited (中太物流(香港)有限公司), a limited liability incorporated in Hong Kong on 23 January 2002 and wholly-owned by Mega Hero
“CICA”	Convention on International Civil Aviation, which was signed on 7 December 1944 in Chicago, Illinois and established certain rules of airspace, aircraft registration and safety
“Companies Ordinance” or “Hong Kong Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented, consolidated or otherwise modified from time to time
“Company” or “our Company”	ASR Holdings Limited (瀚洋控股有限公司), an exempted company incorporated with limited liability under the laws of the Cayman Islands on 28 June 2011
“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 our Company, means the Founders and ASR Victory, details of whose shareholdings are set forth in the section headed “Substantial Shareholders” and the section headed “Further information about our Directors, senior management, staff, Substantial Shareholders and experts” in Appendix V to this prospectus

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## DEFINITIONS

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“CPA”	certified public accountant
“DGR”	Dangerous Goods (Consignment By Air) (Safety) Regulations (Chapter 384A of the Laws of Hong Kong)
“Director(s)”	the director(s) of our Company
“EU”	the European Union
“FIE”	Foreign Invested Enterprise
“First Lock-up Period”	the first lock-up period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date
“Founders”	collectively, Mr. Yu, Mr. Mak and Mr. Law, who are our executive Directors and Controlling Shareholders, and “Founder” shall mean any or any combination of them
“GDP”	gross domestic product
“ <b>GREEN</b> application form(s)”	the application form(s) to be completed by the <b>HK eIPO White Form</b> Service Provider
“Group” or “our Group”	our Company and our subsidiaries or, where the context so requires, in respect of the period prior to our Company becoming the holding company of our present subsidiaries, the present subsidiaries of our Company
“HAFFA”	Hongkong Association of Freight Forwarding and Logistics Limited, a non-profit making organisation founded in 1966, which promotes the overall logistics service industry (whether by air, sea or land) in Hong Kong, coordinates and liaises with various government authorities for its members as well as providing educational courses for the logistics service industry
“HAFFA FTCs”	HAFFA Form of Trading Conditions
“HK\$” or “HK dollars” or “HK cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“ <b>HK eIPO White Form</b> ”	the application for Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of HK eIPO White Form at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“ <b>HK eIPO White Form</b> Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>

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## DEFINITIONS

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“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 Legal Adviser”	Cheng Wong Lam & Partners in association with Nixon Peabody LLP and Hylands Law Firm, the legal advisers to our Company as to Hong Kong laws
“Hong Kong Share Registrar”	Tricor Investor Services Limited, the branch share registrar and transfer office of our Company in Hong Kong
“IATA”	the International Air Transport Association, which was founded in April 1945 with the principal purpose of promoting safe, regular and economical air transport
“ICSC”	Integrated Cargo Solutions China Limited, a limited liability incorporated in Hong Kong on 7 December 2006 and wholly-owned by Mega Hero
“IMF”	International Monetary Fund
“Independent Third Party (ies)”	person(s) or company(ies) which are independent of and not connected with any of our Directors, chief executives of our Company, our Substantial Shareholders, directors and shareholders of any other member of our Group, our Connected Persons and their respective associates, and “Independent Third Party” means any of them
“INEDs”	the independent non-executive Directors
“Japan Legal Adviser”	Tozai Sogo Law Office, the legal advisers to our Company as to Japan laws
“JPY”	Japanese Yen, the lawful currency of Japan
“Latest Practicable Date”	22 December 2011, being the latest practicable date for the inclusion of certain information in this prospectus prior to its publication
“Lead Manager”, “Stabilising Manager” or “Sole Bookrunner”	Oriental Patron Securities Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO, being our lead manager, stabilising manager and sole bookrunner of the Share Offer
“Listing”	the listing of the Shares on the Main Board

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## DEFINITIONS

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“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date on which the Shares first commence trading on the Stock Exchange, which is expected to be Monday, 16 January 2012
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Macau”	the Macau Special Administrative Region of the PRC
“Macau Legal Adviser”	SÁ CARNEIRO PINHEIRO TORRES & ASSOCIADOS, Lawyers & Private Notaries, the legal advisers to our Company as to Macau laws
“Main Board”	the stock market operated by the Stock Exchange, which excludes the Growth Enterprise Market and the options market
“Malaysia Legal Adviser”	Ho & Ho Advocates & Solicitors, the legal advisers to our Company as to Malaysia laws
“Mega Hero”	Mega Hero Investments Limited, a limited liability company incorporated in the BVI on 3 March 2011, an Independent Third Party
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company
“MOFCOM”	中華人民共和國商務部 (the Ministry of Commerce of the PRC)
“Montreal Convention”	the Convention for the Unification of Certain Rules for International Carriage by Air signed at Montreal on 28 May 1999
“MOP”	Macau Patacas, the lawful currency of Macau
“Mr. Law”	Mr. Law Kai Lo, Niki (羅佳路先生), one of the Founders, an executive Director and our Controlling Shareholder
“Mr. Mak”	Mr. Mak Chi Hung, Richard (麥志雄先生), one of the Founders, an executive Director and our Controlling Shareholder
“Mr. Ritola”	Mr. Ritola, Jouni Juhani, a director of ASR Europe who is the beneficial owner of 40% shareholding in ASR Europe
“Mr. Yu”	Mr. Yu Ho Yuen, Sunny (余浩源先生), one of the Founders, the chairman and chief executive officer of our Company, an executive Director as well as our Controlling Shareholder



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## DEFINITIONS

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“OA Cargo”	OA Cargo Limited, a limited liability company incorporated in Hong Kong on 22 January 2007, wholly-owned by ASR Limited and formerly known as International GSA Limited
“OA Cargo (HK)”	OA Cargo (HK) Limited, a limited liability company incorporated in Hong Kong on 4 October 2010 and wholly-owned by OA Cargo
“Offer Price”	the final price for each Offer Share (exclusive of 0.003% transaction levy imposed by the SFC, 0.005% trading fee imposed by the Stock Exchange and 1% brokerage payable thereon) of not more than HK\$1.05 per Offer Share and expected to be not less than HK\$0.88 per Offer Share at which the Offer Shares are to be subscribed and issued
“Offer Shares”	the Placing Shares and the Public Offer Shares, collectively, and where relevant, together with any additional shares issued pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option granted by us to the Placing Underwriter exercisable by the Lead Manager on behalf of the Placing Underwriter subject to the terms and conditions of the Placing Underwriting Agreement pursuant to which we may be required to issue up to an additional aggregate of 15,000,000 Shares (representing 15% of the total number of Offer Shares initially available under the Share Offer) in connection with over-allocations under the Placing and to satisfy the obligation of the Lead Manager to return securities borrowed under the Stock Borrowing Agreement, details of which are described in the section headed “Structure and conditions of the Share Offer”
“Pacific Empire (BVI)”	Pacific Empire International Limited, a limited company incorporated in the BVI on 8 April 2002 and wholly-owned by ASR Limited
“Pacific Empire (HK)”	Pacific Empire (HK) Limited, a limited liability company incorporated in Hong Kong on 1 December 2010 and wholly-owned by OA Cargo
“Pacific Empire (Macau)”	Pacific Empire International Limited (太平洋帝國國際有限公司), a limited company incorporated in Macau on 22 September 2005 and wholly-owned by ASR Limited
“Pacific Empire (Shenzhen)”	盛太國際貨運代理(深圳)有限公司 (Pacific Empire International (Shenzhen) Limited), a limited liability company established in the PRC on 8 August 2008 and wholly-owned by Starlite Express

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## DEFINITIONS

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“Pacific Empire Cargo”	Pacific Empire Cargo Limited, a limited liability company incorporated in Hong Kong on 18 August 2009 and wholly-owned by OA Cargo
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriter on behalf of our Company at the Offer Price with professional, institutional and other investors interested in subscribing for the Placing Shares in Hong Kong as described in the section headed “Structure and conditions of the Share Offer”
“Placing Shares”	the 90,000,000 new Shares initially being offered at the Offer Price for subscription under the Placing subject to re-allocation and the Over-allotment Option as described in the section headed “Structure and conditions of the Share Offer”
“Placing Underwriter”	the underwriter listed in the section headed “Underwriting — Placing Underwriter”, being the underwriter of the Placing
“Placing Underwriting Agreement”	the placing underwriting agreement expected to be entered into among our Company, our executive Directors, our Controlling Shareholders, the Sponsor, the Lead Manager and the Placing Underwriter relating to the Placing, details of which are set out in the section headed “Underwriting — Underwriting arrangements and expenses”
“Polygain”	Polygain Investment Limited (保利德有限公司), a limited liability company incorporated in Hong Kong on 11 August 2008, being 50% owned by Mr. Chan Kar Lok and 50% owned by Mr. Sun Chi Chung, both being Independent Third Parties
“PRC” or “China”	the People’s Republic of China which, for the purposes of this prospectus only, excludes Hong Kong, Macau and Taiwan
“PRC government”	the government of the PRC including all governmental subdivisions (including provincial, municipal and other regional or local government entities) thereof and organisation of such government or, as the context requires, any of them
“PRC Legal Adviser”	上海市錦天城律師事務所 (AllBright Law Offices), the legal advisers to our Company as to PRC laws
“Precise China (BVI)”	Precise China Investments Limited, a limited company incorporated in the BVI on 18 September 2003 and wholly-owned by ASR Limited

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## DEFINITIONS

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“Price Determination Agreement”	the agreement to be entered into between the Company and the Lead Manager (for itself and on behalf of the Underwriters) at or before the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or before 10 January 2012, on which the Offer Price is expected to be fixed for the purposes of the Share Offer and in any event no later than 6:00 p.m. (Hong Kong time) on 10 January 2012
“Public Offer”	the conditional offer of the Public Offer Shares by our Company for subscription by the public in Hong Kong for cash at the Offer Price, payable in full on application, and subject to the terms and conditions stated herein and in the Application Forms
“Public Offer Shares”	the 10,000,000 new Shares initially being offered at the Offer Price for subscription in the Public Offer subject to re-allocation as described in the section headed “Structure and conditions of the Share Offer”
“Public Offer Underwriter”	the underwriter listed in the section headed “Underwriting — Public Offer Underwriter”, being the underwriter of the Public Offer
“Public Offer Underwriting Agreement”	the public offer underwriting agreement dated 29 December 2011 entered into among our Company, our executive Directors, our Controlling Shareholders, the Sponsor, the Lead Manager and the Public Offer Underwriter relating to the Public Offer, details of which are set out in the section headed “Underwriting — Underwriting arrangements and expenses”
“Reorganisation”	the corporate reorganisation of our Group conducted in preparation for the Listing, details of which are set out in the section headed “History and corporate development — Reorganisation”
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to our Directors by our Shareholder, particulars of which are set forth in the section headed “Further information about our Group — Written resolutions of the sole shareholder” in Appendix V to this prospectus
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAFE”	中華人民共和國國家外匯管理局 (the State Administration of Foreign Exchange of the PRC)

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## DEFINITIONS

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“Second Lock-up Period”	the second lock-up period of six months commencing on the date on which the First Lock-up Period expires
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	share(s) of HK\$0.01 each in the share capital of our Company
“Share Offer”	the Placing and the Public Offer
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 3 December 2011, the principal terms of which are set out in the section headed “Share Option Scheme” in Appendix V to this prospectus
“Shareholder(s)”	holder(s) of issued Share(s)
“Shenyin Wanguo”, “Sponsor” or “Sole Sponsor”	Shenyin Wanguo Capital (H.K.) Limited, a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being our sole sponsor of the Share Offer
“sq. ft.”	square feet
“sq. m.”	square metre
“Star Cargo (Japan)”	Star Cargo 株式會社 (Star Cargo (Japan) Limited), a limited liability company incorporated in Japan on 6 July 2009 and wholly-owned by OA Cargo
“Star Cargo (Taiwan)”	台灣太平洋星聯物流有限公司 (Star Cargo (Taiwan) Limited), a limited liability company incorporated in Taiwan on 30 June 2009 and wholly-owned by OA Cargo
“Star Cargo (Thailand)”	Star Cargo (Thailand) Limited, a limited liability company incorporated in Thailand on 25 January 2010 and wholly-owned by ASR Limited
“Star Pac (Malaysia)”	Star Pac Logistics Sdn. Bhd., a limited liability company incorporated in Malaysia on 19 May 2009 and wholly-owned by Star Pacific
“Star Pacific”	Star Pacific Logistics Limited (太平洋星聯物流有限公司), a limited liability company incorporated in Hong Kong on 11 January 2008 and wholly-owned by ASR Limited

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## DEFINITIONS

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“Starlite Express”	Starlite Express International Limited (星聯國際通運有限公司), a limited liability company incorporated in Hong Kong on 31 October 2003 and wholly-owned by Precise China (BVI)
“State Council”	中華人民共和國國務院 (the State Council of the PRC)
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between ASR Victory and the Lead Manager, pursuant to which the Lead Manager may borrow up to 15,000,000 Shares to cover any over-allocations under the Placing
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed thereto in section 2 of the Hong Kong Companies Ordinance
“Substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Taiwan Legal Adviser”	黃子素律師事務所 (Grace T.Z. Huang, Attorney at Law), the legal advisers to our Company as to Taiwan laws
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Thailand Legal Adviser”	Wissen & Co Ltd. Lawyers, the legal advisers to our Company as to Thailand laws
“Track Record Period”	the three financial years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011
“TWD”	New Taiwan Dollars, the lawful currency of Taiwan
“U.S.”, “USA” or “United States”	the United States of America
“Underwriters”	together, the Placing Underwriter and the Public Offer Underwriter
“Underwriting Agreements”	together, the Placing Underwriting Agreement and the Public Offer Underwriting Agreement
“US\$” or “US dollar(s)”	United States dollar(s), the lawful currency of the U.S.
“we”, “us” or “our”	our Company or our Group (as the case may be)
“WFOE”	Wholly Foreign Owned Enterprise, a limited liability company wholly owned by the foreign investor(s)

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## DEFINITIONS

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“ <b>WHITE</b> Application Form(s)”	the form(s) of application for the Public Offer Shares for use by the public who require such Public Offer Shares to be issued in the applicants’ own name
“Worldwide Logistics”	Worldwide Logistics Limited (世界貨運有限公司), a limited liability company incorporated in Hong Kong on 5 January 2001, being 60% owned by Mr. Joseph Patrick Monaghan and 40% owned by Mr. Fong Wai Ming Francis Willy, both being Independent Third Parties
“ <b>YELLOW</b> Application Form(s)”	the form(s) of application for the Public Offer Shares for use by the public who require such Public Offer Shares to be deposited directly into CCASS
“%” or “per cent”	per centum or percentage

*For ease of reference, the names of the PRC established companies or entities have been included in this prospectus in both Chinese and English languages.*

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## GLOSSARY

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*This glossary contains explanations of certain terms used in this prospectus in connection with the business of our Group. The terms and their meanings may not correspond to the standard industry meanings or usage of these terms.*

“air waybill”	a non-negotiable document that applies to shipment by air freight, serving as a contract between the shipper and the air freight carrier, a receipt by the carrier for goods shipped, and a non-negotiable document of title to the goods which evidences the contract between the shipper and carrier(s) for carriage of goods over routes of the carrier(s)
“airline(s)”	provide(s) air transport service to passengers and/or cargos, which can be either a <i>commercial passenger airline</i> operating with combination carriers carrying both passengers and cargos stored in the bellies of aircrafts or <i>cargo airline</i> operating all-cargo aircrafts for the sole purpose of transporting cargos
“cargo”	the goods or merchandise transported by aircraft, ship or vehicle
“carrier”	the individual or organisation who transports passengers or goods for a profit
“chargeable weight”	weight based on which customers are charged
“co-load”	a freight forwarding practice through which consignments from more than one shipper, having the same destination, are combined to be delivered as one load
“consignee”	one to whom a consignment is made i.e. the person named on a bill of lading to whom or to whose order the bill promises delivery
“consignment”	goods or property sent by the aid of a common carrier from one person in one place to another person in another place
“consignor” or “shipper”	the person named on a bill of lading as the person from whom the goods have been received for shipment to the consignee
“consolidation”	the assembly and despatch of a number of individual consignments as one bulk shipment on one air waybill or the assembly of loose consignments to fill a whole container
“containers”	closed containers, also known as cans and pods, made of aluminum or combination of aluminum (frame) and lexan (walls), which, depending on the nature of the goods to be transported, may have built-in refrigeration units

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## GLOSSARY

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“contour”	the maximum height within which loose consignments or ULDs can be stacked inside an aircraft
“CTO”	cargo terminal operator
“customs clearance”	application to the customs for the purpose of clearing imports and exports
“Developed Countries”	the 33 countries classified as “Advanced Economies” in the World Economic Outlook April 2010 prepared by the IMF, including the seven largest countries in terms of GDP (the U.S., Japan, Germany, France, Italy, the United Kingdom and Canada), the 16 members of the Euro Area and newly industrialised Asian economies such as Hong Kong, Korea, Singapore and Taiwan
“Developing Countries”	the 149 countries classified as “Emerging and Developing Economies” in the World Economic Outlook April 2010 prepared by the IMF, such as Algeria, Argentina, Cameroon, China, Egypt, Hungary, India, Malaysia and Thailand, including all countries that are not classified as “Advanced Economies”
“freight forwarder”	one who assembles and consolidates shipment and performs or provides for break-bulk and distribution operations of shipments. A freight forwarder may act as a principal who assumes responsibility for the transportation from the place of receipt to the place of delivery by issuing his own house bill of lading to individual shippers whose goods he is consolidating, or as an agent, who is entrusted by shippers and consignees to handle transportation of goods or related business in the names of the shippers and consignees
“GSA”	a general sales agent appointed by an airline which typically authorises such general sales agent to exclusively represents the airline in a region or territory in relation to that airline’s particular segment of business e.g. air cargo space or passengers tickets
“integrated carriers”	cargo and/or courier/express parcel transporters such as major multinational courier companies or logistics companies, which use their own freight fleets instead of scheduled airlines to provide direct and fully integrated express air cargo services
“MGP”	minimum guarantee payment



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## GLOSSARY

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“pallet”	a platform with a flat under-surface, to standard aircraft requirements on which goods are assembled and secured by nets/straps/igloos, and subsequently locked into the aircraft, to achieve rapid loading/unloading on compatible aircraft conveying and restraint systems
“palletisation”	preparing and loading cargo to fit the pallet and load plan
“RTK”	revenue ton kilometer, which is a measure of traffic volume and is equal to the revenue load (passenger or cargo) in tons multiplied by the kilometers flown
“scheduled airlines”	airlines which run on specific routes at specific times
“tons”	metric tons, where one metric ton equals 1,000 kg
“trade partner”	a freight forwarder with whom we have an established relationship
“ULD”	unit load device, a unit used to load luggage, freight or mail on an aircraft, which allows a large quantity of cargo to be bundled into a single unit; each ULD is subject to maximum volume (dimension) and weight in accordance with the configuration of an aircraft
“volumetric weight”	chargeable weight based on the actual volume of consignments

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## FORWARD-LOOKING STATEMENTS

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### FORWARD-LOOKING STATEMENTS CONTAINED IN THIS PROSPECTUS ARE SUBJECT TO RISKS AND UNCERTAINTIES

This prospectus contains certain forward-looking statements and information relating to us that are based on the belief of our Directors and senior management as well as assumptions made by and information currently available to our Directors and senior management. When used in this prospectus, the words “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would” and similar expressions, as they relate to our Company, our Group or our Directors and senior management, are intended to identify forward-looking statements. Such statements reflect, among other things, the discussion of our business strategy and the current views of our Directors and senior 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 risk factors as described in the section headed “Risk factors”. Purchasers and subscribers of our Shares are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties and that any or all of these assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. 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 business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals;
- general economic conditions internationally;
- changes to regulatory and operating conditions in the industry and the markets in which we operate;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital and financial markets developments;
- our expectations about the future of the air cargo industry;
- the market activities, and actions and developments of our competitors; and

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## FORWARD-LOOKING STATEMENTS

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- certain statements in the sections headed “Risk factors”, “Business” and “Financial information” with respect to trend in prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our plans and objectives will be achieved. Subject to the requirements of the Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements set out in this section.

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

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## RISK FACTORS

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*You should consider carefully all of the information set out in this prospectus and, in particular, the following risks and uncertainties described below, before making an investment in our Shares. Our business, results of operations or financial condition could be materially and adversely affected by any of the risks and uncertainties described below. The trading price of our Shares could decline due to any of these risks and uncertainties, and you may lose all or part of your investment.*

### **RISKS RELATING TO OUR BUSINESS**

#### **We rely on the continued patronage of our customers for our recurring income.**

We do not generally have long term contracts to supply our customers with our services over any particular time period. Accordingly, we do not generally have the benefit of any guaranteed business volume or pricing from our customers. We are, therefore, dependant on the continued patronage of our customers and use of our services to generate our revenue. In addition, pursuant to our firm commitments with the airlines, we are committed to purchasing a minimum amount of air cargo space and are liable to pay to the airlines for the minimum guaranteed amount at a pre-determined rate regardless of whether we are able to on-sell such air cargo space. If we fail to secure our customers' continued patronage, our revenue and financial condition may be materially and adversely affected.

#### **The termination or non renewal of the firm commitments with the airlines could have an adverse effect on our business.**

As at the Latest Practicable Date, we had firm commitments with 4 airlines in respect of the purchase of air cargo space with the expiry dates ranging from 31 December 2011 to 31 March 2013, none of which had been renewed. We are in the process of negotiating with the relevant airline prior to the expiry of 31 December 2011. These purchasing arrangements with firm commitments help us secure air cargo space for on-selling to our customers, particularly during the peak season. There can be no assurance that any of these airlines will not terminate the firm commitments with us before their expiry or the firm commitments will be renewed upon their expiry. Purchases under firm commitments accounted for approximately 21.3%, 40.3%, 42.1% and 37.2% of the total purchases respectively for the three financial years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011. The termination or non-renewal of any of these firm commitments may cause our Group to have insufficient air cargo space for on-selling to our customers and thus have a material negative impact on our financial performance.

#### **The fluctuating selling prices of air cargo space could have an adverse impact on our results of operations.**

During the Track Record Period, the cost of sales we incurred under firm commitment purchases amounted to approximately HK\$53.1 million, HK\$89.8 million, HK\$145.3 million and HK\$73.8 million respectively. Under these firm commitment purchases, we are committed to purchasing a minimum amount of air cargo space at pre-determined rates regardless of the actual volume that we on-sell to customers. Since the selling prices of air cargo space are driven by the demand and supply of air cargo space at the time of selling, we are subject to price fluctuations when on-selling such air cargo space (our selling prices were in the vicinity from approximately HK\$15,760 per ton to HK\$21,950 per ton on average based on our revenue and volume of air cargo handled during the Track Record Period) and

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## RISK FACTORS

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may set selling price at or below the pre-determined rates to fulfil the guaranteed purchase volume of air cargo space under firm commitments. Should the market selling prices fall below the pre-determined rates under firm commitments at the time of selling, our revenue and financial condition may be materially and adversely affected.

**Our results of operations are affected by global trading volumes, Chinese export volume and economic, financial and political conditions.**

Most of our revenue is derived from sale of air cargo space for shipment of goods from Hong Kong and China to various overseas export markets. Our results of operations are thus affected by the volume of our business which in turn depends on worldwide trade volume, in particular, the export volume of Hong Kong and China. Global trade volume and Chinese export volume will be affected by changes or developments in global economic, financial and political conditions. In particular, an economic slowdown in Hong Kong, China and/or globally may materially and adversely affect our business activities. Our Directors have noted from the recent statistical data of Hong Kong Air Cargo Terminals Limited and Asia Airfreight Terminal that the total domestic exports by air in terms of tonnage fell by approximately 8.7% to 12.9% on a year-on-year basis in respect of each of the four months from July to October 2011, primarily due to the recent downturn of European and American markets as a result of the euro zone sovereign debt crisis and the weakening U.S. economy. Other extraneous factors, such as impositions of trade restrictions, sanctions, boycotts and other measures, trade disputes, appreciation of Renminbi, the policy shift of the PRC government from export growth to domestic consumption and work stoppages, particularly in the air cargo industry, could adversely affect Chinese export volume and lead to a material decline in the demand for our services and our results of operations may be adversely affected.

**We rely on certain of our management members.**

Our past success is attributable to the vision, experience, expertise and managerial and technical skills of our core management team as disclosed in the section headed “Directors, senior management and employees”. In particular, each of our executive Directors, Mr. Yu, Mr. Law and Mr. Mak, has previously worked for airlines and logistics service companies and accumulated more than 20 years of experience in the air cargo industry. Other senior management members also possess substantial experience in business management, operations and in-depth industry knowledge and understanding. To a certain extent, our daily operations depend on the performance of our executive Directors and a material number of senior management members. In the event that we lose the service of any of our executive Directors or other senior management members and we fail to attract and retain suitable and competent replacements, our operations and performance could be materially and adversely affected.

**Our sales are subject to seasonal fluctuation.**

Generally, we record higher sales in September to December and lower sales in February to June. Our revenue for the peak season (i.e. September to December) accounted for approximately 36.7%, 45.9% and 37.2% of our total revenue for the three financial years ended 31 December 2008, 2009 and 2010 respectively, while our net profit for the peak season accounted for approximately 61.1%, 66.9% and 37.0% of our total net profit for the three financial years ended 31 December 2008, 2009 and 2010 respectively. Our net profit for the peak season in 2008 and 2009 was relatively higher than that

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## RISK FACTORS

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in the peak season in 2010 because our profitability improved during the later part of each of 2008 and 2009 as a result of the growth in the number of airlines then engaged by us leading to increased sales of air cargo space covering air routes with destinations in the Developing Countries during the same periods. In other words, our Group's profitability in 2008 and 2009 was subject to the on-selling of relatively higher margin air cargo space during the later part of each of 2008 and 2009 in addition to the usual seasonal factor while our profitability in 2010 was primarily subject to our business focus on the Developing Countries and the usual seasonality trend throughout the entire year. Our sales may vary considerably from time to time as a result of change in seasonal demand for air cargo space due to the impact of holidays on demand, seasonal cycles for consumer goods and other factors. Our results for the peak months may not be taken as an indication of our performance for the entire year. Hence, prospective investors should be aware of this seasonal fluctuation when making any comparison of our results of operations.

### **We may not sustain our gross profit margin.**

For the three financial years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, we reported gross profit margins of approximately 15.1%, 25.1%, 29.6% and 32.7% respectively. Our gross profit margin increased from approximately 15.1% for the financial year ended 31 December 2008 to approximately 29.6% for the financial year ended 31 December 2010. Such improvement in gross profit margin was predominantly attributable to our business focus on delivering deferred air freight service and reaching the Developing Countries. Furthermore, the deferred/Developing Countries and the time definite/Developing Countries segments on which our Group are focusing had gross profit margins of approximately 34.2% to 42.0% and 37.2% to 49.3% respectively, which were higher than the other segments over the Track Record Period. There is no assurance that we will be able to continue to maintain gross profit margin at a similar level as the Track Record Period.

### **We have experienced significant growth in the past and may not be able to maintain such growth in the future.**

During the Track Record Period, we had experienced significant growth in our revenue and profitability. Our revenues were HK\$293.8 million, HK\$297.1 million, HK\$489.9 million and HK\$294.9 million for the three financial years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 respectively. Our net profits attributable to equity holders were HK\$20.8 million, HK\$42.8 million, HK\$92.1 million and HK\$59.4 million for the three financial years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 respectively. We plan to further expand our business by expanding our service network and our portfolio of air cargo routes, setting up logistics hub centres in Southern China and establishing an e-platform booking system. Our growth has, and will continue to, put pressure on our managerial, financial, operational and other resources. We may need to enhance financial, risk and operation controls and recruit and train additional staff in order to keep pace with our growth and to oversee and manage the expanded service network and portfolio of air cargo routes. We cannot assure you that we will be able to manage our future expansion effectively. If we are unable to effectively manage our expanding operations and costs, our results of operations may be materially and adversely affected.

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## RISK FACTORS

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**We may have to relocate the offices of our branches in Shenzhen, Nanchang, Hangzhou and Tianjin.**

We lease the operating offices of our branches in Shenzhen, Nanchang, Hangzhou and Tianjin from different lessors who are Independent Third Parties. The lessors of these offices do not possess the relevant building ownership certificates. In addition, the tenancy agreements for these offices (except for the Tianjin office) have not been registered with the relevant local authorities. Our PRC Legal Adviser considers that there is a risk that the leases of these commercial units are not in compliance with the provisions of the relevant laws and regulations and may not be legally valid and enforceable. If any of the above leases is discontinued, terminated or held invalid, we may have to relocate the office of our branches in Shenzhen, Nanchang, Hangzhou or Tianjin. Such relocation or failure to find a proper place for relocation may affect our operations.

**Our revenue which is currently attributed to Macau for tax purposes may be subject to tax in Hong Kong or China.**

Our Macau incorporated subsidiary, Pacific Empire (Macau), has been appointed by certain international airlines as their GSA or non-exclusive agent to market and on-sell their air cargo space of routes originating from Macau, Hong Kong and China. The revenue from the air cargo space of routes originating from Hong Kong and China marketed and on-sold under such appointment is currently attributed to Macau for tax purposes. Our Group's weighted average applicable tax rates ranging from approximately 8.8% to 14.3% during the Track Record Period and the complementary tax rate in Macau are lower than the profits tax rate in Hong Kong and the corporate income tax rate in China. Further information including the relevant tax rates and our tax expenses in Macau, Hong Kong and China is set out in the section headed "Financial information — Principal income statement components — Taxation" and note 23 to the financial information in the Accountants' Report. If the relevant tax authorities in Hong Kong or China consider that the revenue derived from the marketing and on-selling of air cargo space of routes originating from Hong Kong or China is taxable in Hong Kong or China, the overall income tax expense of our Group may increase and our financial performance may be materially and adversely affected.

**We may not be able to achieve our goal to become one of the leading air freight solution providers in Asia as we have expected.**

The success of our air freight solution business is subject to many risks and uncertainties, including: (i) the expected future growth of the air cargo industry in Asia may not materialise at all or at the rate which we have expected; (ii) we may not be able to develop our air freight solution business in accordance with our projected costs and within our estimated time frame; (iii) we may not be able to deliver commercially viable services based on the new technologies adopted by us; and (iv) there may be an oversupply of air freight solution providers in Asia.

There is no assurance that we will be able to address the above risks successfully or to execute our business strategy for our air freight solution business. We may not be able to expand our business beyond our current services. Our failure or inability to do so could adversely affect our business growth, results of operations and financial condition.

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## RISK FACTORS

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### **We may not successfully develop and implement our own e-platform booking system as planned.**

We plan to develop and implement our own e-platform booking system for our air cargo space wholesale business. There is no assurance that the e-platform booking system can be developed and implemented successfully as contemplated. In addition, we expect that substantial manpower and resources will be needed to implement the e-platform booking system. Any failure or delay in the implementation of the e-platform system may disrupt our operations, which in turn may adversely affect our business and financial performance.

### **We may not be able to achieve our future plans.**

Our future plans as set out in the section headed “Future plans and proposed use of proceeds” are based on circumstances currently prevailing and the bases and assumptions that certain circumstances will or will not occur, as well as the risks and uncertainties inherent in various stages of development. Our future prospects must be considered in light of the risks, expenses and difficulties which may be encountered by us in various stages of development of our business. There can be no assurance that we will be successful in implementing our strategies or that our strategies, even if implemented, will lead to successful achievement of our objectives. If we are not able to implement our strategies effectively, our business operations and financial performance may be adversely affected.

## **RISKS RELATING TO OUR INDUSTRY**

### **The air cargo industry in which we are involved is highly cyclical.**

The air cargo industry is highly cyclical, with demand for air cargo space affected by factors such as level of international trade activities, global and regional economic and political conditions, economic sanctions, outbreak of wars, changes in regulatory regimes and extreme weather conditions. These factors are beyond our control and the nature, timing and degree of changes in industry conditions are largely unpredictable. Any decrease in demand for our air freight services due to cyclical downturns could materially and adversely affect our business, results of operations and financial condition.

### **We operate in a competitive industry.**

We directly and indirectly compete with other air freight solution providers on a local, regional, national and international basis in the form of pricing, range of services provided and network of customers. Our customers, who are mainly freight forwarders, face competition from international freight forwarders, logistics providers and express service providers. Any decline in their business will in turn reduce their use of our services, which may materially and adversely affect our business operations and financial performance.

We also face competition from other air cargo space wholesalers as well as airlines or integrated carriers which sell air cargo space directly to freight forwarders. Increased competition may reduce the growth in our customer base, reduce our market share and result in higher selling and promotional expenses. There is no assurance that we will continue to compete successfully in the future, and if we fail to do so, our business and financial results would be adversely affected.



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## RISK FACTORS

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### **Increases in fuel prices or shortage of fuel supply may indirectly and adversely affect the demand for our services.**

Fuel is one of the largest cost components for airlines or integrated carriers. Increases in fuel prices or shortages in fuel supply may lead to increases in the prices of air cargo space. Shippers may divert their traffic from air freight to other alternatives such as sea freight for international deliveries and rail and road for domestic or intra-continental deliveries, which in turn will make our customers, who are mainly freight forwarders, reduce their demand for our services. If fuel prices continue to rise significantly or there is a continuous shortage of fuel supply, our business and financial performance may be materially and adversely affected.

### **Our operations are subject to various laws and regulations and international conventions.**

Our operations are subject to various laws and regulations. Some of these laws and regulations incorporated the requirements of international conventions. For example, the security of air cargos has to be kept in line with Annex 17 to the CICA, the requirements of which were brought into force in Hong Kong under the Aviation Security Ordinance (Chapter 494 of the Laws of Hong Kong). Our operations are required to comply with the Aviation Security Ordinance as well as various requirements and regime formulated pursuant to the Aviation Security Ordinance.

Notwithstanding our efforts to comply with applicable laws and regulations, there is no assurance that we will at all times be in full compliance with all of the laws and regulations, and the requirements and regimes thereunder that apply to our operations. Any failure, or any claim that we have failed to comply with any of them may attract significant monetary penalties and cause material disruption to our operations. In addition, any tightening of the regulatory framework to which our operations are subject could result in increased costs and liabilities. If any of these events occurs, our operations and financial position may be materially and adversely affected.

### **Natural disasters, acts of war, epidemics and other events may adversely affect our operations.**

Natural disasters, acts of war, epidemics and other events which are beyond our control may adversely affect local economies, infrastructures, airport facilities and international trade. They may also cause closure of airports and highways to airports as well as disruptions to air cargo flows, any of which could materially and adversely affect our operations and financial performance.

On 11 March 2011, an earthquake measuring 9.0 on the Richter scale occurred in Tohoku district, northeast of Tokyo which, coupled with aftershocks in the days after the earthquake, associated tsunami waves on the east coast of Japan and a nuclear plant crisis in Fukushima in Japan, caused considerable physical and economic damage to Japan. Although the office of Star Cargo (Japan), our subsidiary in Japan, is in the area unaffected by the earthquake and tsunami, its operations have been affected by continuing transportation delays and disruptions, the rolling blackouts in Tokyo and surrounding areas and the decrease in exports from Japan. The revenue of Star Cargo (Japan) accounted for approximately 0.1% and 1.7% of our Group's revenue respectively for the financial year ended 31 December 2010 and the six months ended 30 June 2011. Since the revenue of Star Cargo (Japan) only accounted for a small proportion of our Group's revenue, we believe that the disasters in Japan would not have a material impact on our financial performance.

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## RISK FACTORS

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### **Future terrorist attacks, or the threat of such attacks, may increase the costs of our operations and reduce demand for our services**

Terrorist attacks of aircrafts and airports and their impact may negatively affect the air cargo industry. The potential impacts on the air cargo industry include the loss of air cargo traffic and revenues, increased security and insurance costs and airport delays due to tightened security. Any future terrorist attacks, or the threat of such attacks, may increase the costs of our operations due to the tightened security, increase flight delays or cancellations associated with new government decrees and reduce demand for our services. In such event, our business and results of operations may be materially and adversely affected.

### **RISKS RELATING TO THE PRC**

#### **Political and economic policies of the PRC government could affect our business.**

Some of our business operations are conducted in the PRC and most of our revenue is derived from sales of cargo space for shipment of goods from the PRC to various overseas export markets. Accordingly, our results of operations, financial condition and prospects are subject to a significant degree to the economic, political and legal developments in the PRC.

The PRC economy differs from the economies of most Developed Countries in a number of respects, including its structure, level of government involvement, level of development, level of capital reinvestment, control of foreign exchange and allocation of resources.

In recent years, the PRC government has implemented economic reform measures emphasising decentralisation, utilisation of market forces in the development of the PRC's economy and a high level of management autonomy. Before its adoption of reform and open door policies beginning in 1978, China was primarily a planned economy. Since that time, the PRC government has been reforming the PRC economic system, and has also begun reforming the government structure in recent years. These reforms have resulted in significant economic growth and social progress. Although the PRC government still owns a significant portion of the productive assets in China, economic reform policies implemented since the late 1970s have emphasised autonomous enterprises and the utilisation of market mechanisms. Factors that may cause the PRC government to modify, delay or even discontinue the implementation of certain reform measures include political changes and such economic factors as changes in rates of national and regional economic growth, unemployment and inflation. Although we believe these reforms will have a positive effect on our overall and long-term development, changes in China's political, economic and social conditions, laws, regulations and policies may have an adverse effect on our current or future business, results of operations or financial condition.

#### **Fluctuation of the Renminbi may adversely affect our operations and financial results.**

Most of our revenue is derived from sales of air cargo space in relation to exports from China, some of which is denominated in the Renminbi. The value of the Renminbi is subject to changes in the PRC government's policies and depends to a large extent on domestic and international economic and political developments, as well as supply and demand in the local market. Since 1994, the conversion of the Renminbi into foreign currencies, including Hong Kong dollars and US dollars, has been based on

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## RISK FACTORS

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exchange rates published by the PBOC, which are set daily based on the previous day's interbank foreign exchange market rates in China and current exchange rates in the world financial markets. Since 1994, the official exchange rates for the conversion of Renminbi into Hong Kong dollars and US dollars have generally been stable. However, on 21 July 2005, as a result of the Renminbi being re-pegged to a basket of currencies, the Renminbi was revalued and appreciated against the Hong Kong dollars and the US dollars. The PRC government has since made and in the future may make further adjustments to the exchange rate system. There is no assurance that the Renminbi may not be subject to significant fluctuation. Any significant appreciation in the exchange rates of the Renminbi may reduce the international demand for Chinese exports and any significant depreciation in the exchange rates of the Renminbi against the Hong Kong dollars or the US dollars may reduce the amount of our revenue which expressed in the Hong Kong dollars, which may adversely affect our operations and financial results.

### **Our operations in China are subject to various PRC laws and regulations.**

We are subject to various PRC laws and regulations for our operations in China. For the detailed description of the regulatory environment in which we currently operate in China, please refer to the section headed "Regulatory overview — PRC laws and regulations". Except as disclosed in this prospectus, our PRC Legal Adviser has advised that we have complied with all applicable laws and regulations of the PRC in all material aspects since the establishment of our existing Group members in the PRC. Any change in the scope or application of these laws and regulations, however, may limit our ability to conduct our businesses, increase our costs or increase competition for our operations in the PRC and could have a material adverse effect on our financial results. In addition, complying with such laws and regulations may give rise to unexpected compliance costs that could have negative effect on our financial condition and results of operations. Our failure to comply with such laws and regulations could also result in fines, penalties or lawsuits.

### **There are uncertainties regarding the interpretation and enforcement of PRC laws and regulations.**

The PRC legal system is based on statutory law. Under this system, prior court decisions may be cited as persuasive authority but do not have binding precedential effect. Since 1979, the PRC government has been developing a comprehensive system of commercial laws and considerable progress has been made in the promulgation of laws and regulations dealing with economic matters, such as corporate organisation and governance, property title, foreign investment, commerce, taxation and trade. Because these laws, regulations and legal requirements are relatively new and evolving, and because of the limited volume of published cases and judicial interpretations and the non-binding nature of prior court decisions, the interpretation and enforcement of these laws, regulations and legal requirements involve some uncertainty. Changes in the interpretation and enforcement of these laws, regulations and legal requirements may have a material adverse effect on our business operations.

### **Restrictions under PRC law on our PRC subsidiaries' ability to pay dividends and other distributions could adversely affect our ability to grow, make investments or acquisitions that could benefit our business, pay dividends to you, and otherwise fund and conduct our businesses.**

We conduct part of our business through our subsidiaries established in China and we plan to expand our business further in China. PRC regulations restrict the ability of our PRC subsidiaries to

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## RISK FACTORS

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make dividends and other payments to their offshore parent company. PRC legal restrictions permit payments of dividends by our PRC subsidiaries only out of their accumulated after-tax profits, if any, determined in accordance with PRC accounting standards and regulations. Each of our PRC subsidiaries is also required under PRC laws and regulations to allocate at least 10% of its annual after-tax profits determined in accordance with PRC accounting standards to a statutory general reserve fund until the cumulative amount in such fund reaches 50% of the company's registered capital. Each of our PRC subsidiaries is also required to set aside a certain amount of its after-tax profits each year, if any, to contribute to a public welfare fund. However, the specific amounts of the public welfare fund or enterprise expansion fund are subject to the discretion of the board of directors of the relevant subsidiary. Allocations to these statutory reserve funds can only be used for specific purposes and are not transferable to us in the form of loans, advances or dividends. Any limitations on the ability of our PRC subsidiaries to transfer funds to us could adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends and otherwise fund and conduct our business.

### **RISKS RELATING TO THE SHARE OFFER**

#### **The interests of our Controlling Shareholders may differ from those of our other Shareholders.**

Immediately following the Share Offer, our Controlling Shareholders will beneficially own 75% of our outstanding Shares on a fully diluted basis, or approximately 72.29% if the Lead Manager (on behalf of the Placing Underwriters) exercises the Over-allotment Option in full. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. If the interests of our Controlling Shareholders conflict with the interests of our other Shareholders, or if our Controlling Shareholders choose to cause us to pursue strategic objectives that conflict with the interests of our other Shareholders, those shareholders may be disadvantaged by the actions that our Controlling Shareholders choose to cause us to pursue. Our Controlling Shareholders may have significant influence in determining the outcome of any corporate transaction or other matter submitted to the Shareholders for approval, including mergers, consolidations and the sale of all, or substantially all, of our assets, election of directors, and other significant corporate actions. Our Controlling Shareholders have no obligation to consider our interests or the interests of our other Shareholders.

#### **There has been no prior public market for our Shares. If an active trading market of our Shares does not develop, the price of our Shares may suffer and may decline below the Offer Price.**

Prior to the Share Offer, there was no public market for our Shares. The Offer Price was the result of negotiations among our Company and the Underwriters, and the Offer Price may differ significantly from the market price for the Shares following the Share Offer.

We have applied to list and deal in our Shares on the Stock Exchange. However, even if approved, being listed on the Stock Exchange does not guarantee that an active trading market for our Shares will develop following the Share Offer or that our Shares will always be listed and traded on the Stock Exchange. We cannot assure you that an active trading market will develop or be maintained following the completion of the Share Offer, or that the market price of our Shares will not decline below the Offer Price.

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## RISK FACTORS

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**The liquidity and market price of our Shares following the Share Offer may be volatile.**

The price and trading volume of our Shares may be highly volatile. Factors such as variations in our revenues, earnings and cash flows and announcements of new investments, strategic alliances and/or acquisitions, fluctuations in market prices for our services could cause the market price of our Shares to change substantially. Any such developments may result in large and sudden changes in the volume and price at which our Shares will trade. It is also likely that from time to time, our Shares will be subject to changes in price that may not be directly related to our financial or business performance.

**The market price of the Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.**

The initial price to the public of the Shares sold in the Share Offer will be not more than HK\$1.05 per Offer Share and is expected to be not less than HK\$0.88 per Offer Share. However, the Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be 13 January 2012 and the Listing becomes unconditional at 8:00 a.m. on the Listing Date. As a result, investors may not be able to sell or otherwise deal in the Shares between the time of sale and the time trading begins. Accordingly, holders of the Shares are subject to the risk that the price of the Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

**Future sales by our current shareholders of a substantial number of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares.**

Future sales of a substantial number of our Shares by our Controlling Shareholders could negatively impact the market price of our Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate. The Shares held by our Controlling Shareholders are subject to certain lock-up undertakings after the date on which trading in our Shares commences on the Stock Exchange, details of which are set forth in the section headed “Substantial Shareholders — Non-disposal undertaking”. While we are not aware of any intentions our Controlling Shareholders may have to dispose of significant amounts of their Shares after the completion of the lock-up periods, we are not in a position to give any assurance that they will not dispose of any Shares they may own now or in the future.

**Shareholders’ interests in our Company may be diluted in the future.**

We may issue additional Shares upon exercise of options to be granted under the Share Option Scheme or upon exercise of the Over-allotment Option. In addition, we may need to raise additional funds in the future to finance business expansion, whether related to existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company, other than on a pro rata basis to existing Shareholders, then (i) the percentage ownership of those existing Shareholders may be reduced, and they may experience subsequent dilution, and/or (ii) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of the existing Shareholders.

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## RISK FACTORS

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**The laws of the Cayman Islands relating to the protection of minority shareholders are different from those in Hong Kong.**

Our corporate affairs are governed by our Memorandum and Articles of Association and by the Cayman Islands Companies Law and other Cayman Islands law. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. Such differences may mean that our minority shareholders may have different protection than they would have under the laws of Hong Kong. A summary of Cayman Islands company law on the protection of minorities is set out in Appendix IV to this prospectus.

**Our ability to pay dividends and utilise cash resources in our subsidiaries is dependant upon the earnings of, and distributions by, our subsidiaries.**

We are a holding company incorporated under the laws of Cayman Islands with limited liability. All of our business operations are conducted through our subsidiaries. Our ability to pay dividends to our Shareholders is dependant upon the earnings of our subsidiaries and their distribution of funds to us, primarily in the form of dividends. The ability of our subsidiaries to make distributions to us depends upon, among other things, their distributable earnings, cash flow conditions, restrictions contained in their articles of associations, withholding tax and other arrangements. These restrictions could reduce the amount of distributions that we receive from our subsidiaries, which in turn would restrict our ability to pay dividends on the Shares.

**Certain facts, forecasts and statistics from official sources contained in this prospectus have come from various publicly available sources whose reliability cannot be assumed or assured.**

Facts, forecasts and statistics from official sources contained in this prospectus are derived from various publicly available government official publications and generally believed to be reliable. However, we cannot guarantee the quality and reliability of these publications. Whilst our Directors and the Sponsor have taken reasonable care to ensure that the facts, forecasts and statistics in this prospectus are accurately reproduced from other respective official sources, these facts, forecasts and statistics have not been independently verified by us. Our Company, the Sponsor, the Underwriters, their respective directors and advisers or any other parties involved in the Share Offer do not make any representation as to the accuracy of any facts, forecasts and statistics derived from government official publications which may not be consistent with other information and may not be complete or up-to-date. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics derived from government official publications may be inaccurate or may not be comparable from period to period or to statistics produced for other economies and should not be unduly relied upon. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

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## RISK FACTORS

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**You should read the entire prospectus and should not rely on any information contained in press coverage or other media regarding us and the Share Offer.**

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Share Offer. There may be, after the date of this prospectus, press and media coverage regarding us and the Share Offer, which may contain information about us and the Share Offer that do not appear in this prospectus. We have not authorised the disclosure of any such information in the press or media. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. We disclaim statements in the press or other media that are inconsistent or conflict with the information contained in this prospectus. Accordingly, you should not rely on any such information.



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## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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

### DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

### UNDERWRITING

This prospectus is published solely in connection with the Share Offer. The Share Offer is made solely on the basis of the information contained and the 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 in connection with the Share Offer to give any information or to make any representation not contained in this prospectus and the Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorised by our Company, the Sponsor, the Underwriters, or any other parties involved in the Share Offer or any of their respective directors, employees, agents, professional advisers. The Listing is sponsored by Shenyin Wanguo. The Share Offer is managed by the Lead Manager which has also been appointed by our Company as the Sole Bookrunner and the Stabilising Manager, in relation to the Share Offer. The Share Offer is fully underwritten by the Underwriters subject to the terms and conditions of the Underwriting Agreements. Information relating to the underwriting arrangements is set out in the section headed "Underwriting — Underwriting arrangements and expenses".

### DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which is expected to be determined by the Lead Manager (for itself and on behalf of the Underwriters) and the Company. Information relating to the underwriting arrangements is set out in the section headed "Underwriting" in this prospectus.

If the Lead Manager (for itself and on behalf of the Underwriters) and the Company are unable to reach an agreement on the Offer Price on or before the Price Determination Date, the Share Offer will not become unconditional and will lapse.



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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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### **RESTRICTIONS ON 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 purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such offer or invitation.

The Offer Shares are not offered or sold, and will not be offered or sold, directly or indirectly, to the public in the Cayman Islands.

Prospective applicants for the Offer Shares should consult their financial advisers and seek legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws, rules and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should also inform themselves as to the relevant legal requirements and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

### **APPLICATION FOR LISTING ON THE STOCK EXCHANGE**

Application has been made to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue, the Share Offer, the exercise of the Over-allotment Option and any Shares falling to be issued upon exercise of the options which may be granted under the Share Option Scheme.

No part of the Shares or loan capital of our Company is being listed or dealt in on any stock exchange and at present, no such listing or permission to list is being or proposed to be sought in the near future.

### **REGISTER OF MEMBERS AND STAMP DUTY**

Our Company's principal register of members will be maintained by Harneys Services (Cayman) Limited in the Cayman Islands. Our Company's branch register of members will be maintained by the Hong Kong Share Registrar in Hong Kong. All Shares to be allotted and issued pursuant to the Capitalisation Issue, the Share Offer, the exercise of the Over-allotment Option and any Shares falling to be issued upon exercise of the options which may be granted under the Share Option Scheme will be registered on our Company's branch register of members in Hong Kong.

Only Shares registered on our Company's branch register of members maintained in Hong Kong may be traded on the Stock Exchange. Dealings in Shares registered on our Company's branch register of members in Hong Kong will be subject to Hong Kong stamp duty.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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### **STABILISATION AND OVER-ALLOTMENT**

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Share Offer, the Stabilising Manager or any person acting for it may, on behalf of the Placing Underwriter, over-allocate Shares or effect transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with applicable laws and regulatory requirements.

However, there is no obligation on the Stabilising Manager or any person acting for it, to conduct such stabilising action. Such stabilising action, if commenced, will be conducted at the absolute discretion of the Stabilising Manager, and may be discontinued at any time, and must be brought to an end after a limited period.

In connection with the Share Offer, we have granted to the Placing Underwriter the Over-allotment Option, which is exercisable by the Lead Manager in full or in part by at any time prior to 4:00 p.m. on the date falling 30 days after the last day for the lodging of applications under the Public Offer. Pursuant to the Over-allotment Option, we may be required to allot and issue at the Offer Price up to an aggregate of 15,000,000 additional Shares, representing 15% of the total number of Offer Shares initially available under the Share Offer, in connection with over-allocations under the Placing, if any.

Further details with respect to stabilisation and the Over-allotment Option are set out in the section headed "Structure and conditions of the Share Offer".

### **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

Further details of the structure and the conditions of the Share Offer and the Over-allotment Option are set forth in the section headed "Structure and conditions of the Share Offer".

### **PROCEDURES FOR APPLICATION FOR THE PUBLIC OFFER SHARES**

The application procedures for the Public Offer Shares are set forth in the section headed "How to apply for Public Offer Shares" and in the Application Forms.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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### PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for, purchasing, holding or disposing of, dealing in, or the exercise of any rights in relation to, the Offer Shares, you should consult an expert.

Our Group, our Directors, the Sponsor, the Lead Manager, the Underwriters, or any other parties involved in the Share Offer and any of their respective directors, officers, employees, agents or advisers do not accept responsibility for any tax effects on, or liability of, any person resulting from your subscribing for, purchasing, holding or disposing of, dealing in, or exercising of any rights in relation to, the Offer Shares.

### SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the approval for listing of, and permission to deal in, the Shares on the Stock Exchange and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or, under contingent situation, any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. Investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

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

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

### COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Main Board are expected to commence at 9:00 a.m. on Monday, 16 January 2012. Shares will be traded in board lots of 2,500 Shares each.

### ROUNDING

Any discrepancies in any table between totals and the sums of individual amounts listed therein are due to rounding.

### LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, departments, entities, institutions, natural persons, facilities, certificates, titles and the like included in this prospectus for which no English translation exists are unofficial translations for identification purposes only. In the event of any inconsistency the Chinese name shall prevail.

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### DIRECTORS

Name	Residential address	Nationality
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#### *Executive Directors*

Mr. Yu Ho Yuen, Sunny (余浩源先生)	House 84, Hong Lok Yuen Hong Lok Road West Tai Po New Territories Hong Kong	Chinese
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Mr. Mak Chi Hung, Richard (麥志雄先生)	Flat A, 18th Floor Tower 2, Residence Oasis Tseung Kwan O Kowloon Hong Kong	Chinese
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Mr. Law Kai Lo, Niki (羅佳路先生)	PH-D, House 13 Forest Hill, 31 Lo Fai Road Tai Po New Territories Hong Kong	Chinese
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#### *Independent non-executive Directors*

Mr. Wei Jin Cai (魏錦才先生)	No. 3, Hua Jia Di East Road Chaoyang District Beijing PRC	Chinese
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Dr. Zhang Xianlin (張憲林博士)	Room 21A, Hing Hon Building 26-36 King's Road North Point Hong Kong	Chinese
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Dr. Tyen Kan Hee, Anthony (田耕熹博士)	Flat B, 27th Floor Po Garden 9 Brewin Path Hong Kong	Chinese
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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### PARTIES INVOLVED IN THE SHARE OFFER

<b>Sole Sponsor</b>	<b>Shenyin Wanguo Capital (H.K.) Limited</b> 28th Floor, Citibank Tower Citibank Plaza 3 Garden Road Central Hong Kong
<b>Sole Bookrunner and Lead Manager</b>	<b>Oriental Patron Securities Limited</b> 27/F, Two Exchange Square 8 Connaught Place Central Hong Kong
<b>Legal advisers to our Company</b>	<i>As to Hong Kong law:</i> <b>Cheng Wong Lam &amp; Partners</b> <b>in association with Nixon Peabody LLP</b> <b>and Hylands Law Firm</b> 50th & 64th Floors, Bank of China Tower 1 Garden Road Central Hong Kong  <i>As to PRC law:</i> <b>AllBright Law Offices</b> 25th Floor, HongKong Plaza No. 283 Huai Hai Middle Road Shanghai PRC  <i>As to Macau Law:</i> <b>SÁ CARNEIRO PINHEIRO TORRES &amp; ASSOCIADOS,</b> <b>Lawyers &amp; Private Notaries</b> Av. da Praia Grande, nº 409 25th Floor, China Law Building Macau  <i>As to Japan Law:</i> <b>Tozai Sogo Law Office</b> Admiral Kiocho Building, 3-28, Kioicho Chiyoda-Ku, Tokyo 102-0094 Japan

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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*As to Taiwan Law:*

**Grace T.Z. Huang, Attorney at Law**  
2F, 2, No.40, Tianyu Street  
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**Legal advisers to the Sole Sponsor  
and the Underwriters**

*As to Hong Kong law:*

**Michael Li & Co.**  
14th Floor, Printing House  
6 Duddell Street  
Central  
Hong Kong

**Reporting accountant**

**PricewaterhouseCoopers**  
*Certified Public Accountants*  
22/F, Prince's Building  
Central  
Hong Kong

**Property valuer**

**Asset Appraisal Limited**  
Room 901, 9th Floor  
On Hong Commercial Building  
No.145 Hennessy Road  
Wan Chai  
Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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<b>Placing Underwriter</b>	<b>Oriental Patron Securities Limited</b> 27/F, Two Exchange Square 8 Connaught Place Central Hong Kong
<b>Public Offer Underwriter</b>	<b>Oriental Patron Securities Limited</b> 27/F, Two Exchange Square 8 Connaught Place Central Hong Kong
<b>Receiving banker</b>	<b>Hang Seng Bank Limited</b> 83 Des Voeux Road Central Hong Kong

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## CORPORATE INFORMATION

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<b>Registered office</b>	3rd Floor, Queensgate House 113 South Church Street P.O. Box 10240 Grand Cayman, KY1-1002 Cayman Islands
<b>Headquarters and principal place of business in Hong Kong</b>	Units 1107-12 11th Floor, Lu Plaza 2 Wing Yip Street Kwun Tong Hong Kong
<b>Company's website</b>	<a href="http://www.asr.com.hk">www.asr.com.hk</a> ( <i>information contained in this website does not form part of this prospectus</i> )
<b>Company secretary</b>	Mr. Cheng Hoo (鄭豪先生) House C, Strafford House 4130 Tai Po Road Tai Po New Territories Hong Kong
<b>Authorised representatives</b>	Mr. Yu Ho Yuen, Sunny (余浩源先生) House 84, Hong Lok Yuen Hong Lok Road West Tai Po New Territories Hong Kong  Ms. Ng Yee Ming, Canny (吳依明小姐) 27A, Block 1, Fok On Garden Ma On Shan Shatin New Territories Hong Kong
<b>Audit committee members</b>	Dr. Tyen Kan Hee, Anthony (田耕熹博士) ( <i>Chairman</i> ) Mr. Wei Jin Cai (魏錦才先生) Dr. Zhang Xianlin (張憲林博士)
<b>Nomination committee members</b>	Dr. Tyen Kan Hee, Anthony (田耕熹博士) ( <i>Chairman</i> ) Mr. Mak Chi Hung, Richard (麥志雄先生) Mr. Law Kai Lo, Niki (羅佳路先生) Mr. Wei Jin Cai (魏錦才先生) Dr. Zhang Xianlin (張憲林博士)



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## CORPORATE INFORMATION

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<b>Remuneration committee members</b>	Dr. Tyen Kan Hee, Anthony (田耕熹博士) ( <i>Chairman</i> ) Mr. Yu Ho Yuen, Sunny (余浩源先生) Mr. Mak Chi Hung, Richard (麥志雄先生) Mr. Wei Jin Cai (魏錦才先生) Dr. Zhang Xianlin (張憲林博士)
<b>Compliance adviser</b>	<b>Oriental Patron Asia Limited</b> 27/F, Two Exchange Square 8 Connaught Place Central Hong Kong
<b>Principal bankers</b>	<b>The Hongkong and Shanghai Banking Corporation Limited</b> HSBC Main Building 1 Queen's Road Central Hong Kong  <b>Bank of China (Hong Kong) Limited</b> 17th Floor, Bank of China Centre Olympian City 11 Hoi Fai Road, West Kowloon Hong Kong  <b>Hang Seng Bank Limited</b> 83 Des Voeux Road Central Hong Kong  <b>Standard Chartered Bank (Hong Kong) Limited</b> 11th Floor, Standard Chartered Tower 388 Kwun Tong Road Kwun Tong Hong Kong
<b>Cayman Islands principal share registrar and transfer office</b>	<b>Harneys Services (Cayman) Limited</b> 3rd Floor, Queensgate House 113 South Church Street P.O. Box 10240 Grand Cayman, KY1-1002 Cayman Islands
<b>Hong Kong Share Registrar</b>	<b>Tricor Investor Services Limited</b> 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong

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## INDUSTRY OVERVIEW

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*The information presented in this section is derived from various officially or publicly available sources, unless indicated otherwise. We believe that the sources of information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe such information is false or misleading or that any part has been omitted that would render such information false or misleading. We, the Sponsor, the Underwriters or any other party involved in the Share Offer have not independently verified the information and make no representation as to its accuracy.*

### OVERVIEW ON WORLD AIR CARGO INDUSTRY

International air freight tonnage is mostly handled as follows: airlines provide airport-to-airport linehaul on a wholesale basis to freight forwarders and freight forwarders in turn provide pick-up and or delivery services and/or sell door-to-door delivery on a retail basis to shippers. Major participants involved in the supply chain of the air cargo industry are principally categorised into integrated carriers, commercial passenger and cargo airlines (together referred to as **airlines**) and freight forwarders, each type of which is of a different scale ranging from small family owned companies to large multinational courier and logistics companies. *Integrated carriers* are cargo and/or courier/express parcel transporters such as major multinational courier companies and logistics companies, which use their own freight fleets instead of scheduled airlines to provide direct and fully integrated express air cargo services. *Commercial passenger airlines* are combination carriers which carry both passengers and cargos stored in the bellies of aircrafts whereas *cargo airlines* use all-cargo aircrafts for the sole purpose of transporting cargos. *Freight forwarders* play an integral role in the supply chain of the air cargo industry and are essentially responsible for coordinating the delivery of air cargos between airlines or integrated carriers and shippers.

Based on our Directors' experience in and understanding of the air cargo industry, there are layers of freight forwarders which act as intermediaries to coordinate between airlines or integrated carriers and shippers since airlines or integrated carriers do not generally deal with a large pool of freight forwarders and shippers but appoint their own freight forwarders, who are commonly known as **wholesalers**, generally based on their financial strength and breath of customer network as well as historical sales track records. The purposes of such appointment are for ease of management, cost effectiveness and minimisation of credit exposure. *Wholesalers* are appointed agents for airlines or integrated carriers to market and/or on-sell air cargo space to the intermediary freight forwarders or the eventual shippers. Due to the variety of air cargo routes offered by different wholesalers, there is a possibility that we compete with our customers who are also wholesalers of certain air cargo routes, and may be even our suppliers from whom we source air cargo space for certain other air cargo routes.

Generally, the market selling price of air cargo space is determined by the global supply of and demand for air cargo space which is subject to a number of factors including, but not limited to: (i) the import and export activity in the global economy; (ii) the availability of air cargo space supplied by airlines and integrated carriers; and (iii) the substitutability of delivery of goods by means of road or sea.

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## INDUSTRY OVERVIEW

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According to the World Air Cargo Forecast 2010-2011 by Boeing, the world air cargo traffic increased from 138.4 billion RTKs in 1999 to 188.0 billion RTKs in 2008, representing a CAGR of approximately 3.1% before decreasing to 166.8 billion RTKs in 2009 which reduced the CAGR to approximately 1.9% as a result of the global financial crisis. Asia's air cargo markets have been leading the growth of the world air cargo industry, particularly the domestic China market which has grown at a CAGR of approximately 13.1% from 1999 to 2009 amid the global financial crisis in 2009. Markets linking the Middle East with Europe and Asia with Europe have also grown at a CAGR of approximately 6.5% and 4.1%, respectively, from 1999 to 2009. According to the forecast air cargo growth rates estimated by Boeing, it is expected that the world air cargo industry would grow at approximately 5.9% annually in the next 18 years up to 2029 and Asia's air cargo markets is expected to continue to lead the growth in the world air cargo industry with domestic China and intra-Asia markets expected to grow at approximately 9.2% and 7.9% per year, respectively. It is also expected that markets linking Latin America with North America and Europe as well as markets linking Europe with the Middle East and Asia will expand in the range of approximately 5.6% to 6.6% per year in the next 18 years up to 2029. The below table summarises the historical and forecast air cargo growth rates by major markets worldwide:

### Historical and forecast air cargo growth rates

	Historic 10 Years (1999-2009)	Forecast 20 Years (2009-2029)
World . . . . .	1.9%	5.9%
Intra-North America . . . . .	-2.5%	3.0%
Latin America-North America . . . . .	-0.7%	5.7%
Latin America-Europe . . . . .	2.5%	5.6%
Europe-North America . . . . .	-1.5%	4.2%
Intra-Europe . . . . .	0.1%	3.6%
Middle East-Europe . . . . .	6.5%	6.0%
Africa-Europe . . . . .	3.3%	5.1%
Asia-North America . . . . .	1.4%	6.7%
Asia-Europe . . . . .	4.1%	6.6%
Intra-Asia . . . . .	3.4%	7.9%
South Asia-Europe . . . . .	4.1%	6.5%
Domestic China . . . . .	13.1%	9.2%

Source: World Air Cargo Forecast 2010-2011, Boeing

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## INDUSTRY OVERVIEW

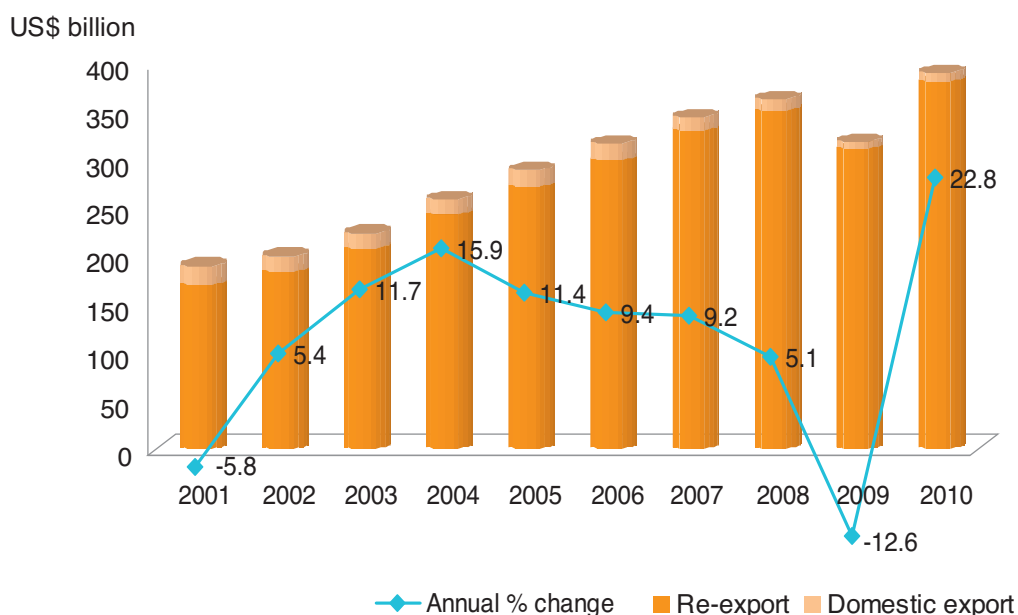
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### AIR CARGO MARKET IN HONG KONG

#### Export market in Hong Kong

With its strategic location and well developed trade industry, Hong Kong has established itself as an international trade center. It acts as the entrepôt for China by re-exporting the manufactured goods from China to the rest of world. Re-export from Hong Kong accounted for approximately US\$170.2 billion, or 89.6% of total export, in 2001 and increased to approximately US\$381.2 billion, or 97.7% of total export, in 2010, representing a CAGR of approximately 9.4%, except for 2009 which was significantly affected by the global financial crisis. The graph below sets forth the total export in Hong Kong during 2001 to 2010 in terms of trade value:

**Total export in Hong Kong (in trade value)**



Source: Census and Statistics Department of Hong Kong

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## INDUSTRY OVERVIEW

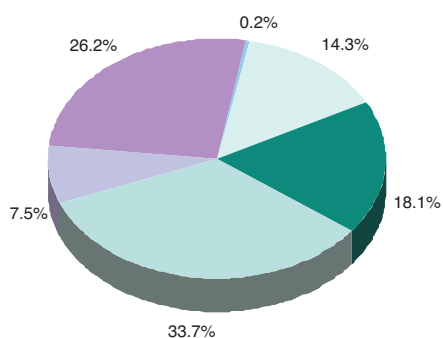
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### Air cargo market in Hong Kong

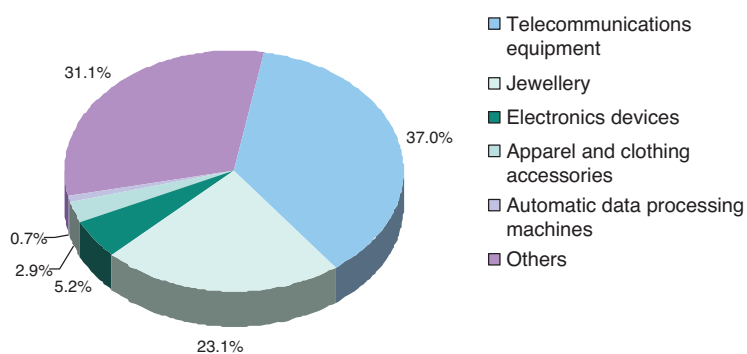
The importance of air cargo has been increasing since the means of transportation by air was introduced to the market. In 2010, Hong Kong International Airport ranked the top in global air cargo throughput, which accounted for approximately 4.1 million tons according to Airports Council International. This rise in importance of air transportation in Hong Kong is mainly due to the increase in the amount of high valued goods being re-exported through Hong Kong. Shippers of such high valued goods prefer air transportation, which is more reliable and efficient, instead of sea and land transportations and thus contributed to the growth of air cargo transport in Hong Kong. The charts below set forth the percentage breakdown of air cargo export (in terms of trade value) in Hong Kong by commodity in 2004 as compared to 2010:

#### Air cargo export in Hong Kong by commodity 2004 vs 2010

Trade value by air by commodity in 2004



Trade value by air by commodity in 2010



Source: Census and Statistics Department of Hong Kong

As illustrated in the charts above, high valued products such as telecommunications equipment increased from approximately 0.2% of total value of air cargo export in 2004 to 37.0% of total value of air cargo export in 2010.

According to the Census and Statistics Department of Hong Kong, the total value of air cargo exports accounted for approximately HK\$344.8 billion, or 23.3% of total trade in Hong Kong in 2001, and increased to approximately HK\$970.5 billion, or 32.0% of total trade in Hong Kong in 2010, representing a CAGR of approximately 12.2%. On the other hand, total air cargo export tonnage was approximately 1.18 million tons, or 1.4% of total tonnage by all modes of transportation in 2001, and increased to approximately 2.65 million tons, or 2.0% of total tonnage by all modes of transportation in 2010, representing a CAGR of approximately 9.4%. This relatively higher increase in growth of total value of air cargo as compared to that of air cargo export tonnage has demonstrated an increasing trend in high valued goods being transported by air.

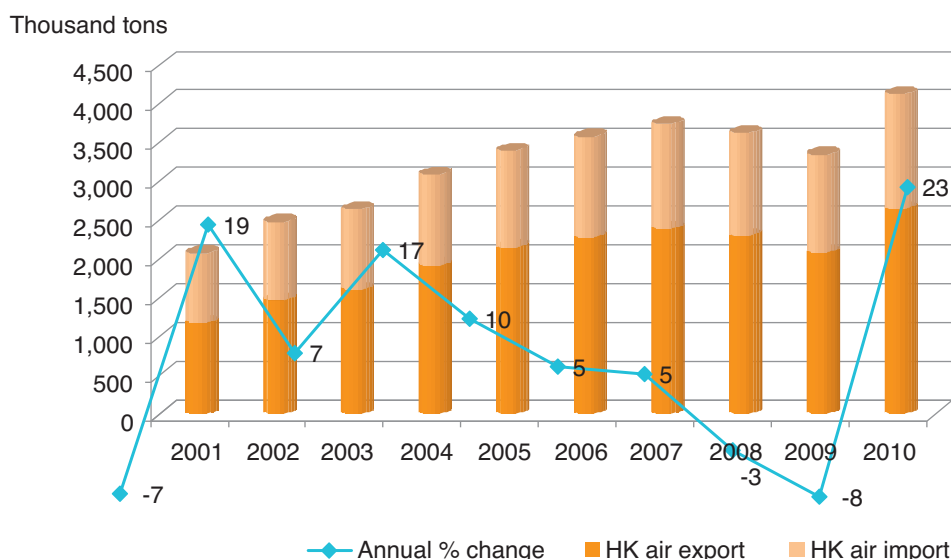
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## INDUSTRY OVERVIEW

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Air cargo throughput in Hong Kong in terms of tonnage increased from 2.1 million tons in 2001 to 4.1 million tons in 2010, representing a CAGR of approximately 7.7%, except for a decline in 2008 and 2009 due to the impact of the global financial crisis. The graph below sets forth the air cargo throughput in Hong Kong in terms of tonnage:

**Air cargo throughput in Hong Kong**



Source: Census and Statistics Department of Hong Kong

### AIR CARGO MARKET IN CHINA

China has a huge manufacturing market with numerous products manufactured specifically for the international markets. Many products are exported from China in bulk quantities to different parts of the world and China has become the world's premier manufacturing center for various products such as consumer electronics, telecommunications equipment and apparels. These products are traditionally transported by air, according to the World Air Cargo Forecast 2010-2011 by Boeing. Apart from those re-exported through Hong Kong as a hub, products manufactured in China are also directly exported from China through various major cities including Shanghai, Beijing and Guangzhou. According to the Civil Aviation Administration of China, air cargo throughput for 2010 in Shanghai, Beijing and Guangzhou accounted for approximately 3.7 million tons, 1.5 million tons and 1.1 million tons respectively, representing approximately 29.9%, 13.7% and 10.1% of total air cargo throughput in China respectively. Notwithstanding the drastic decline in the global economy during late 2008 and 2009 resulting from the global financial crisis, China sustained a growth in air cargo throughput throughout 2001 to 2010. According to the National Bureau of Statistics of China, air cargo throughput has increased from approximately 1.7 million tons in 2001 to approximately 5.6 million tons in 2010, representing a CAGR of approximately 14.2%.

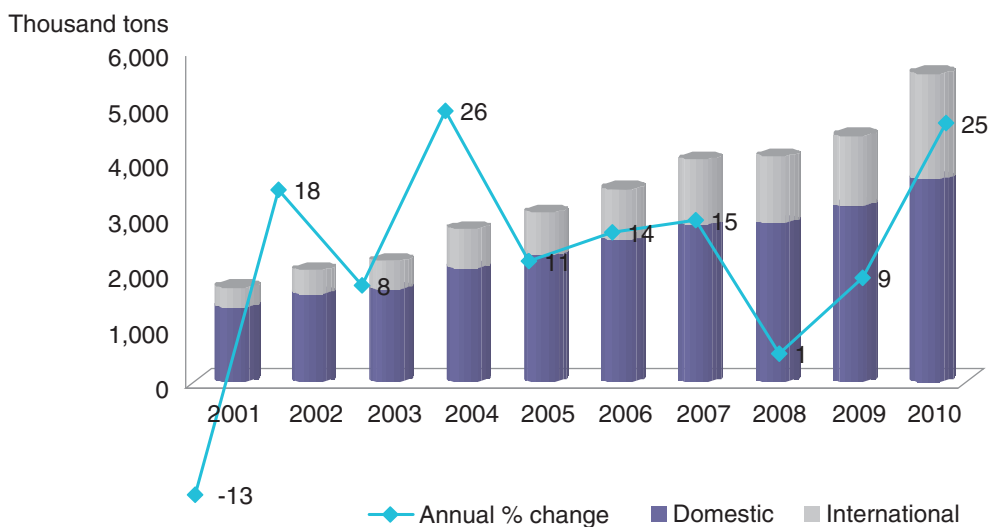
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## INDUSTRY OVERVIEW

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The graph below sets forth the air cargo throughput in China during 2001 to 2010 in terms of domestic and international throughput, coupled with the annual percentage change:

**Air cargo throughput in China**



Source: National Bureau of Statistics of China

The State Council announced its National Airport Allocation Plan in 2008 that 82% of the country's massive population would live within 100 km of an airport and 96% of GDP would be accessed via air services by 2020. According to the World Air Cargo Forecast 2010-2011 by Boeing, the number of airports in China will increase from 177 in 2010 to 244 by 2020 and China's GDP growth is projected to grow at a CAGR of 7.4% up to 2029 from an average annual growth of 9.9% prior to 2009. With the plans to be implemented by the PRC government and the projected growth of GDP, domestic China air cargo market is projected to grow at an average CAGR of 9.2% up to 2029.

### AIR CARGO MARKET IN OTHER ASIAN REGIONS

In addition to Hong Kong and China, our Group's portfolio of air cargo routes covers another four originating regions and countries, namely Macau, Taiwan, Korea and Japan. For the financial year ended 31 December 2010, the total revenue generated from these four originating regions and countries represented approximately 10.7% of our Group's total revenue.

#### Macau

Similar to Hong Kong, Macau has been acting as the entrepôt for China over the years by re-exporting the manufactured goods from China to, in particular, Taiwan. According to the Macau International Airport, the total air cargo throughputs were approximately 181,000 tons and 52,000 tons in 2007 and 2010 respectively. The significant decrease in the total air cargo throughput was primarily due to the implementation of “三通” (the “**Three Linkages**”), which include direct postal, direct

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## INDUSTRY OVERVIEW

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transportation and direct trade links between China and Taiwan, in 2008, leading to the decrease in direct exports from Macau to Taiwan. Our Directors consider that the implementation of the Three Linkages does not have a material adverse impact on our Group as our operations in Macau serve the outbound air routes to various destinations around the world.

### *Taiwan*

Over the years, Taiwan has been an export-oriented country by exporting electronics to the rest of the world. According to 台灣交通部民用航空局 (the Civil Aeronautics Administration of the Ministry of Transportation and Communications of Taiwan), the total air cargo throughputs were approximately 1.6 million tons and 1.9 million tons in 2003 and 2010 respectively, representing a steady trend with slight growth over the years.

### *Korea*

Korea has maintained its position by exporting semiconductors and telecommunications equipment to the rest of the world. According to Incheon International Airport Corporation and Korea Airports Corporation, the international air cargo exports were approximately 1.0 million tons and 1.5 million tons in 2003 and 2010 respectively, representing a CAGR of approximately 6.0%.

### *Japan*

Japan is a technologically advanced country in Asia. Motor vehicles, electronics and electrical machinery are the major goods exported to other countries worldwide. According to the Japan Aircargo Forwarders Association, the total air cargo international exports were approximately 1.1 million tons in both 2003 and 2010. Notwithstanding the steady trend of total air cargo international exports over the years, exports to the Developing Countries including those in Africa and the Middle East have demonstrated growth over the same period i.e. exports to Africa were approximately 2,500 tons and 5,000 tons in 2003 and 2010 respectively, representing a CAGR of approximately 10.4%, while exports to the Middle East were approximately 1,900 tons and 8,400 tons in 2003 and 2010 respectively, representing a CAGR of approximately 23.7%.

## **AIR CARGO MARKET IN THE DEVELOPING COUNTRIES**

The economies of the Developing Countries including those in Africa and the Middle East have demonstrated rapid growth over the past 10 years, except for 2009 which was significantly affected by the global financial crisis. As the economies of the Developing Countries advance, demands for goods and services increase.



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## INDUSTRY OVERVIEW

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### *Middle East*

According to the World Air Cargo Forecast 2010-2011 by Boeing, air cargo traffic in the Middle East is estimated to have accounted for 7.7% of the world's tonnage and for 6.9% of the world's RTKs during 2009. In addition, the Middle East has historically served as a crossroad for Africa, Asia and Europe. This role has continued with Dubai as one of the largest re-export hubs in the world which handles approximately 70% of the air cargo traffic for the Middle East. In 2009, approximately 839,000 tons of air cargo were shipped between Asia-Pacific and the Middle East, representing approximately 31.8% of total Middle East traffic.

### *Africa*

According to the World Air Cargo Forecast 2010-2011 by Boeing, the possibility of lower cost transportation between Africa and Asia through Dubai as a hub and the fact that more small traders import goods for sales in Africa, have contributed to the increase in import demand in Africa from Asia. Machinery, transportation equipment and manufacturing goods are Africa's most significant air imports from Asia, accounting for approximately 86% of total imports from Asia.

### *Latin America*

Latin America demonstrated growth similar to the other Developing Countries in this decade and experienced an adverse decline in 2009 due to the impact of the global financial crisis. According to the World Air Cargo Forecast 2010-2011 by Boeing, the EU remains as an important trade partner for Latin America, second only to the United States.

## **MAJOR DRIVERS FOR GROWTH OF AIR CARGO INDUSTRY**

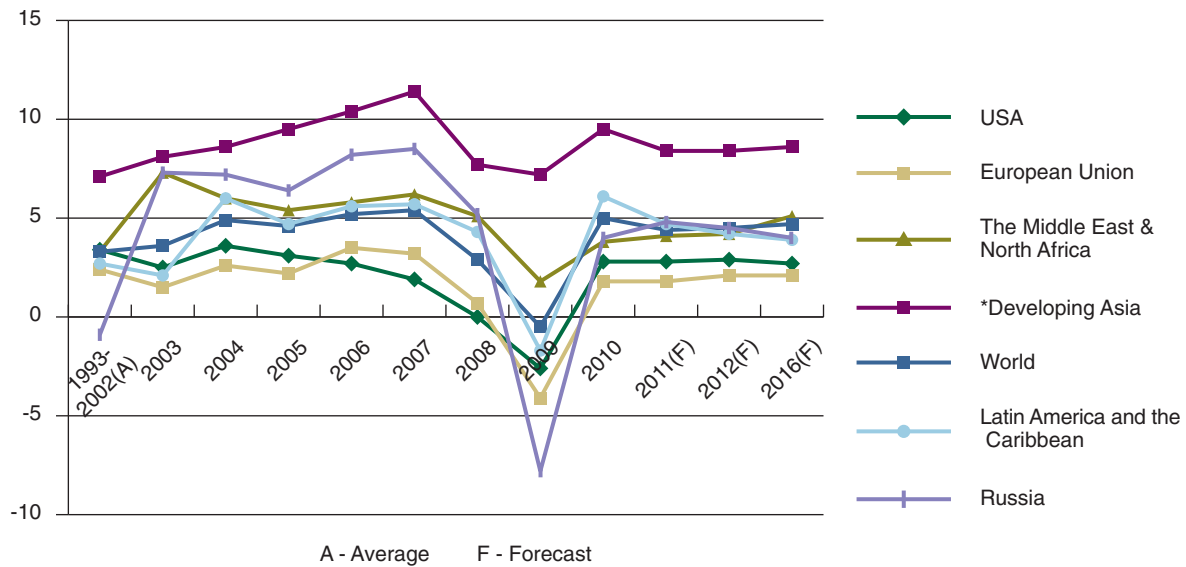
### **Historical trends and forecast growth of global GDP**

The growth of the air cargo industry is driven by the global growth of economic output, the demand for goods abroad and the consumption patterns of citizens (i.e. import and export patterns) coupled with the growth in freight fleet (i.e. the number of aircrafts). According to the World Air Cargo Forecast 2010-2011 by Boeing, global GDP is the best single measure of global economic activity. The throughput volume of air cargo is highly dependant on levels of global economic growth and GDP. Historically, GDP has served as the most relevant indicator of prospective global and regional air cargo throughput volume.

## INDUSTRY OVERVIEW

The following graph sets forth the annual GDP growth of major regions worldwide:

**Real GDP, Annual percent change**

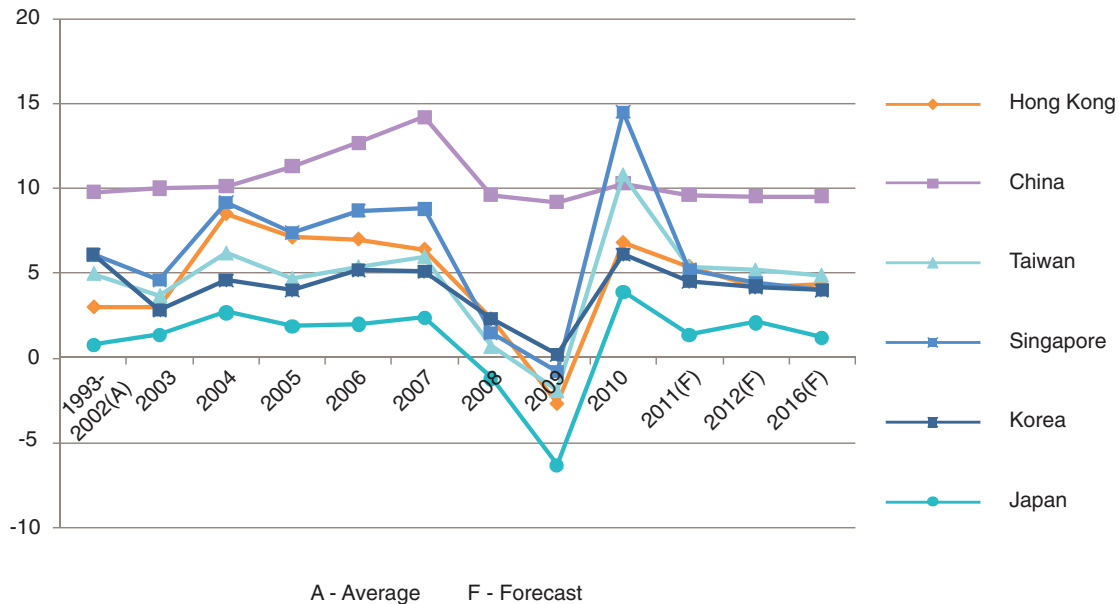


Source: International Monetary Fund

\* Developing Asia excludes Japan, Hong Kong, Singapore, Korea and Taiwan.

The following graph sets forth the annual GDP growth of major developed Asian regions and China:

**Real GDP, Annual percent change**



Source: International Monetary Fund

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## INDUSTRY OVERVIEW

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The graphs above indicate that the global economy in general continued to grow from 1993 (except for Russia during 1993-2002, and Japan and the U.S. in 2008) up to 2008. However, due to the impact of the global financial crisis in the fourth quarter of 2008, most of the regions (except for China, the Middle East & North Africa and Korea) recorded a negative GDP growth in 2009. According to the World Air Cargo Forecast 2010-2011 by Boeing, the global GDP growth decreased by approximately 2.1% in 2009, leading to a decline in global air cargo traffic by approximately 11.3% in 2009. Accordingly, world scheduled air freight and charter air freight also fell by approximately 10.7% and 18.4% in 2009 respectively. Nevertheless, the global economy revived quickly in 2010 and it is expected to grow in the future with China expected to lead the global GDP growth. Developing regions such as the Middle East & North Africa, Latin America and the Caribbean, Russia and developing Asia are generally expected to grow faster than the world average from 2012 to 2016.

### **Historical trends and forecast growth in export throughput**

The historical trends of annual change in GDP and export throughput for both Hong Kong and China have demonstrated a strong correlation between GDP and export throughput of a country. According to the IMF, the global GDP is expected to maintain a positive growth up to 2016. As a result, air cargo throughput is also expected to grow in the coming years. According to Boeing, global air freight is expected to grow more than triple from 2009 to 2029, increasing from 160.3 billion RTKs in 2009 to 518.0 billion RTKs by 2029, with a CAGR of approximately 6.0%.

### **Historical and forecast growth in freight fleet**

According to the World Air Cargo Forecast 2010-2011 by Boeing, the number of airplanes in the worldwide freight fleet will grow by more than two-thirds during the next 20 years since the demand for air cargo services is expected to increase by three times. There were 1,755 airplanes in 2009, and such figure is expected to increase up to 2,967 in 2029. With the forecast increase in the number of airplanes, the supply of air cargo space will increase to fulfil the demand in the future.

### **Future outlook**

Given the close relationship between the performances of the world economy and the air cargo industry, the air cargo industry will continue to grow steadily in the face of forecast economic growth worldwide, especially among the Developing Countries. As a result, the freight forwarding sector is expected to grow within the industry, especially for the Developing Countries driven by robust economic performances in regions such as China.

Under these circumstances, freight forwarders which are able to capitalise on the fast-growing air cargo market in the Developing Countries are expected to have an edge within the industry.

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## INDUSTRY OVERVIEW

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### OUR WHOLESALE MARKET POSITIONING AND MARKET SHARE

Our Directors consider that the freight forwarding segment is highly fragmented and competitive with numerous freight forwarders and/or wholesalers with varying capacities and roles they play along the supply chain of the air cargo industry. According to HAFFA, there were 345 companies registered as its members as of September 2011. Furthermore, according to the Quarterly Report of Employment and Vacancies Statistics — December 2010 issued by the Census and Statistics Department of Hong Kong, there were over 3,500 Hong Kong companies registered under the Business Registration Office of the Inland Revenue Department as companies engaged in cargo forwarding services (including both air and sea) as of December 2010.

In order to enhance our competitiveness in the market and maintain the viability of our business, we have focused on:

- positioning ourselves in the wholesale market so that our freight forwarding customers do not have to worry about their own retail customers i.e. shippers being solicited by us, which enables us to secure an extensive network of freight forwarders as our customers;
- delivering deferred air freight service; and
- providing air freight solutions in connection with destinations in the Developing Countries.

As an air freight solution provider positioned in the wholesale market, our Directors consider that our Group is operating in a niche market in which most of the players are private companies. Therefore, there is no publicly available information which can accurately estimate our market share in the wholesale market or facilitate the identification of other major freight forwarders specialising in the wholesale market with specific details such as relevant financial information, operational data and major routes covered.

According to Hong Kong Air Cargo Terminals Limited and Asia Airfreight Terminal Company Limited, the total domestic exports by air amounted to approximately 2.1 million tons in 2010, which represented the total market size in respect of the volume of domestic export cargo handled by airlines, integrated carriers, wholesalers and other freight forwarders in the market during the same year. Given approximately 8,500 tons of air cargo handled by us in Hong Kong in 2010, our Group represented a relatively small share of such total market size (as opposed to the wholesale market which cannot be accurately estimated due to the lack of publicly available information as discussed above).

Our Directors strategise the business focus of our Group by taking into consideration the different nature of air freight services as well as the geographical coverage in terms of flight destinations. Air freight services are generally categorised into **time definite air freight service** and **deferred air freight service**. *Time definite air freight service* targets time sensitive air cargo which requires short delivery time (usually 1 to 2 days) or guaranteed delivery at a specific time by flying on scheduled flights whereas *deferred air freight service* targets less time sensitive air cargo which can be delivered on the earliest available flights with a generally expected delay in transit time ranging from 3 to 7 days. The *time definite air freight segment* is well served by a wide selection of airlines and integrated carriers which provide

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## INDUSTRY OVERVIEW

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scheduled flights and therefore pricing is competitive amongst wholesalers and freight forwarders because there are readily available alternative air freight services. On the other hand, the *deferred air freight segment* is served by infrequent flights or lack of daily flights with less readily available alternative air freight services and hence pricing is less competitive.

Our Group offers deferred air freight service for air cargos which are less time sensitive. Because of their less time sensitive nature, shippers of deferred air cargos generally accept connecting flights or do not require direct flights with a general expectation of delay in transit time for 3 to 7 days. With our established relationships with over 25 airlines and integrated carriers, we are able to either source deferred air cargo space directly from airlines or integrated carriers or bundle air routes within our extensive portfolio of air cargo routes to serve our customers requesting deferred air freight service at competitive pricing. During the Track Record Period, we served our customers covering air cargo routes with destinations in Europe, America, Asia-Pacific and other Developed and Developing Countries. Due to the fact that we are operating in a niche market in which most of the players are private companies, there is no publicly available information for the identification of other major wholesalers who like us focus on the deferred air freight segment.

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## HISTORY AND CORPORATE DEVELOPMENT

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### OUR BUSINESS MILESTONES

AOE Freight, the first member in our Group, was founded in 1991. Prior to the involvement of our Founders in 2000, AOE Freight was wholly owned by Airocean, which is a limited liability company incorporated in Singapore and is principally engaged in diversified freight forwarding, airline general sales agent and ground cargo handling businesses.

Two of our Founders, Mr. Mak and Mr. Yu were employed by AOE Freight in 2000 and 2001 respectively as management employees who were delegated the responsibilities of executive functions and operational management with allotment of equity shares of 20% each in AOE Freight in March 2002. By way of a management buyout by Mr. Yu and Mr. Mak in December 2004, Mr. Yu and Mr. Mak took over AOE Freight from Airocean and our Founders have developed our Group to its present form.

Our Group currently has its head office in Hong Kong, 11 offices in China as well as three offices in Macau, Taiwan and Japan. Set forth below is a chronological overview of our key business milestones:

- |                |  |
|----------------|--|
| 1991:          | AOE Freight was established as a group company of Airocean   |
| 1997:          | AOE Freight first became a member of HAFFA which is a non-profit making organisation representing the Hong Kong freight forwarding and logistics industry on an international level  |
| 1998:          | AOE Freight first became an accredited cargo agent of IATA which is an international organisation for the civil air transportation industry with an aim to provide a means for collaboration among air transport enterprises engaging directly or indirectly in international air transport services |
| 2000:          | Mr. Mak joined AOE Freight as a management employee  |
| 2001:          | Mr. Yu joined AOE Freight as a management employee   |
| 2002:          | Mr. Yu and Mr. Mak each became a 20% shareholder of AOE Freight  |
| November 2004: | Our Group began its development of network in China with the establishment of AOE Freight (Shenzhen) as a wholly-owned subsidiary of AOE Freight under CEPA to serve our customers in the Southern China region  |
| December 2004: | Mr. Yu and Mr. Mak sought a management buyout opportunity of AOE Freight from Airocean and entered into a management buyout agreement to acquire the remaining 60% shareholding in AOE Freight   |
| 2005:          | Our first PRC branch office was set up in Guangzhou  |
| 2007:          | One of our Founders, Mr. Law joined our Group to further develop our GSA business  |

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## HISTORY AND CORPORATE DEVELOPMENT

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- 2007: Our Group set up its Shanghai branch to develop our local customer network and provide on the ground support in the airports to our customers in the Eastern China market
- 2008: ASR Worldwide which is 60% owned by our Group and 40% owned by Worldwide Logistics was set up to further expand our customer network in the U.S. by leveraging the U.S. business network of Worldwide Logistics
- 2009: Our Group set up its Taiwan office via Star Cargo (Taiwan) as we were appointed as the GSA to sell air cargo space in Taiwan for an airline; our Taiwan office serves both sales and operational functions covering customers in Taiwan
- 2009: ASRCO was established to develop the Russian market and to further develop the European market
- 2010: Our Group set up its Japan office via Star Cargo (Japan) to serve both sales and operational functions covering customers in Japan
- 2010: ASR Europe which is 60% owned by our Group and 40% owned by Mr. Ritola was established to further develop air cargo business in various other European countries

### OUR HISTORY AND DEVELOPMENT

#### Management buyout by the Founders

Our Group's operations can be traced back to AOE Freight, which was incorporated in Hong Kong on 30 April 1991 as a group company of Airocean. The shares of Airocean were listed on the Singapore Exchange Limited in 2000. Among other minority shareholders and public shareholders, Mr. Tay Nguen Cheong, Thomas and Mr. Chong Keng Ban, both being Independent Third Parties, held 35.62% and 29.29% equity interest in Airocean at the time of its listing. The shares of Airocean were subsequently delisted in 2006.

Mr. Yu and Mr. Mak, our Founders, were employed by AOE Freight as management employees who were delegated the responsibilities of executive functions and operational management in February 2001 and October 2000 respectively. Mr. Yu and Mr. Mak each became a beneficial owner of a 20% shareholding in AOE Freight on 1 March 2002. Mr. Yu was responsible for managing the financial activities in AOE Freight and Mr. Mak was responsible for managing sales and operation in AOE Freight.

In 2004, Mr. Yu and Mr. Mak, saw the tremendous growth potential in the operations of AOE Freight and sought a management buyout opportunity to gain complete control of AOE Freight. On 6 December 2004, Mr. Yu and Mr. Mak entered into a management buyout agreement ("**MBO Agreement**") to purchase the remaining 60% shareholding in AOE Freight from Airocean pursuant to which each of Mr. Yu and Mr. Mak would acquire a 30% shareholding in AOE Freight from Airocean at a total consideration of HK\$7,260,000, to be paid in cash by way of five annual instalments. The annual instalment arrangement allows more flexibility for Mr. Yu and Mr. Mak to pay off the consideration by personal financing, which comprised the income from their employment at AOE Freight and personal savings. The calculation of the consideration was based on 5.5 times of the average annual net profit after tax of AOE

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## HISTORY AND CORPORATE DEVELOPMENT

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Freight for the financial years of 2003 and 2004. Completion took place on the date of signing of the MBO Agreement. Mr. Yu and Mr. Mak managed to negotiate for a delay in the payment of the first annual instalment to one year after the date of the MBO Agreement (i.e. December 2005) which allowed more time for them to arrange the payment. The last instalment of the consideration was fully paid off on 6 December 2009.

### Development of our network in China

In 2004, our Group began to develop our network in China by setting up our first subsidiary and office in Shenzhen, to serve the sales and operations functions for customers in the Southern China region as our Directors anticipated significant growth potential from the China market. On 20 October 2005, the first branch office of AOE Freight (Shenzhen) was established in Guangzhou. In 2008 and 2010, we established our second branch in each of Shenzhen and Guangzhou respectively. With an aim to strengthen our operations and business presence in China, we further established our branches in Shanghai in 2007; Nanchang in 2008; Tianjin, Zhongshan, Hangzhou and Chengdu in 2010; and Foshan in 2011.

On 18 November 2004, AOE Freight (Shenzhen) was established under the CEPA in Shenzhen as a wholly-owned subsidiary of AOE Freight. According to 外商投資產業指導目錄 (2002年3月21日修訂版及2004年11月30日修訂版) (Catalogue for the Guidance of Foreign Investment Industries (a revised edition of 21 March 2002 and a revised edition of 30 November 2004)), international air freight forwarding business in the PRC was categorised as restricted foreign investment industry. Accordingly, foreign investors were not allowed to set up their own wholly-owned subsidiaries in the PRC to undertake international air freight forwarding agency business, but had to set up equity or cooperative joint venture with a local partner to do such business with a capital requirement of US\$1 million. On 1 January 2004, Specific Commitments on Liberalization of Trade in Services under the CEPA came into force which allowed Hong Kong air freight forwarding agents to conduct international air freight forwarding business in the PRC as WFOEs with a minimum registered capital of RMB3 million. As such, AOE Freight sought approval from the MOFCOM to establish a WFOE to engage in the international air freight forwarding business in the PRC. As a freight forwarding agency service supplier, AOE Freight (Shenzhen) was permitted to carry out businesses including, but not limited to, the international freight forwarding of (i) goods by air (import and export); (ii) international exhibits; (iii) private goods; and (iv) trans-frontier goods; and the provision of transport consultation service, international multi-modal transportation, centralised transportation and international courier service (excluding delivery of personal letters and official documents of any political party, the political and military bodies at and above the county level).

In Qingdao, Dalian, Haikou and Guilin, where we have no branch offices, we entered into cooperation agreements with local trade partners (who are major freight forwarders in the regions) whereby we sell air cargo space to the local trade partners who on-sell such products to their customers in the respective regions in which the trade partners are located. The selling price is set based on the cost of sales plus a target margin. These cooperation agreements are valid until terminated by either party by serving prior notice except for the one with the local trade partners in Guilin where the duration of the cooperation agreement is one year. Pursuant to the terms of the cooperation agreements for Haikou and Guilin, the local trade partners shall ensure that the packing and labelling can meet the requirements of airlines and shall be responsible for preparing the relevant documentation for customs clearance. If loss



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## HISTORY AND CORPORATE DEVELOPMENT

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or damage of the cargos occurs during transit, we shall exercise our best endeavours to assist the relevant local trade partner to claim compensation from the relevant party but in any event we shall not be liable for such loss or damage. Our cooperation arrangement with the local trade partners in Qingdao and Dalian is the same but has not been reduced to writing. A written agreement shall have been entered into for each of Qingdao and Dalian prior to Listing. During the Track Record Period, we have built up a service network consisting of 11 offices and four trade partners covering major cities and economically active regions in China.

### **Development of our GSA business**

In January 2007, our Group undertook to develop the GSA business via OA Cargo. In the same year, Mr. Law, one of our Founders, joined OA Cargo and took a substantive role in its operations and management. With his previous working experience with several major airlines and his understanding of the air cargo business, our Group began to extend our engagement with airlines for the GSA business. Since then, our Group has expanded our presence in China, Taiwan and Japan to serve the relevant airlines in those locations. As at 31 December 2008, 2009 and 2010 and 30 June 2011, we engaged with 4, 8, 10 and 11 airlines under the GSA agreements respectively.

### **Our expansion to U.S. and European markets**

Worldwide Logistics has been our customer for over 10 years and is principally engaged in the provision of air cargo space in the U.S. We considered Worldwide Logistics a good platform for our expansion in the U.S. market while Worldwide Logistics valued our rich portfolio of air cargo routes and our established business relationships with various airlines and integrated carriers. On 3 April 2008, in an effort to strengthen our customer network for outbound air cargo to the U.S. market, our Group entered into a sales cooperation agreement and formed ASR Worldwide with Worldwide Logistics. ASR Worldwide is 60% and 40% owned by our Group and Worldwide Logistics respectively and it focuses on the freight forwarding business with consignees in various U.S. cities including Chicago, Springfield, Kansas City, Oklahoma City, Tulsa, Memphis, Nashville, Los Angeles and New York.

Polygain is principally engaged in the provision of air cargo space in Eastern Europe. We were acquainted with the beneficial owners of Polygain through business and social relationship since 2006. We considered Polygain a good platform for our expansion in the Eastern European market while Polygain valued our rich portfolio of air cargo routes and our established business relationships with various airlines and integrated carriers. On 3 November 2009, ASR Limited established a 55% owned joint venture company with Polygain, namely ASRCO, to serve air cargo routes in connection with destinations in European regions (mainly Eastern Europe), leveraging the business relationships of the shareholders of Polygain in these regions. Pursuant to a sale and purchase agreement entered into between ASR Limited and Polygain on 31 December 2010, ASR Limited acquired 45% of the issued shares of ASRCO held by Polygain at the consideration of HK\$1,237,500, with reference to the net asset value of ASRCO as at 31 December 2010. ASRCO became a wholly-owned subsidiary of ASR Limited since then.

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## HISTORY AND CORPORATE DEVELOPMENT

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Mr. Ritola is the sole shareholder of Project Expeditors Limited (formerly known as Polar Logistics Hong Kong Limited), which is principally engaged in the provision of air cargo space in various European countries and has been our customer since 2009. To further our expansion in the European market, our Group incorporated ASR Europe with Mr. Ritola on 15 September 2010. ASR Europe is 60% and 40% owned by our Group and Mr. Ritola respectively. Mr. Ritola has vast experience in the air freight forwarding and the logistics operations in Europe and is responsible for the management of the business operations of ASR Europe in Russia and Northern and Eastern Europe. ASR Europe is also engaged in providing air cargo services to customers in Russia and European countries exporting goods to China.

### REORGANISATION

We and our subsidiaries underwent a reorganisation in preparation for the Listing. Following the Reorganisation, our Company became the holding company of our Group. The Reorganisation involved the following:

**(a) Acquisition by ASR Limited of 45% of the issued shares of ASRCO from Polygain**

On 31 December 2010, ASR Limited and Polygain entered into a sale and purchase agreement pursuant to which Polygain agreed to transfer 450,000 shares (i.e. 45% of the issued shares) of ASRCO to ASR Limited at the consideration of HK\$1,237,500, with reference to the net asset value of ASRCO as shown in its management accounts as at 31 December 2010, in order to streamline the shareholding structure of ASRCO prior to Listing. As a result, ASRCO became a wholly-owned subsidiary of ASR Limited.

**(b) Incorporation of ASR Infrastructure Limited**

ASR Infrastructure was incorporated on 25 March 2011, in preparation for the Group to pursue its business strategies such as setting up logistics hub centres in Southern China, and was directly and wholly-owned by ASR Limited. ASR Infrastructure remained inactive as at the Latest Practicable Date.

**(c) Incorporation of ASR Victory as the investment holding company of the Founders**

ASR Victory was incorporated on 3 June 2011 in the BVI as an investment holding company of the Founders with an authorised capital of US\$50,000 divided into 50,000 ASR Victory Shares of US\$1.00 each. Upon incorporation, an aggregate of 100 ASR Victory Shares were allotted and issued, for cash at par value, to Mr. Yu and Mr. Mak in the proportion set out in the table below:

Name	Number of ASR Victory Shares	Percentage shareholding in ASR Victory (%)
Mr. Yu .....	50	50
Mr. Mak .....	50	50
<b>Total</b> .....	<u>100</u>	<u>100</u>

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## HISTORY AND CORPORATE DEVELOPMENT

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### **(d) Incorporation of ASR Champion as the intermediate holding company of our Group**

ASR Champion was incorporated on 3 June 2011 in the BVI as the intermediate holding company of our Group. Upon incorporation, one share was allotted and issued to ASR Victory.

### **(e) Disposal of equity interests in ICSC**

On 30 June 2011, Pacific Empire (Macau) transferred 75 shares (i.e. 75% of the issued shares) of ICSC to Mega Hero at the consideration of HK\$75, with reference to the issued share capital of ICSC as at 30 June 2011. Prior to the disposal, ICSC was owned as to 75% by Pacific Empire (Macau) and as to 25% by Mr. Gat Michael, an Independent Third Party. ICSC was principally engaged in the provision of air cargo space to external freight forwarders. For the period between 7 December 2006 (i.e. its date of incorporation) and 31 March 2008, the net loss of ICSC was HK\$79,944. It recorded no revenue in 2009 and 2010. Considering it being insignificant to our Group, ICSC was restructured to cease its business operations since the beginning of 2008.

### **(f) Incorporation of our Company**

Our Company was incorporated in the Cayman Islands on 28 June 2011 as the holding company of our Group. As at the date of incorporation, our Company had an authorised share capital of HK\$100,000 divided into 10,000,000 Shares of HK\$0.01 each. Upon incorporation, one Share was allotted and issued to the subscriber and was subsequently transferred to ASR Victory at nil consideration paid by ASR Victory.

### **(g) Disposal of the entire equity interests in China Pacific**

On 30 June 2011, Pacific Empire (BVI), Mr. Yu and Mr. Mak transferred all their respective 80, 10 and 10 shares in China Pacific to Mega Hero at the aggregate consideration of HK\$1,000,000 being the total issued share capital of China Pacific and also its net asset value as at 30 June 2011. China Pacific was principally engaged in the provision of air cargo space to external freight forwarders. For the year ended 31 March 2008, the net profit of China Pacific was HK\$578,633. It recorded no revenue in 2009 and 2010. Considering it being relatively insignificant in terms of its business scale, China Pacific was restructured to cease its business operations since the beginning of 2008.

### **(h) Transfer of one share in AOE Freight held by Mr. Yu to ASR Limited**

On 6 September 2011, Mr. Yu transferred the one share in AOE Freight which he held in trust for ASR Limited to ASR Limited at the consideration of HK\$1.

### **(i) Transfer of the entire issued share capital of ASR Limited to ASR Champion**

On 6 October 2011, each of Mr. Yu and Mr. Mak transferred all their respective 1,000,000 and 1,000,000 shares in ASR Limited to ASR Champion in consideration of ASR Champion issuing one consideration share to ASR Victory credited as fully paid.

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## HISTORY AND CORPORATE DEVELOPMENT

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**(j) Acquisition of the equity interests held by each Founder in various companies outside our Group by ASR Limited**

On 28 October 2011, at the consideration of ASR Victory allotting and issue a total of 100 ASR Victory Shares to Mr. Yu, ASR Limited acquired the following from him:

- (1) 50% equity interest in Pacific Empire (Macau) (in consideration of 20 shares in ASR Victory);
- (2) 80% equity interest in OA Cargo (in consideration of 40 shares in ASR Victory); and
- (3) 40% equity interest in Star Cargo (Thailand) (in consideration of 40 shares in ASR Victory).

On 28 October 2011, at the consideration of ASR Victory allotting and issue a total of 50 shares to Mr. Mak, ASR Limited acquired the following from him:

- (1) 50% equity interest in Pacific Empire (Macau) (in consideration of 20 shares in ASR Victory);
- (2) 20% equity interest in OA Cargo (in consideration of 10 shares in ASR Victory); and
- (3) 20% equity interest in Star Cargo (Thailand) (in consideration of 20 shares in ASR Victory).

On 28 October 2011, at the consideration of ASR Victory allotting and issue a total of 50 shares to Mr. Law, ASR Limited acquired the following from him:

- (1) 40% equity interest in Star Cargo (Thailand) (in consideration of 40 shares in ASR Victory); and
- (2) 31% equity interest in Star Pacific (in consideration of 10 shares in ASR Victory).

**(k) Transfer of ASR Victory Shares**

On 15 November 2011, Mr. Yu transferred his 50 ASR Victory Shares to Mr. Law at the consideration of HK\$1.00.

The resulting shareholding of ASR Victory was as follows:

Name	Number of ASR Victory Shares	Approximate percentage shareholding in ASR Victory (%)
Mr. Yu .....	100	33.33
Mr. Mak .....	100	33.33
Mr. Law .....	100	33.33
<b>Total</b> .....	<u>300</u>	<u>100.00</u>

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## HISTORY AND CORPORATE DEVELOPMENT

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### (l) Transfer of the entire issued share capital of ASR Champion to our Company

On 3 December 2011, our Company and ASR Victory entered into a share swap agreement (“**Share Swap Agreement**”). Pursuant to the Share Swap Agreement, our Company acquired the entire issued share capital of ASR Champion from ASR Victory in consideration of our Company (i) crediting as fully paid, the subscriber Share transferred to ASR Victory under paragraph (f); and (ii) issuing, credited as fully paid 9,999,999 Shares to ASR Victory.

### (m) Transfer of Shares in our Company

On 3 December 2011, ASR Victory transferred its 1,133,334, 133,333 and 133,333 Shares to Mr. Yu, Mr. Mak and Mr. Law respectively at the consideration of HK\$1 for each such transfer. The resulting shareholding of our Company was as follows:

Name	Number of Shares	Percentage shareholding in our Company (%)
ASR Victory . . . . .	8,600,000	86.00
Mr. Yu . . . . .	1,133,334	11.34
Mr. Mak . . . . .	133,333	1.33
Mr. Law . . . . .	133,333	1.33
<b>Total</b> . . . . .	<u>10,000,000</u>	<u>100.00</u>

### Attributable Ratio

In January 2007 when Mr. Law first joined OA Cargo, our Founders had mutually agreed amongst themselves that the respective attributable beneficial interests of our Founders in each of the members of our Group shall be in the following ratio (“**Attributable Ratio**”):

Founder	Attributable Ratio
Mr. Yu . . . . .	40%
Mr. Mak . . . . .	30%
Mr. Law . . . . .	30%

As disclosed in the Accountants’ Report, dividends were distributed for the two financial years ended 31 December 2009 and 2010 and the six months ended 30 June 2011. Mr. Yu, Mr. Mak and Mr. Law confirmed that such dividends were distributed and received by each of them in the Attributable Ratio. On 7 April 2011, Mr. Yu, Mr. Mak and Mr. Law confirmed in writing that they have been actively involved in the regular meetings and discussions in relation to the affairs of each member of our Group. All material business decisions made since 2007 had been decided among our Founders by unanimous votes and they have been acting in concert with each other to manage, develop and maintain control of our Group as a whole.

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## HISTORY AND CORPORATE DEVELOPMENT

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On 14 July 2011, Mr. Yu, Mr. Mak and Mr. Law entered into a memorandum of agreement to confirm and record their verbal agreement made in 2007. It was agreed amongst our Founders in 2007 that any shares in the members of our Group registered under the name of any of our Founders in excess of his Attributable Ratio shall be deemed to be held on trust for the other Founders based on the Attributable Ratio. Such agreement was made for the purpose of enabling our Founders to cooperate with each other in order to manage, develop and maintain control of our Group as a whole. Since our Group was still a group of private entities back in 2007, our Founders did not formalise the procedures to properly register the shares in the members of our Group under the names of our Founders in accordance with the Attributable Ratio. The transfer of Shares as stated in paragraphs (k) and (m) above is to achieve the Attributable Ratio.

There is no fixed amount of consideration for Mr. Law's entitlement to the Attributable Ratio. Instead, since Mr. Law joined OA Cargo in 2007, he has brought in invaluable experience and expertise to our Group and played a vital role in the development and management of our GSA business. The number of airlines we engaged with under the GSA agreements has increased steadily from 4 as at 31 December 2008 to 11 as at 30 June 2011.

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## INFORMATION ABOUT OUR GROUP MEMBERS AND OUR CORPORATE STRUCTURE

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### OUR GROUP MEMBERS

Our Group's operations can be traced back to AOE Freight which was established in 1991. Throughout the years, our Group has expanded into a group with its head office in Hong Kong, 11 offices in China as well as three offices in Macau, Taiwan and Japan. During the Track Record Period, we served over 1,000 freight forwarders. As at the Latest Practicable Date, we engaged with over 25 airlines and integrated carriers worldwide.

Set forth below is a chronological summary of the establishment of our Group members with their respective principal activities, domicile, geographic coverage and the number of airlines or integrated carriers engaged with:

<u>Subsidiaries</u>	<u>Date of incorporation</u>	<u>Domicile</u>	<u>Principal activities</u>	<u>Major regions covered</u>	<u>Number of airlines/ integrated carriers engaged with as at 31 October 2011<sup>(1)</sup></u>
AOE Freight . . . . .	30 April 1991	Hong Kong	Air freight solution provider	Worldwide	11
Pacific Empire (BVI) . . . . .	8 April 2002	BVI	Investment holding	N/A	N/A
Precise China (BVI) . . . . .	18 September 2003	BVI	Investment holding	N/A	N/A
Starlite Express . . . . .	31 October 2003	Hong Kong	Investment holding	N/A	N/A
AOE Freight (Shenzhen) . . . . .	18 November 2004	PRC	Air freight solution provider	Worldwide	3
ASR Limited . . . . .	24 May 2005	Hong Kong	Investment holding	N/A	N/A
Pacific Empire (Macau) . . . . .	22 September 2005	Macau	Air freight solution provider	Worldwide	5
OA Cargo . . . . .	22 January 2007	Hong Kong	Air freight solution provider	Europe	2
ASR Logistics . . . . .	24 January 2007	Hong Kong	Air freight solution provider	U.S. and Europe	3
Star Pacific . . . . .	11 January 2008	Hong Kong	Air freight solution provider	Asia and Europe	10
Bluestream Aviation . . . . .	11 March 2008	Hong Kong	Inactive	N/A	N/A

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## INFORMATION ABOUT OUR GROUP MEMBERS AND OUR CORPORATE STRUCTURE

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<u>Subsidiaries</u>	<u>Date of incorporation</u>	<u>Domicile</u>	<u>Principal activities</u>	<u>Major regions covered</u>	<u>Number of airlines/ integrated carriers engaged with as at 31 October 2011<sup>(1)</sup></u>
ASR Worldwide . . . . .	3 April 2008	Hong Kong	Air freight solution provider	U.S.	N/A <sup>(2)</sup>
Pacific Empire (Shenzhen)	8 August 2008	PRC	Air freight solution provider	Worldwide	5
Star Pac (Malaysia) . . . . .	19 May 2009	Malaysia	Air freight solution provider	Worldwide	4
Star Cargo (Taiwan) . . . . .	30 June 2009	Taiwan	Air freight solution provider	Worldwide	2
Star Cargo (Japan) . . . . .	6 July 2009	Japan	Air freight solution provider	Worldwide	2
Pacific Empire Cargo . . . . .	18 August 2009	Hong Kong	Air freight solution provider	Europe	1
ASRCO . . . . .	3 November 2009	Hong Kong	Air freight solution provider	Worldwide	4
Star Cargo (Thailand) . . . . .	25 January 2010	Thailand	Inactive	N/A	N/A
ASR Europe . . . . .	15 September 2010	Hong Kong	Air freight solution provider	Europe	1
OA Cargo (HK) . . . . .	4 October 2010	Hong Kong	Air freight solution provider	Africa and Europe	2
Pacific Empire (HK) . . . . .	1 December 2010	Hong Kong	Air freight solution provider	Indonesia, the Middle East and Europe	2
ASR Infrastructure . . . . .	25 March 2011	Hong Kong	Inactive	N/A	N/A
ASR Champion . . . . .	3 June 2011	BVI	Investment holding	N/A	N/A

*Notes:*

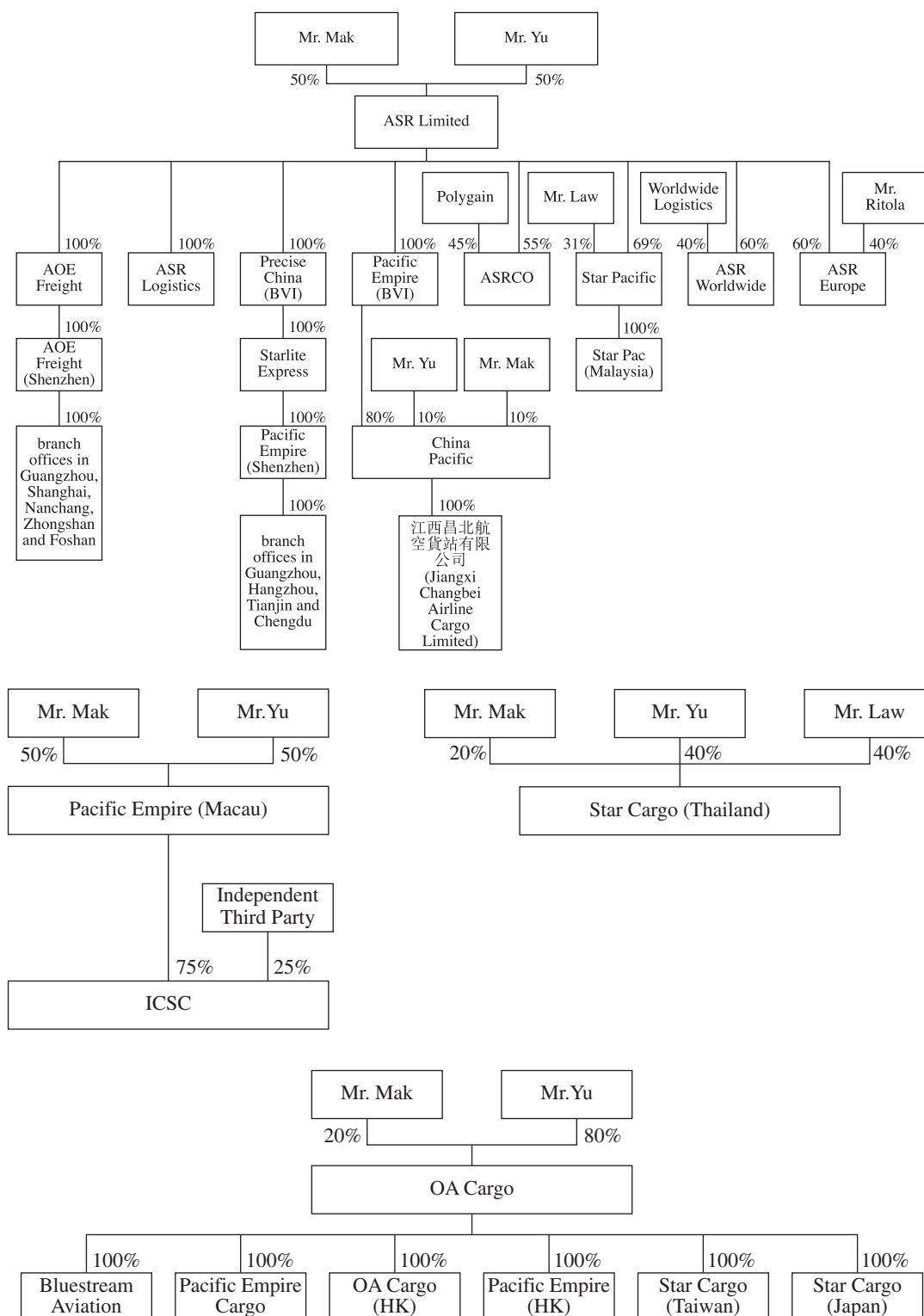
1. The same airline(s) and/or integrated carrier(s) may be engaged by more than one of our subsidiaries.
2. ASR Worldwide is a 60% owned subsidiary of our Group. It mainly procures air cargo space from other members of our Group or external wholesalers and on-sells it to Worldwide Logistics. It does not directly deal with airlines or integrated carriers.



## INFORMATION ABOUT OUR GROUP MEMBERS AND OUR CORPORATE STRUCTURE

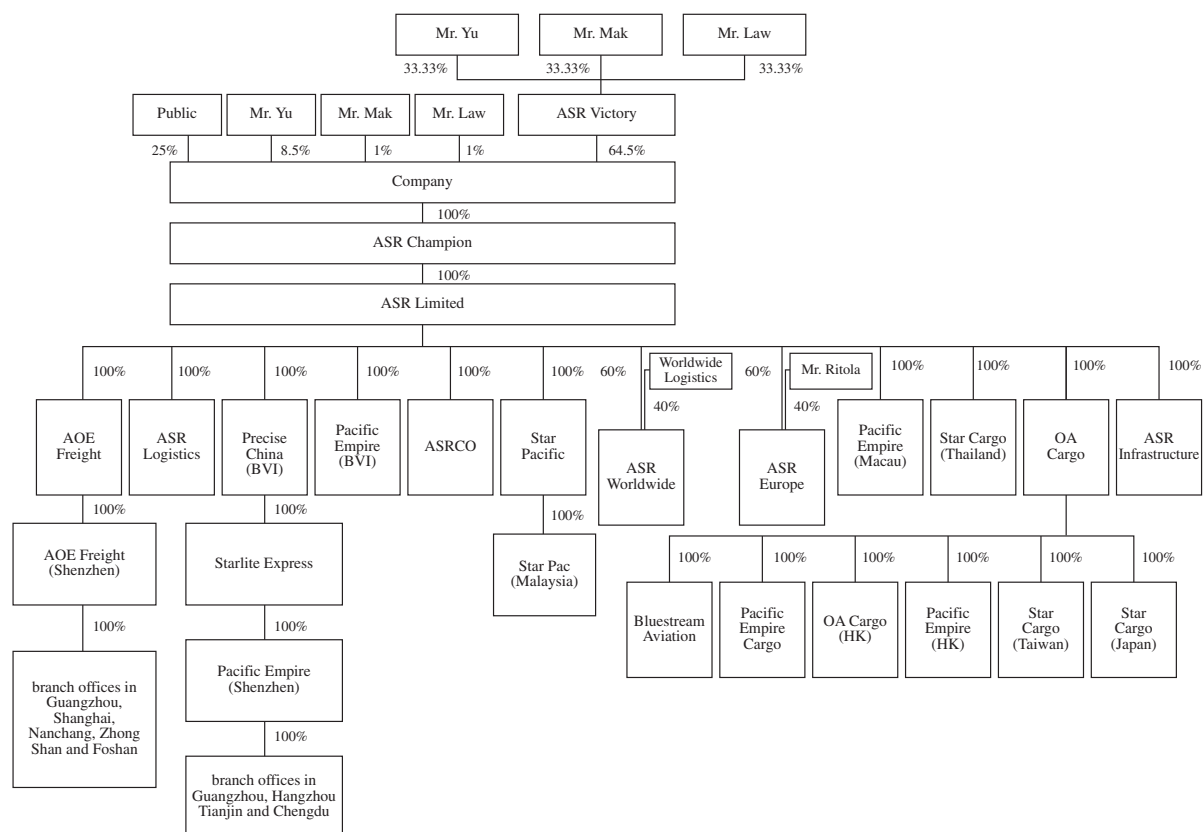
### OUR CORPORATE STRUCTURE

Our corporate and shareholding structure immediately prior to the Reorganisation, the Share Offer and the Capitalisation Issue was as follows:



## INFORMATION ABOUT OUR GROUP MEMBERS AND OUR CORPORATE STRUCTURE

Our corporate and shareholding structure upon completion of the Reorganisation, the Share Offer and the Capitalisation Issue, assuming there is no exercise of the Over-allotment Option, there is no exercise of the options contemplated by the Share Option Scheme and there is no change in the shareholding of the Shareholder listed below subsequent to the Latest Practicable Date, will be as follows:



On and after the Listing Date, our Company will maintain a public float of at least 25% of the total issued share capital of our Company.

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## BUSINESS

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### OVERVIEW

We are an air freight solution provider positioned in the wholesale market, with an operating history since 1991. Our business model principally involves purchasing air cargo space from airlines and/or integrated carriers and on-selling such space to our customers, namely freight forwarders. Airlines and integrated carriers generally engage their respective appointed wholesalers and freight forwarders to market and/or on-sell their air cargo space for ease of management, cost effectiveness and minimising credit exposure instead of dealing with a large pool of freight forwarders and shippers themselves. Our main role for airlines and integrated carriers is to source a necessary amount of air cargos from freight forwarders on a timely basis to enable them to maximise the utilisation of air cargo space of their aircrafts. We handled approximately 13,386 tons, 18,849 tons, 29,114 tons and 17,059 tons of cargo for the three financial years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 respectively.

We position ourselves as an air freight solution provider in the wholesale market so that our freight forwarding customers do not have to worry about their own retail customers i.e. shippers being solicited by us. Positioning ourselves in the wholesale market therefore enables us to secure an extensive network of freight forwarders as our customers. During the Track Record Period, we served over 1,000 freight forwarders, comprising 100 of them contributing to approximately 79.9%, 80.8%, 78.5% and 77.1% of our total sales for the respective years and period as well as other freight forwarders of a scale who can hardly secure air cargo space from airlines and/or integrated carriers directly. Our strong customer base has helped us strengthen our business relationships with airlines and integrated carriers over the years.

The majority of air cargo space we on-sell is for the outbound air routes originating from the Pearl River Delta, predominantly Hong Kong, to various destinations around the world. As at the Latest Practicable Date, we were marketing and/or on-selling air cargo space allocated by over 25 airlines and integrated carriers covering almost every major airport in the world. As a result, our freight forwarding customers can always rely on us to provide them with the optimal air freight solutions, in terms of delivery time and cost, at competitive prices by bundling air routes from different airlines and integrated carriers in order to enable them to satisfy the logistical needs of shippers.

Our Directors strategise the business focus of our Group by taking into consideration the different nature of air freight services as well as the geographical coverage in terms of flight destinations. Our Directors are of the view that air freight services are generally categorised into **time definite air freight service** and **deferred air freight service**. *Time definite air freight service* targets time sensitive air cargo which requires short delivery time (usually 1 to 2 days) or guaranteed delivery at a specific time by flying on scheduled flights whereas *deferred air freight service* targets less time sensitive air cargo which can be delivered on the earliest available flights with a generally expected delay in transit time ranging from 3 to 7 days.

The *time definite air freight segment* is well served by a wide selection of airlines and integrated carriers which provide scheduled flights and therefore pricing is competitive amongst wholesalers and freight forwarders because there are readily available alternative air freight services. On the other hand, the *deferred air freight segment* is served by infrequent flights or lack of daily flights with less readily available alternative air freight services and hence pricing is less competitive. Our Directors believe that

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## BUSINESS

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our Group is able to source deferred air cargo space directly from airlines and integrated carriers given our established relationships with over 25 airlines and integrated carriers or bundle air cargo routes within our extensive portfolio of air cargo routes to serve our customers in the deferred air freight segment.

Our Directors also consider that flight routes in relation to destinations in the **Developed Countries** are generally well covered by a wide selection of flight routes served by various airlines or integrated carriers and hence pricing is more competitive because of a high supply of air transport service. Flight routes in relation to destinations in the **Developing Countries**, on the other hand, are less well served by airlines or integrated carriers with infrequent flights or lack of daily flights because of a relatively lower demand for air transport service as compared to those in the Developed Countries.

In order to enhance our competitiveness in the market and maintain the viability of our business, our business focus is as follows:

	Time definite air freight	Deferred air freight
Developed Countries		<b>Our business focus</b>
Developing Countries	<b>Our business focus</b>	<b>Our business focus</b>

We focus on delivering deferred air freight service and serving destinations in the Developing Countries such as South East Asia, Russia, Africa and the Middle East. With our extensive network of airlines and integrated carriers coupled with our air cargo sourcing capability, we are able to source deferred air cargo space directly from airlines and integrated carriers or bundle air routes among them to serve our customers in these air freight segments.

## BUSINESS

Our Group achieved growth in both revenue and gross profit margin during the Track Record Period as set forth in the below tables:

	Year ended 31 December						Six months ended 30 June			
	2008		2009		2010		2010		2011	
	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%
<i>Revenue</i>										
Deferred . . . . .	226.3	77.0%	203.2	68.4%	317.7	64.8%	143.4	63.3%	210.0	71.2%
- Developed Countries. . . . .	159.3	54.2%	128.6	43.3%	178.0	36.3%	82.0	36.2%	105.2	35.7%
- Developing Countries . . . . .	67.0	22.8%	74.6	25.1%	139.7	28.5%	61.4	27.1%	104.8	35.5%
Time definite . . . . .	48.4	16.5%	78.4	26.4%	164.3	33.6%	78.6	34.7%	84.2	28.6%
- Developed Countries. . . . .	33.9	11.5%	37.4	12.6%	58.5	11.9%	33.5	14.8%	14.7	5.0%
- Developing Countries . . . . .	14.5	5.0%	41.0	13.8%	105.8	21.7%	45.1	19.9%	69.5	23.6%
Sea freight . . . . .	19.1	6.5%	15.5	5.2%	7.9	1.6%	4.6	2.0%	0.7	0.2%
<b>Total revenue . . . . .</b>	<b>293.8</b>	<b>100.0%</b>	<b>297.1</b>	<b>100.0%</b>	<b>489.9</b>	<b>100.0%</b>	<b>226.6</b>	<b>100.0%</b>	<b>294.9</b>	<b>100.0%</b>
<i>Gross profit</i>										
Deferred . . . . .	36.4	82.0%	50.8	68.2%	100.8	69.5%	44.7	65.2%	66.6	69.2%
- Developed Countries. . . . .	13.5	30.4%	24.0	32.2%	42.1	29.0%	19.5	28.5%	24.6	25.5%
- Developing Countries . . . . .	22.9	51.6%	26.8	36.0%	58.7	40.5%	25.2	36.7%	42.0	43.7%
Time definite . . . . .	7.6	17.1%	23.2	31.1%	44.0	30.4%	23.7	34.5%	29.6	30.7%
- Developed Countries. . . . .	2.2	5.0%	3.0	4.0%	3.3	2.3%	2.0	2.9%	1.1	1.1%
- Developing Countries . . . . .	5.4	12.1%	20.2	27.1%	40.7	28.1%	21.7	31.6%	28.5	29.6%
Sea freight . . . . .	0.4	0.9%	0.5	0.7%	0.2	0.1%	0.2	0.3%	0.1	0.1%
<b>Total gross profit. . . . .</b>	<b>44.4</b>	<b>100.0%</b>	<b>74.5</b>	<b>100.0%</b>	<b>145.0</b>	<b>100.0%</b>	<b>68.6</b>	<b>100.0%</b>	<b>96.3</b>	<b>100.0%</b>

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	%	%	%	%	%
<i>Gross profit margin</i>					
Deferred. . . . .	16.1%	25.0%	31.7%	31.2%	31.7%
- Developed Countries. . . . .	8.5%	18.7%	23.7%	23.8%	23.4%
- Developing Countries . . . . .	34.2%	35.9%	42.0%	41.0%	40.1%
Time definite . . . . .	15.7%	29.6%	26.8%	30.2%	35.2%
- Developed Countries. . . . .	6.5%	8.0%	5.6%	6.0%	7.5%
- Developing Countries . . . . .	37.2%	49.3%	38.5%	48.1%	41.0%
Sea freight . . . . .	2.1%	3.2%	2.5%	4.3%	14.3%
<b>Overall gross profit margin . . . . .</b>	<b>15.1%</b>	<b>25.1%</b>	<b>29.6%</b>	<b>30.3%</b>	<b>32.7%</b>

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Set out below is our Group's revenue by flight destination over the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2008		2009		2010		2010		2011	
	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%
Europe . . . . .	66.1	22.5%	67.7	22.8%	125.1	25.5%	53.6	23.7%	66.9	22.7%
America . . . . .	140.2	47.7%	84.7	28.5%	91.2	18.6%	54.8	24.2%	22.7	7.7%
Asia-Pacific* . . . . .	82.9	28.2%	131.9	44.4%	241.2	49.2%	103.5	45.7%	173.6	58.9%
Others . . . . .	4.6	1.6%	12.8	4.3%	32.4	6.7%	14.7	6.4%	31.7	10.7%
<b>Total revenue</b> . . . . .	<u>293.8</u>	<u>100.0%</u>	<u>297.1</u>	<u>100.0%</u>	<u>489.9</u>	<u>100.0%</u>	<u>226.6</u>	<u>100.0%</u>	<u>294.9</u>	<u>100.0%</u>

\* *Asia-Pacific* includes Malaysia, Australia, China, Singapore and Thailand.

For the list of countries or regions covered by each of *Europe*, *America*, *Asia-Pacific* and *others*, please refer to the section headed "Business — Our business model — Extensive portfolio of air cargo routes".

Along the supply chain of the air cargo industry, airlines and integrated carriers are the initiating parties to deliver air freight services through layers of intermediaries to the eventual shippers. Therefore, it is of vital importance that we can enter into cargo space purchasing arrangements with airlines and integrated carriers. Leveraging our extensive network of customers and our historical track records on sourcing air cargos in both peak and slack seasons, we have successfully established business relationships with over 25 airlines and integrated carriers worldwide. We also purchase from other wholesalers for air cargo space from airlines or integrated carriers with which we do not have an established relationship. Our air cargo space purchasing arrangements with airlines and integrated carriers are categorised as follows:

- (i) *Non-committed purchases* whereby airlines and integrated carriers allocate to us an indicated quantity of air cargo space and we are not liable to pay for the shortfall in the indicated quantity should we fail to fulfil the indicated quantity allocated to us, hence, we are not subject to price fluctuations of air cargo space; and
- (ii) *Firm commitments* whereby we enter into block space agreements with airlines at pre-determined rates which guarantee allocation of an agreed quantity of air cargo space, or we secure exclusivity on air routes by guaranteeing minimum volume utilised in the form of an MGP under certain GSA agreements; we are subject to price fluctuations when on-selling such air cargo space as the selling price of air cargo space is dependant upon the demand and supply of air cargo space at the time of selling. However, our Group is allowed to early terminate these purchasing arrangements by serving a notice.

Our Directors consider that purchasing by virtue of firm commitments enables our Group to secure a stable quantity of air cargo space to fulfil our customers' needs. During the Track Record Period, our Group was able to secure increasing purchases with firm commitments. Our costs of sales from firm commitments were HK\$53.1 million, HK\$89.8 million, HK\$145.3 million and HK\$73.8 million which represented 21.3%, 40.3%, 42.1% and 37.2% of our total cost of sales for the three financial years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 respectively.

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Set out below is our Group's cost of sales by type of suppliers under non-committed purchases and firm commitments during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2008		2009		2010		2010		2011	
	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%
Non-committed purchases.	196.3	78.7%	132.8	59.7%	199.6	57.9%	95.5	60.4%	124.8	62.8%
- Airlines . . . . .	20.2	8.1%	7.5	3.4%	33.9	9.8%	9.7	6.1%	35.5	17.9%
- Integrated carriers . . . . .	97.8	39.2%	36.5	16.4%	51.9	15.1%	21.2	13.4%	30.3	15.2%
- Freight forwarders . . . . .	70.3	28.2%	81.0	36.4%	105.8	30.7%	60.2	38.1%	53.4	26.9%
- Subcontractors and others . . . . .	8.0	3.2%	7.8	3.5%	8.0	2.3%	4.4	2.8%	5.6	2.8%
Firm commitments										
- Airlines . . . . .	53.1	21.3%	89.8	40.3%	145.3	42.1%	62.5	39.6%	73.8	37.2%
<b>Total cost of sales . . . . .</b>	<b>249.4</b>	<b>100.0%</b>	<b>222.6</b>	<b>100.0%</b>	<b>344.9</b>	<b>100.0%</b>	<b>158.0</b>	<b>100.0%</b>	<b>198.6</b>	<b>100.0%</b>

During the three financial years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, we purchased air cargo space from (i) 12, 15, 18 and 23 airlines; and (ii) 2, 3, 4 and 4 integrated carriers, respectively.

We have enjoyed growth in revenue and profitability over the Track Record Period. Our revenues were HK\$293.8 million, HK\$297.1 million, HK\$489.9 million and HK\$294.9 million for the three financial years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 respectively. Our net profits attributable to equity holders of our Company were HK\$20.8 million, HK\$42.8 million, HK\$92.1 million and HK\$59.4 million for the three financial years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 respectively. Our Directors believe that our growth is attributable to our critical mass of business, our wholesale market positioning, our extensive portfolio of air cargo routes, our business focus on the deferred air freight segment and the Developing Countries, and our experienced management team.

### COMPETITIVE STRENGTHS

We believe that the following competitive strengths are the key factors contributing to our success to date and will enable us to increase market share and capture the future growth opportunities in our target markets.

#### Our critical mass of business

Our Directors believe that our business has developed to a critical mass built on our extensive network of airlines and integrated carriers as well as customers i.e. freight forwarders. Our historical sales performance and our extensive network of customers enable us to secure sourcing of air cargo space by entering into purchasing arrangements (either in the form of non-committed purchases or firm commitments) with airlines and integrated carriers. By positioning ourselves in the wholesale market

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together with our proven air cargo space sourcing capability, we are able to develop an extensive network of freight forwarders. During the Track Record Period, we served over 1,000 freight forwarders. As at the Latest Practicable Date, we engaged with over 25 airlines and integrated carriers worldwide.

### **Our wholesale market positioning**

We position ourselves as an air freight solution provider in the wholesale market so that our freight forwarding customers do not have to worry about their own retail customers i.e. shippers being solicited by us. Positioning ourselves in the wholesale market therefore enables us to secure an extensive network of freight forwarders as our customers. As a result, we have attracted a large number (over 1,000) of freight forwarders as our customers, which has enabled us to source sufficient cargos to help airlines and integrated carriers to maximise the air cargo space utilisation of their aircrafts, particularly during slack seasons.

### **Extensive portfolio of air cargo routes**

Our Directors believe that we have an extensive network of airlines and integrated carriers. As at the Latest Practicable Date, we were on-selling air cargo space allocated by over 25 airlines and integrated carriers. Our portfolio of air cargo routes covered origins of six countries/cities and destinations of approximately 13 countries/regions and over 500 cities/municipals respectively. Further details of our portfolio of air cargo routes are included in the section headed “Business — Our business model — Purchase arrangements for air cargo space”. Coupled with our air routes bundling capability, we are able to offer to our freight forwarding customers a diversified portfolio of air cargo routes covering most destinations around the world on time definite and deferred bases.

### **Our business focus on deferred air freight service and Developing Countries**

We focus on delivering deferred air freight service. Our Directors consider that the time definite air freight segment is well served by a wide selection of airlines and integrated carriers and is highly competitive in terms of pricing as compared to the deferred air freight segment. Our extensive air cargo routes portfolio enables us to carry out air route bundling to well serve the deferred air freight segment. During the Track Record Period, our gross profit margin for the deferred air freight segment ranged from approximately 16.1% to 31.7% as compared to 15.7% to 35.2% for the time definite air freight segment.

We also focus on serving destinations in the Developing Countries such as South East Asia, Russia, Africa and the Middle East. Our extensive portfolio of air cargo routes coupled with our air routes bundling capability enables us to well serve this market at competitive pricing. During the Track Record Period, our gross profit margin for the Developing Countries segment ranged from approximately 34.7% to 44.1% as compared to approximately 8.1% to 21.5% for the Developed Countries segment.

### **Our experienced management team**

We have an experienced management team who has served our Group for a considerable period of time and has been involved in the development of our Group to its present form of business activities. Each of our executive Directors has previously worked for various major airlines or integrated carriers



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and has each accumulated more than 20 years of experience in the air cargo/aviation industry. Since our major suppliers are airlines and integrated carriers, our management's experience enables our Group to better understand their operations and better serve their business needs, which in turn enables our Group to secure purchases of air cargo space with over 25 airlines and/or integrated carriers.

Our management's in-depth experience within the air cargo industry also enables our Group to continuously identify new air cargo routes serving the deferred air freight segment and flight destinations in the Developing Countries, and hence further enhance our air freight service diversity.

### **Our pioneering entry into the PRC market under the CEPA**

Prior to the release of the CEPA in 2004, foreign investors were not allowed to set up their own wholly-owned subsidiaries in the PRC to undertake international air freight forwarding agency business, but had to set up equity or cooperative joint venture with a local partner to do such business with a capital requirement of US\$1 million. However, under the CEPA, Hong Kong air freight forwarding agents were allowed to undertake international air freight forwarding agency business in the PRC as WFOEs with a capital requirement of RMB3 million and in November 2004, our Group, through AOE Freight, established a WFOE to engage in such business. Our Directors believe that our pioneering entry into the PRC market under the CEPA as a WFOE has put us in a better position to capture the business opportunities in the growing freight forwarding market in the PRC comparing to other non-PRC incorporated air freight forwarding agents.

### **BUSINESS STRATEGIES**

Our goal is to become one of the leading air freight solution providers in Asia built on our established business model in Hong Kong. In order to achieve our goal, which we believe will maximise shareholder value, we have developed the following business strategies:

#### **Continue to improve and expand our service network**

Our Group's current business is predominantly concentrated in the Pearl River Delta region (including Hong Kong, Macau and major cities in Southern China). In order to improve and expand our service network, we plan to set up additional branches in China, Europe and Asia.

In China, we plan to increase our local sales offices from 11 to 33 by 2014. In the Southern China region, we intend to further strengthen our service network by setting up five additional branches in 2012 with tentative locations in Changsha, Huizhou, Humen, Longgang and Xiamen. In Eastern China, we plan to set up additional branches in Ningbo, Suzhou, Kunshan and Yiwu in 2013. We also plan to start entering Western and Central China by setting up two branches in Zhengzhou and Wuhan in 2012, one branch in Lanzhou in 2013 and seven additional branches in Urumqi, Xian, Lhasa, Chongqing, Yinchuan, Nanning and Ningxia by 2014. In North-eastern China, we plan to set up one branch in Beijing in 2012 and two additional branches in Dalian and Qingdao in 2013. The details of the relevant approval, permit or licensing requirements in connection with the establishment of branch offices in China are set out in the section headed "Regulatory overview". Since we have previously established branch offices in various parts of China, our PRC Legal Adviser has advised that there are unlikely any material legal

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impediments in setting up additional branches in China subject to applicable PRC laws and regulations. Our Directors believe that setting up additional branches in China will further enhance our customer network coverage as well as improve our service with local staff providing support on the ground in the airports.

In Europe, we plan to start setting up seven local sales offices, predominantly in Continental Europe with tentative locations including Frankfurt, Moscow, Helsinki and Amsterdam by 2014 in order to capture the growth in Asia-Europe and Europe-Asia air cargo markets. Our Directors believe that having local sales offices in Europe will enhance our customer network in Europe for both inbound and outbound Europe air cargos and hence our air cargo sourcing capability to/from Europe.

To further strengthen our sales network and to better serve our customers in Asia, we plan to establish two new subsidiaries in the Philippines and Singapore.

The additional branches and subsidiaries in China, Europe and Asia serve to improve our network coverage by strengthening our geographical presence as well as improve our service with local staff providing administrative support. Due to the servicing and administrative nature of these branches and subsidiaries, our Directors consider that there will not be significant initial capital requirement and that no significant capital expenditure will be incurred. We plan to apply approximately 30% of the Listing proceeds to finance the expansion of our service network in China, Asia and Europe. We will comply with the applicable Listing Rules and publish an announcement if there is any change or reallocation of the use of the Listing proceeds. On the basis of the servicing and administrative nature of the additional branches and subsidiaries in China, Europe and Asia, our Directors anticipate that the approval, permit or licensing requirements shall be relatively straight forward in this connection. We will seek appropriate legal advice and comply with all the requisite legal and regulatory requirements in the relevant jurisdiction once we implement our plan.

### **Continue to expand our portfolio of air cargo routes**

As at the Latest Practicable Date, our Group engaged with over 25 airlines and integrated carriers by virtue of purchasing arrangements of air cargo space with either non-committed purchases or firm commitments and our portfolio of air cargo routes covered origins of six countries/cities and destinations of approximately 13 countries/regions and over 500 cities/municipals respectively. In order to broaden our air cargo routes coverage and provide more flexible air freight solutions to our customers, we plan to engage with approximately 12 additional airlines in the form of either non-committed purchases or firm commitments by 2013 with focus on air routes coverage in China, Asia and Europe, subject to our evaluation of the portfolio with regard to profitability and compatibility as a result of such additional airlines. Based on the past experience, our Directors do not expect any requisite approvals, certificates and licences or procedural requirements necessary in this connection. We plan to apply approximately 20% of the Listing proceeds to finance the expansion of our portfolio of air cargo routes which comprises cash reserves earmarked and maintained in a designated bank account as collaterals for bank guarantees provided to the 12 additional airlines we plan to engage with. Further information on bank guarantees provided to airlines is set out in the section headed "Business — Suppliers and bank guarantees". As at the Latest Practicable Date, our negotiations with potential airlines were still undergoing and no formal agreements had been entered into with such airlines.

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### **Establish an e-platform booking system for our business**

Our current business operations take up the majority of time of our frontline business units on answering clients' enquiries in relation to price quotation, variety and availability of our services by phone, facsimile and email. In order to reduce the cost on manual handling and improve the productivity of our frontline business units, we plan to streamline our booking system by applying approximately 20% of the Listing proceeds to finance the capital expenditure for developing our own e-platform booking system, which will be installed to link up the functions of provision of real time flight schedule information, price quotation and air cargo space booking confirmation at the initial stage followed by online settlement eventually. If the total capital expenditure turns out to exceed the Listing proceeds applied, it will be financed by the internally generated funds of our Group. We will comply with the applicable Listing Rules and publish an announcement if there is any change or reallocation of the use of the Listing proceeds.

With the e-platform booking system, all of our standard/scheduled services will be listed on the system and our customers can obtain our product information (e.g. airline, price, time for delivery and route to be taken, etc.) online and can make reservations online. We plan to incorporate the e-platform booking system in our current business operations in 2013. In order to facilitate the implementation of e-platform booking system, we may hire additional staff possessing the relevant information technology experience and expertise to manage and operate the system. We believe that the e-platform booking system is complementary to our business operations and will enhance our operational efficiency.

### **Set up logistics hub centres in Southern China**

We continue to plan on diversifying and vertically expanding our operations in China. We believe that the provision of complete logistics services such as warehousing, trucking, preparing necessary documentation and courier services will be welcome by our customers. Freight forwarders with relatively small scale operations may need to use our logistics services since they do not have the requisite scale of operations to do it themselves and it is more cost effective to outsource such services.

In light of this, we plan to establish logistics hub centres in the Southern regions of China such as Dongguan and Shenzhen for transshipment, storage, collection and distribution of cargoes on behalf of our customers. We will locate and lease suitable places with permissible land use rights for the operation as a logistics hub centre. Necessary equipment and fixtures such as warehouse management system and courier handling facilities will be installed to facilitate the logistics operations. Since our existing PRC subsidiaries have satisfied and fulfilled all the approval, permit and licensing requirements in respect of our operations in China, our PRC Legal Adviser has advised that there is unlikely to be any legal impediment in setting up logistics hub centres in China unless (i) we handle dangerous goods; (ii) the logistics hub centre is located in a 保稅區 (bonded zone); or (iii) other activities that require specific prior approval under applicable PRC laws and regulations are undertaken. We will seek appropriate legal advice and comply with all the requisite legal and regulatory requirements once we implement our plan. Save as the aforementioned, our PRC Legal Adviser has advised that there are no specific administrative and procedural requirements for the establishment of a logistics hub centre in China if it is located at the registered address of any of our existing subsidiaries or branch offices in China. Otherwise, it shall be

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necessary to establish a new subsidiary or branch office at which the logistics hub centre is located. The details of the relevant approval, permit or licensing requirements in connection with the establishment of subsidiaries or branch offices in China are set out in the section headed “Regulatory overview”.

We plan to apply approximately 15% of the Listing proceeds to finance the capital expenditure for setting up logistics hub centres in China. If the total capital expenditure turns out to exceed the Listing proceeds applied, it will be financed by the internally generated funds of our Group. We will comply with the applicable Listing Rules and publish an announcement if there is any change or reallocation of the use of the Listing proceeds.

We believe that the establishment of logistics hub centres can enhance our service offerings and hence further strengthen our competitive position in China.

### **Establish effective operational and financial management systems**

We plan to upgrade our management information system to ensure consistent and timely delivery of operating results and financial results in the various geographical regions we operate. Whilst standardisation of our operational procedures ensures consistent delivery of quality services, an upgraded management information system which can deliver consistent and timely operating and financial results is essential to support our planned expansion of offices in China, Asia and Europe.

### **Continue to invest in staff training**

We believe that having a team of motivated and highly-skilled staff members is essential to the long term success of our business. In addition to our existing training and other professional development programs which provide our staff members with the latest industry know-how and operational, management and information technology skills, we will develop and implement further training programs with an aim to encourage greater efficiency and higher productivity from our staff members. We believe that these measures will over time help to raise our productivity.

## **OUR BUSINESS MODEL**

Our business model principally involves purchasing air cargo space from airlines and/or integrated carriers and on-selling such space to our customers, namely freight forwarders.

### **Our wholesale market positioning**

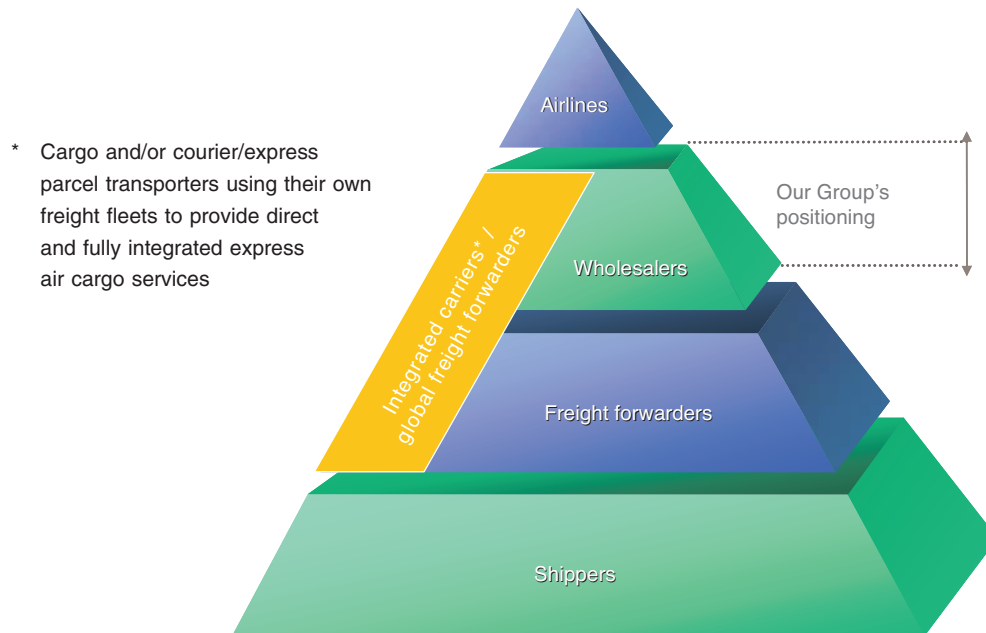
Along the supply chain of the air cargo industry, airlines and integrated carriers are the initiating parties for the delivery of air freight services through layers of intermediaries to the eventual shippers. For ease of management, cost effectiveness and minimising credit exposure, airlines and integrated carriers generally engage their respective appointed wholesalers and freight forwarders to market and/or

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on-sell their air cargo space instead of dealing with a large pool of freight forwarders and shippers themselves. We position ourselves as an air freight solution provider in the wholesale market as demonstrated in the below diagram:



By positioning ourselves in the wholesale market, our freight forwarding customers do not have to worry about their own retail customers i.e. shippers being solicited by us and we are therefore able to secure an extensive network of freight forwarders as our customers. During the Track Record Period, we served over 1,000 freight forwarders. Our strong air cargo sourcing ability derived from our well established network of freight forwarders has helped us strengthen our business relationships with airlines and integrated carriers over the years.

### Our business focus

The majority of air cargo space we on-sell is for the outbound air routes originating from the Pearl River Delta, predominantly Hong Kong, to various destinations around the world. As at the Latest Practicable Date, we were marketing and/or on-selling air cargo space allocated by over 25 airlines and/or integrated carriers covering almost every major airport in the world. As a result, our freight forwarding customers can rely on us to provide them with the optimal air freight solutions, in terms of delivery time and cost, at competitive prices by bundling air routes from different airlines and integrated carriers in order to enable them to satisfy the logistical needs of shippers.

In order to enhance our competitiveness in the market and maintain the viability of our business, we have focused on:

- delivering deferred air freight service; and
- providing air freight solutions in connection with destinations in the Developing Countries such as South East Asia, Russia, Africa and the Middle East.

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### *Our focus on the deferred air freight segment*

Selling price of air cargo space is driven by the time sensitivity of air cargos, i.e. the selling price is generally higher for air cargos which require short transit time. Time definite air freight services are those which are time sensitive and require 1 to 2 days' delivery or specific delivery time like perishable goods or certain premium consumer electronics products. Because of the short transit time, shippers for time definite air freight services are willing to pay a premium price to ensure their air cargos are delivered in 1 to 2 days. This segment is well served by airlines and integrated carriers which operate aircrafts available for palletisation and relatively large cargos and offer scheduled flights to destinations for the requisite short transit time.

Our Directors consider that the time definite air freight segment is highly competitive among wholesalers and freight forwarders because it is well served by a wide selection of airlines and integrated carriers and has a sufficient supply of air cargo space as compared to the deferred air freight segment. In light of this, our Group focuses on delivering deferred air freight service for air cargos which are less time sensitive. Because of their less time sensitive nature, shippers of deferred air cargos generally accept connecting flights or do not require direct flights with a general expectation of delay in transit time for 3 to 7 days. With our established relationships with over 25 airlines and integrated carriers, we are able to either source deferred air cargo space directly from airlines or integrated carriers or bundle air routes within our extensive portfolio of air cargo routes to serve our customers requesting deferred air freight service at competitive pricing. During the Track Record Period, our deferred air freight service accounted for approximately 77.0%, 68.4%, 64.8% and 71.2% of our Group's total revenue for the three financial years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, contributing significantly to the improvement in our gross profit margin.

### *Our focus on reaching the Developing Countries*

Frequency and availability of air cargo routes are driven by the demand for air transport service (both passenger and cargo). Demand for air transport service for the Developed Countries is generally higher than the Developing Countries due to the affluence of the Developed Countries to afford air transport as a mode of transport as compared to lower cost sea or road transport and the more matured regulatory regime and infrastructural and security system of the Developed Countries to support air transport. Hence, air cargo routes coverage for the Developed Countries is more extensive as compared to that for the Developing Countries. Our Directors believe that serving air cargo routes with destinations in the Developed Countries is competitive accordingly and our Group therefore seeks to focus on reaching destinations in the Developing Countries such as South East Asia, Russia, Africa and the Middle East where there are few or infrequent direct flights or served by a few carriers.

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Our Group achieved growth in both revenue and gross profit margin during the Track Record Period as set forth in the below tables:

	Year ended 31 December						Six months ended 30 June			
	2008		2009		2010		2010		2011	
	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%
<i>Revenue</i>										
Deferred . . . . .	226.3	77.0%	203.2	68.4%	317.7	64.8%	143.4	63.3%	210.0	71.2%
- Developed Countries . . . . .	159.3	54.2%	128.6	43.3%	178.0	36.3%	82.0	36.2%	105.2	35.7%
- Developing Countries . . . . .	67.0	22.8%	74.6	25.1%	139.7	28.5%	61.4	27.1%	104.8	35.5%
Time definite . . . . .	48.4	16.5%	78.4	26.4%	164.3	33.6%	78.6	34.7%	84.2	28.6%
- Developed Countries . . . . .	33.9	11.5%	37.4	12.6%	58.5	11.9%	33.5	14.8%	14.7	5.0%
- Developing Countries . . . . .	14.5	5.0%	41.0	13.8%	105.8	21.7%	45.1	19.9%	69.5	23.6%
Sea freight . . . . .	19.1	6.5%	15.5	5.2%	7.9	1.6%	4.6	2.0%	0.7	0.2%
<b>Total revenue . . . . .</b>	<b>293.8</b>	<b>100.0%</b>	<b>297.1</b>	<b>100.0%</b>	<b>489.9</b>	<b>100.0%</b>	<b>226.6</b>	<b>100.0%</b>	<b>294.9</b>	<b>100.0%</b>
<i>Gross profit</i>										
Deferred . . . . .	36.4	82.0%	50.8	68.2%	100.8	69.5%	44.7	65.2%	66.6	69.2%
- Developed Countries . . . . .	13.5	30.4%	24.0	32.2%	42.1	29.0%	19.5	28.5%	24.6	25.5%
- Developing Countries . . . . .	22.9	51.6%	26.8	36.0%	58.7	40.5%	25.2	36.7%	42.0	43.7%
Time definite . . . . .	7.6	17.1%	23.2	31.1%	44.0	30.4%	23.7	34.5%	29.6	30.7%
- Developed Countries . . . . .	2.2	5.0%	3.0	4.0%	3.3	2.3%	2.0	2.9%	1.1	1.1%
- Developing Countries . . . . .	5.4	12.1%	20.2	27.1%	40.7	28.1%	21.7	31.6%	28.5	29.6%
Sea freight . . . . .	0.4	0.9%	0.5	0.7%	0.2	0.1%	0.2	0.3%	0.1	0.1%
<b>Total gross profit . . . . .</b>	<b>44.4</b>	<b>100.0%</b>	<b>74.5</b>	<b>100.0%</b>	<b>145.0</b>	<b>100.0%</b>	<b>68.6</b>	<b>100.0%</b>	<b>96.3</b>	<b>100.0%</b>
<i>Gross profit margin</i>										
Deferred . . . . .	16.1%	25.0%	31.7%	31.2%	31.7%					
- Developed Countries . . . . .	8.5%	18.7%	23.7%	23.8%	23.4%					
- Developing Countries . . . . .	34.2%	35.9%	42.0%	41.0%	40.1%					
Time definite . . . . .	15.7%	29.6%	26.8%	30.2%	35.2%					
- Developed Countries . . . . .	6.5%	8.0%	5.6%	6.0%	7.5%					
- Developing Countries . . . . .	37.2%	49.3%	38.5%	48.1%	41.0%					
Sea freight . . . . .	2.1%	3.2%	2.5%	4.3%	14.3%					
<b>Overall gross profit margin . . . . .</b>	<b>15.1%</b>	<b>25.1%</b>	<b>29.6%</b>	<b>30.3%</b>	<b>32.7%</b>					



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Set out below is our Group's revenue by flight destination over the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2008		2009		2010		2010		2011	
	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%
Europe . . . . .	66.1	22.5%	67.7	22.8%	125.1	25.5%	53.6	23.7%	66.9	22.7%
America. . . . .	140.2	47.7%	84.7	28.5%	91.2	18.6%	54.8	24.2%	22.7	7.7%
Asia-Pacific* . . . . .	82.9	28.2%	131.9	44.4%	241.2	49.2%	103.5	45.7%	173.6	58.9%
Others . . . . .	4.6	1.6%	12.8	4.3%	32.4	6.7%	14.7	6.4%	31.7	10.7%
<b>Total revenue . . . . .</b>	<b>293.8</b>	<b>100.0%</b>	<b>297.1</b>	<b>100.0%</b>	<b>489.9</b>	<b>100.0%</b>	<b>226.6</b>	<b>100.0%</b>	<b>294.9</b>	<b>100.0%</b>

\* *Asia-Pacific* includes Malaysia, Australia, China, Singapore and Thailand.

For the list of countries or regions covered by each of *Europe*, *America*, *Asia-Pacific* and *others*, please refer to the section headed "Business — Our business model — Extensive portfolio of air cargo routes".

### Purchase arrangements for air cargo space

Along the supply chain of the air cargo industry, airlines and integrated carriers are the initiating parties to deliver air freight services through layers of intermediaries to the eventual shippers. Therefore, it is of vital importance that we can enter into cargo space purchasing arrangements with airlines and integrated carriers. Leveraging our extensive network of customers and our historical track records on sourcing air cargos in both peak and slack seasons, we have successfully established business relationships with over 25 airlines and integrated carriers worldwide based on the air cargo space purchasing arrangements (either in the form of non-committed purchases or firm commitments) entered into therewith. As at 30 June 2011, we had established business relationships with 22 airlines and integrated carriers for one year or above, among which, we had relationships with 12 airlines and integrated carriers for four years or above. We also purchase from other wholesalers for air cargo space from airlines or integrated carriers with which we do not have an established relationship.

Our air cargo space purchasing arrangements with airlines and integrated carriers are categorised as follows:

- (i) *Non-committed purchases* whereby we only purchase air cargo space from airlines, integrated carriers and other wholesalers when we are able to on-sell such air cargo space to our customers.
- (ii) *Firm commitments* whereby we enter into block space agreements with airlines at pre-determined rates which guarantee allocation of an agreed quantity of air cargo space, or we secure exclusivity on air routes by guaranteeing minimum volume utilised in the form of an MGP, which is commonly required in certain GSA agreements within the air cargo industry.



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The following table summarises our Group's cost of sales by type of suppliers under non-committed purchases and firm commitments during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2008		2009		2010		2010		2011	
	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%
Non-committed purchases.	196.3	78.7%	132.8	59.7%	199.6	57.9%	95.5	60.4%	124.8	62.8%
- Airlines . . . . .	20.2	8.1%	7.5	3.4%	33.9	9.8%	9.7	6.1%	35.5	17.9%
- Integrated carriers . . . . .	97.8	39.2%	36.5	16.4%	51.9	15.1%	21.2	13.4%	30.3	15.2%
- Freight forwarders . . . . .	70.3	28.2%	81.0	36.4%	105.8	30.7%	60.2	38.1%	53.4	26.9%
- Subcontractors and others . . . . .	8.0	3.2%	7.8	3.5%	8.0	2.3%	4.4	2.8%	5.6	2.8%
Firm commitments										
- Airlines . . . . .	53.1	21.3%	89.8	40.3%	145.3	42.1%	62.5	39.6%	73.8	37.2%
<b>Total cost of sales . . . . .</b>	<b>249.4</b>	<b>100.0%</b>	<b>222.6</b>	<b>100.0%</b>	<b>344.9</b>	<b>100.0%</b>	<b>158.0</b>	<b>100.0%</b>	<b>198.6</b>	<b>100.0%</b>

During the financial years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, we purchased air cargo space from (i) 12, 15, 18 and 23 airlines; and (ii) 2, 3, 4 and 4 integrated carriers, respectively.

### *Non-committed purchases*

We are either appointed by airlines and/or integrated carriers as a sole agent i.e. GSA or non-exclusive agent to market and/or on-sell their air cargo space. Purchases of air cargo space from airlines and integrated carriers under non-committed purchase arrangements can take two forms:

- (i) As a GSA, we provide sales and marketing services such as setting up of sales offices and allocation of sales staff depending upon negotiated arrangements with respective airlines and we receive a commission from relevant airlines based on a certain percentage of selling price of air cargo space sold.
- (ii) As a non-exclusive agent, we do not usually enter into any agreement with airlines and/or integrated carriers. We are indicated by the airlines and integrated carriers the amount of air cargo space available for us to on-sell. However, we are not liable to any shortfall in the indicated quantity which we are not able to on-sell. We generally charge our customers at cost plus a target margin. Hence, our Group is not subject to price fluctuations of air cargo space. It is our experience that the availability of air cargo space is high during slack seasons and vice versa during peak seasons.

During the three financial years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, our revenues generated under non-committed purchase arrangements where we were (i) a GSA were approximately HK\$7.1 million, HK\$5.0 million, HK\$14.7 million and HK\$23.4 million; and (ii) a non-exclusive agent were approximately HK\$210.2 million, HK\$140.9 million, HK\$201.4 million and HK\$114.3 million, respectively.

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In considering as to whether a GSA or a non-exclusive agent is appointed to market and/or on-sell air cargo space, airlines and/or integrated carriers generally take into account the factors including, but not limited to:

- their own pricing strategy for air cargo space;
- the number of agents expected to participate in marketing and/or on-selling air cargo space; and
- the availability of air cargo space offered for marketing and/or on-selling.

For the non-committed purchase arrangements whereby we have been appointed as a GSA, we are generally required to perform the following obligations:

- promotion and sale of air cargo space for the airlines;
- maintaining necessary staffing, facilities and sales offices for the sale and promotion;
- coordination of the functions of handling agents for the delivery and processing of air cargos;
- collection of monies due to airlines; and
- preparation and provision of sales reports.

In consideration of the performance of our obligations as a GSA, we have the right to receive commissions from relevant airlines based on a certain percentage of selling price of air cargo space sold.

The terms of appointment as a GSA generally range between one to three years and are terminable by serving 30 to 90 days' prior notice by either party, except that certain appointment has no definite period and is valid until terminated by prior notice or agreement.

As at 31 December 2008, 2009 and 2010 and 30 June 2011, we had non-committed purchase arrangements with 12, 18, 26 and 27 airlines and integrated carriers respectively. As at 31 October 2011, we had non-committed purchase arrangements with 30 airlines and integrated carriers.

It is also our experience that airlines and integrated carriers take into account the following factors in their allotment of air cargo space to various wholesalers and freight forwarders:

- historical performance such as air cargo space purchased and sold in previous years;
- support provided to airlines and integrated carriers to source air cargos during slack seasons in order to increase the air cargo space utilisation of their aircrafts; and
- ability to fulfil last minute request from airlines and integrated carriers to source air cargos to maximise air cargo space utilisation.

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### *Firm commitments*

For our purchases of air cargo space under firm commitments, we are guaranteed allocation of an agreed quantity of air cargo space via entering into block space agreements or GSA agreements with airlines.

Under block space agreements, we are allocated a certain quantity of air cargo space for certain scheduled flights for a relevant period (usually one year) at pre-determined rates before the beginning of each year. We are required to pay for the amount of air cargo space allocated under the block space agreements even if we fail to sell the allocated amount. We do not have exclusivity on air cargo routes and airlines may enter into block space agreements with several wholesalers or freight forwarders to on-sell their air cargo space.

Under the GSA agreements, we are appointed as a sole agent i.e. GSA (usually for a period of one to three years) to on-sell air cargo space on behalf of such airline and obtain exclusivity on the relevant air cargo routes by guaranteeing to purchase the minimum volume at pre-determined rates and to settle the MGP with the airline monthly. We are required to pay the MGP to the said airline monthly regardless of the actual volume of cargo space we on-sell in each particular month.

Purchases via firm commitments enable our Group to secure sufficient air cargo space to serve our customers at pre-determined rates which are negotiated with respective airlines on an arm's length basis. Since our Group is committed with airlines to purchasing an agreed quantity of air cargo space at pre-determined rates over a period of one to three years, our Group is subject to price fluctuations when on-selling air cargo space as the selling price of air cargo space is dependant upon the demand and supply of air cargo space at the time of selling. Despite our Group's commitment to airlines for purchases under block space agreements and GSA agreements, our Group is allowed to early terminate such agreements by serving notice (from 30 days up to 90 days) in the event of any material breach of the agreements by the airlines or paying up to 50% of the remaining committed amount for the whole period or a 12 months' period under such agreements or arrangements except for one block space agreement pursuant to which we may terminate such agreement by serving 30 days' notice without paying any compensation. The airlines have the termination right by serving notice (from 30 days up to 90 days). No compensation is payable by the airlines to our Group for early termination. During the Track Record Period, no early termination of the block space agreements or GSA agreements for firm commitments took place.

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Our management is responsible for approving these purchases and takes into account the following factors during our selection of air cargo routes and carriers as well as our negotiations of pre-determined rates and guaranteed amounts of air cargo space:

- our forecast on the amount of air cargos for different origins and destinations during peak and slack seasons (particularly the demand for air cargo space in connection with destinations in the Developing Countries and the demand from the deferred air freight segment);
- historical and forecast trends of market prices of air cargo space for different origins and destinations during peak and slack seasons;
- our efficiency to mobilise our sales network to fulfil allocated air cargo space and minimum guaranteed volume;
- our ability to bundle air cargo space for various air routes obtained via non-committed purchases and firm commitments to serve our customers' needs;
- whether the carriers (either airlines or integrated carriers) have major presence in China, Hong Kong and Macau i.e. whether the carriers have a wide enough sales network to source air cargos and distribute their air cargo space in the aforementioned areas; and
- whether the airlines are low cost carriers which mainly focus on the passenger segment and are more reliant on GSAs to distribute their air cargo space.

During the Track Record Period, our Group was able to source sufficient air cargos exceeding our firm commitments.

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### Extensive portfolio of air cargo routes

Our Directors believe that our proven track records to source sufficient air cargos during both peak and slack seasons coupled with our historical track records of purchases which exceeded the guaranteed amount under firm commitments have enabled our Group to obtain sufficient air cargo space under either non-committed purchases or firm commitments and hence an extensive portfolio of air cargo routes. As at the Latest Practicable Date, we had an extensive portfolio of air cargo routes covering origins of six countries/cities and destinations of approximately 13 regions and over 500 cities/municipals respectively.

The table below summarises our portfolio of air cargo routes by origin and destination supplemented by a summary table of countries/regions defined within different zones:

Origin	Destination by region	Destination by zone in region	No. of cities/ municipals
Hong Kong	Europe	Baltic & Northern Europe	34
		Southern Europe	45
		Western Europe	61
		Eastern Europe	26
	America	North America	79
		Central America	13
		South America	15
	Asia-Pacific	East Asia	31
		Southeast Asia	41
		Middle East	34
		Indian Sub-Continent	22
		Oceania	26
	Others	Others	29
China	Europe	Baltic & Northern Europe	11
		Southern Europe	28
		Western Europe	34
		Eastern Europe	12
	America	North America	13
	Asia-Pacific	East Asia	16
		Southeast Asia	39
		Middle East	19
		Indian Sub-Continent	11
		Oceania	7
	Others	Others	17

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Origin	Destination by region	Destination by zone in region	No. of cities/ municipals
Macau	Europe	Southern Europe	1
		Western Europe	8
		Eastern Europe	4
	Asia-Pacific	East Asia	11
		Southeast Asia	39
		Middle East	16
		Indian Sub-Continent	16
		Oceania	3
Others	Others	32	
Taiwan	Europe	Southern Europe	1
		Western Europe	9
		Eastern Europe	1
	America	North America	90
		Central America	4
		South America	3
	Asia-Pacific	East Asia	8
		Southeast Asia	27
		Indian Sub-Continent	10
		Oceania	5
Others	Others	7	
Korea	Europe	Southern Europe	1
		Western Europe	3
		Eastern Europe	1
	Asia-Pacific	East Asia	11
		Southeast Asia	24
		Indian Sub-Continent	12
		Oceania	3
Japan	Europe	Southern Europe	2
		Western Europe	3
	Asia-Pacific	East Asia	12
		Southeast Asia	25
		Middle East	19
		Indian Sub-Continent	16
		Oceania	3
Others	Others	3	

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The table below summarises countries/regions defined within different zones included in the preceding table:

<b>Destination by zone</b>	<b>Countries or regions included</b>
Baltic & Northern Europe	Denmark, Estonia, Finland, Iceland, Latvia, Lithuanian, Norway and Sweden
Southern Europe	Andorra, Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Gibraltar, Greece, Italy, Macedonia, Malta, Montenegro, Portugal, Romania, San Marino, Serbia, Slovenia, Spain, Turkey and Vatican City
Western Europe	Austria, Belgium, France, Germany, Liechtenstein, Luxemburg, Monaco, Netherlands, North Ireland, Switzerland and United Kingdom
Eastern Europe	Armenia, Azerbaijan , Belarus, Czech Republic, Georgia, Hungary, Moldova, Poland, Slovakia, Slovenian, Russia, Ukraine, Turkmenistan and Kazakstan
North America	Canada, United States and Alaska
Central America	Belize, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua and Panama
South America	Argentina, Bolivia, Brazil, Chile, Columbia, Ecuador, Falkland Islands, French Guiana, Guyana, Paraguay, Peru, South Georgia and South Sandwich Island, Suriname, Uruguay and Venezuela
East Asia	China, Taiwan, Macau, Hong Kong, Japan, North Korea, South Korea and Mongolia
Southeast Asia	Brunei, Cambodia, East Timor, Thailand, Laos, Vietnam, the Philippines, Malaysia, Myanmar, Singapore and Indonesia
Middle East	Afghanistan, Bahrain, Iran, Iraq, United Arab Emirates, Saudi Arabia, Jordan, Israel, Qatar, Yemen, Syria, Oman, Kuwait and Lebanon
Indian Sub-Continent	Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka
Oceania	Australia, New Zealand, South Pacific Islands including Papua New Guinea, Fiji Islands, Kiribati, Solomon Islands, Tonga, Samoa, Cook Islands, Tuvalu, Federated States of Micronesia, New Caledonia, Nauru Islands, Norfolk Island and Vanuatu
Others	Entire Africa including, Reunion, Mauritius and Madagascar

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### **Air routes bundling**

With our rich portfolio of air cargo routes, we are able to provide flexible air freight solutions to our customers (particularly customers from the deferred air freight segment or those delivering air cargos to the Developing Countries) at competitive pricing by way of bundling air routes from different airlines and integrated carriers.

For example, a customer would like to deliver consignments from China to Africa, but there are a few direct flights travelling between these two regions and the price of air cargo space via direct flight is high due to scarce supply. In this situation, we would go to our air cargo routes portfolio and locate one route which travels from China to a transit point and another which connects from that transit point to Africa. We will bundle the two routes and arrange for the delivery of air cargos from China to Africa.

### **Sea freight service**

During the Track Record Period, our subsidiary, AOE Freight, offered sea freight forwarding services which principally involved the transshipment of cargos from China via Hong Kong to different ports worldwide for some of our existing air freight customers as a packaged service. Revenues from sea freight forwarding services were approximately HK\$19.1 million, HK\$15.5 million, HK\$7.9 million and HK\$0.7 million, representing approximately 6.5%, 5.2%, 1.6% and 0.2% of our total revenue for the three financial years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 respectively. Our Directors consider that the business from sea freight forwarding is opportunistic and do not foresee that it will become our Group's core business.



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### SALES AND MARKETING

#### Sales markets and network

Our Group, headquartered in Hong Kong, has offices in Macau, Taipei and Tokyo as well as 11 offices in China. The following table summarises our Group's revenue by origin during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2008		2009		2010		2010		2011	
	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%
Hong Kong . . . . .	249.4	84.9%	174.1	58.6%	273.6	55.9%	124.9	55.1%	140.1	47.5%
Macau . . . . .	11.5	3.9%	14.6	4.9%	13.9	2.8%	10.0	4.4%	3.2	1.1%
PRC - Pearl River Delta <sup>(1)</sup> . . . . .	23.9	8.1%	48.7	16.4%	54.9	11.2%	27.3	12.1%	28.9	9.8%
PRC - Non-Pearl River Delta <sup>(2)</sup> . . . . .	9.0	3.1%	52.5	17.7%	108.6	22.2%	50.4	22.2%	54.6	18.5%
Others <sup>(3)</sup> . . . . .	—	0.0%	7.2	2.4%	38.9	7.9%	14.0	6.2%	68.1	23.1%
<b>Total revenue</b> . . . . .	<b>293.8</b>	<b>100.0%</b>	<b>297.1</b>	<b>100.0%</b>	<b>489.9</b>	<b>100.0%</b>	<b>226.6</b>	<b>100.0%</b>	<b>294.9</b>	<b>100.0%</b>

*Notes:*

1. *Pearl River Delta* includes Southern China (excluding Hong Kong and Macau).
2. *Non-Pearl River Delta* includes all other PRC cities not falling within the Pearl River Delta.
3. *Others* include Taiwan, Japan and Korea.

The following diagrams summarise the geographical coverage of our offices in Asia:

- (i) Our offices in Asia (excluding China)



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- (ii) Our offices in China (including Hong Kong (head office) and Macau)



\* We have two offices in each of Shenzhen and Guangzhou.

### Sales and operations staff

Our Group's sales teams are divided into different units under different subsidiaries in terms of coverage of airlines and/or integrated carriers. The sales and operations teams are responsible for marketing and providing our Group's services to existing customers and bringing in new customers in order to extend our sales network. Our sales and operations team members make regular courtesy visits to existing and potential customers in Hong Kong and China with a view to better understanding their requirements and expectations. We have also established 11 offices in Shenzhen (x 2), Guangzhou (x 2), Shanghai, Nanchang, Tianjin, Zhongshan, Hangzhou, Chengdu and Foshan where we hired salesmen and sales managers as well as operations staff with an aim to extend our sales network and better serve our customers in China. Members of our sales and operations teams often provide customers with suggestions to ensure cost-effective and efficient delivery of goods and provide a service intended to meet our customers' needs. Members of our sales and operations teams are entitled to a basic salary and commission bonus based on their sales performance. Set forth below is a breakdown of our headcounts for our sales and operations teams by geographic location as at 31 October 2011:

	Number of employees				
	Hong Kong	China	Macau	Overseas	Total
Sales personnel . . . . .	4	24	—	2	30
Operations . . . . .	24	26	2	4	56
<b>Total</b> . . . . .	<b>28</b>	<b>50</b>	<b>2</b>	<b>6</b>	<b>86</b>

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### Customers

As an air freight solution provider in the wholesale market, our target customers are freight forwarders. By positioning ourselves in the wholesale market, our freight forwarding customers do not have to worry about their own retail customers i.e. shippers being solicited by us and we are therefore able to secure an extensive network of freight forwarders as our customers. During the Track Record Period, we served over 1,000 freight forwarders, comprising 100 of them contributing to approximately 79.9%, 80.8%, 78.5% and 77.1% of our total sales for the respective years and period as well as other freight forwarders of a scale who can hardly secure air cargo space from airlines and/or integrated carrier directly due to a lack of:

- sufficient financial strength to provide bank guarantees to airlines and/or integrated carriers for purchases of air cargo space; and/or
- established business relationships with airlines and integrated carriers.

It is our management's strategy to seek to establish and maintain long-term relationships with our customers to secure stable air cargo sources during peak and slack seasons.

We do not generally have long term contracts to supply our customers with our services over any particular time period. Our Directors consider that our Group has established good and solid relationships with our customers. During the Track Record Period, we formed a 60% owned subsidiary, ASR Worldwide, with our customer, Worldwide Logistics. The table below shows the approximate percentages of sales to our five largest customers and to our largest customer over our total sales during each of the three financial years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011:

	Year ended 31 December			Six months ended 30 June
	2008	2009	2010	2011
	% of total sales	% of total sales	% of total sales	% of total sales
Sales to: —				
our five largest customers . . . . .	31.5	23.3	17.1	21.6
our largest customer . . . . .	10.1	7.9	5.4	7.5

We are not dependant on any single customer. Our five largest customers together accounted for approximately 31.5%, 23.3%, 17.1% and 21.6% of our total sales for the three financial years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 respectively. Worldwide Logistics accounted for approximately 10.1%, 7.9%, 5.4% and 1.7% of our total sales for the three financial years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 respectively. None of our Directors or their associates or any of our existing Shareholders had any interest in any of our five largest customers during the Track Record Period.

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### *Pricing*

Our Directors and senior management are responsible for determining the selling price of air cargo space for each air route. Internal meetings are held on a bi-weekly basis between our Directors and the senior management to digest market feedback and discuss any potential price movement.

Selling price is generally set based on the cost of sales plus a target margin. When we set prices or target margins for our services or contemplate a change in price or target margins, we generally consider the following major factors:

- the price offered by our competitors;
- the cost of sales, including the costs of air cargo space charged by airlines and integrated carriers, security charge, terminal charge, fuel surcharge and any relevant in-house costs;
- the level of acceptance of the current market price for the specific type or similar type of services;
- the seasonal factor;
- the potential for future business from a particular customer;
- the volume of air cargo space ordered; and
- our need to fulfil the air cargo space allotment by our suppliers.

Despite the above major factors generally considered by our Directors and senior management for pricing, we may set selling price at cost or below cost under the circumstances when our Group needs to fulfil the guaranteed purchase volume of air cargo space from airlines or integrated carriers under firm commitments since our Group is required to pay for the guaranteed volume regardless of whether our Group can sell the air cargo space. During the Track Record Period, such circumstances accounted for an insignificant portion of our Group's total revenue and did not have any material impact on our Group's gross profit margin. Our Group's gross profit margin improved significantly from approximately 15.1% for the financial year ended 31 December 2008 to approximately 29.6% for the financial year ended 31 December 2010.

Airlines and integrated carriers generally charge us based on the higher of the actual gross weight of a cargo and the minimum weight charged for each ULD. For loose consignments which are not bundled into a ULD, airlines and integrated carriers will charge us according to the chargeable weight, which is calculated based on the higher of the actual gross weight and the actual volume of air cargo space utilised (i.e. volumetric weight). In turn, we only charge our customers according to the chargeable weight. As a result, we usually employ the consolidation technique by co-loading light weight/large volume cargos with heavy weight/small volume cargos together in a ULD in order to maximise our revenue derived from our freight forwarding service. For details about a ULD, please refer to the section headed "Business — Operational flow — Operational process flow — Structure of a ULD".

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### *Credit management and payment terms*

We adopt prudent credit policies. Our standard credit terms for our customers are 30 to 60 days. Our customers settle payments with us mainly by cash or telegraphic transfers. Sales are principally denominated and settled in HK\$, RMB, US\$, MOP, TWD and JPY. For a new customer, we shall perform a company search, site visit and gather information as to the reputation of its creditworthiness within the industry. We will only grant credit to a new customer after we are satisfied with the result of the assessment. We may require our customers to provide a bank guarantee to us to reduce our credit exposure. Our finance department closely monitors our customers' payment records and remind our sales managers to follow up with our customers on overdue payments. For the three financial years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, our bad debts written-off were approximately HK\$0.3 million, HK\$1.3 million, HK\$0.2 million and nil respectively.

### **SUPPLIERS AND BANK GUARANTEES**

Our suppliers of air cargo space are mainly airlines and integrated carriers. We purchase air cargo space from our suppliers under either non-committed purchases or firm commitments, details of which are discussed in the section headed "Business — Our business model — Purchase arrangements for air cargo space". The average credit period offered by our suppliers of air cargo space is between 15 and 60 days. Consistent with industry practice, we are generally required to provide bank guarantees to the majority of our suppliers to secure purchases of air cargo space. Such bank guarantees are provided by the banks which would require such collaterals as pledged deposits from our Group. As at 31 December 2008, 2009 and 2010, 30 June 2011 and 31 October 2011, the aggregate bank guarantees provided by us were approximately HK\$16.2 million, HK\$16.2 million, HK\$19.5 million, HK\$31.4 million and HK\$47.0 million, and the pledged deposits placed by us as collaterals were approximately HK\$1.5 million, HK\$1.5 million, HK\$7.4 million, HK\$17.0 million and HK\$17.0 million, respectively. We also obtained sea cargo space from liners for sea freight forwarding service. The liners generally do not grant any credit term. During the Track Record Period, we did not receive any complaints from our suppliers due to late payment.

The table below shows the approximate percentages of purchases from our five largest suppliers and from our largest supplier over our total purchases during each of the three financial years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011:

	Year ended 31 December			Six months ended 30 June
	2008	2009	2010	2011
	% of total purchases	% of total purchases	% of total purchases	% of total purchases
Purchases from: —				
our five largest suppliers . . . . .	65.3	64.3	59.8	63.9
our largest supplier . . . . .	35.6	29.9	28.8	25.6

None of our Directors or their associates or any of our existing Shareholders had any interest in any of our five largest suppliers during the Track Record Period.

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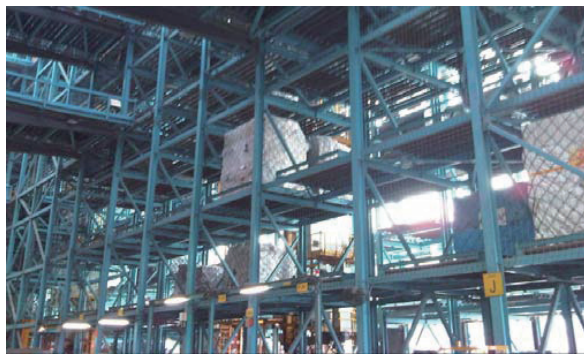
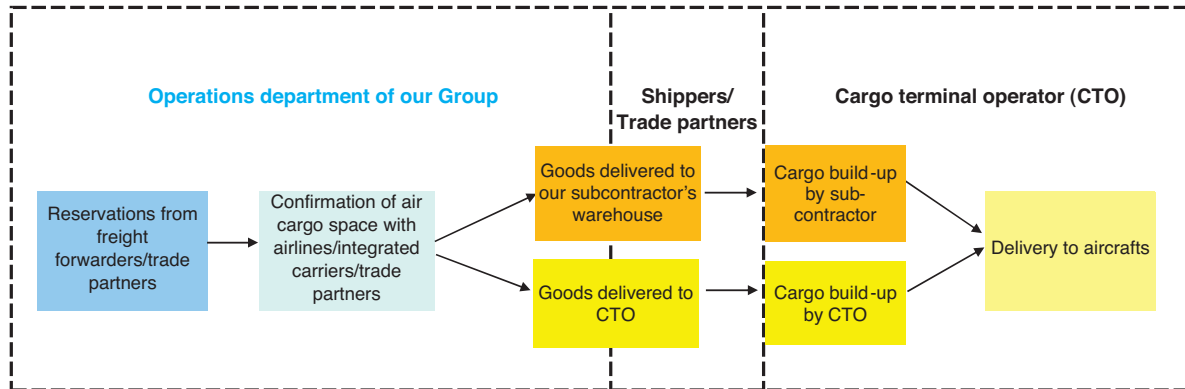
## BUSINESS

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### OPERATIONAL FLOW

#### Operational process flow

Set out below is a flow chart demonstrating the operation of our air freight forwarding business:



*Cargos temporarily stored in the CTO before loading*



*Consignments stacking in our subcontractor's warehouse*

#### Structure of a ULD

Consignments can be built up in the form of ULDs. Unless prohibited by the aircraft due to size (in terms of both volume and weight) implications or for co-loading purposes, consignments are usually bundled in a ULD at our subcontractor's warehouse or the CTO. A ULD is in the form of a pallet and a container. Pallets are flat sheets of aluminum on which loose consignments are stacked. Each pallet is usually covered with a net to secure loose pieces. A container is a unit used to load consignments. Pre-packed ULD allows a large quantity of consignments to be bundled into a single unit. This reduces the overall size and volume of goods to be delivered which saves time and efforts of ground handlers and helps prevent the delay of flights. Each ULD has its own packing list (or manifest) so that its contents can be tracked.



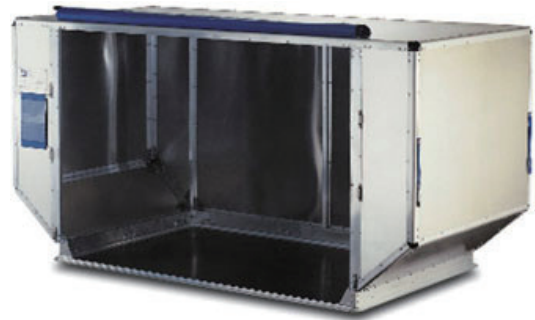
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## BUSINESS

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*Pallet*

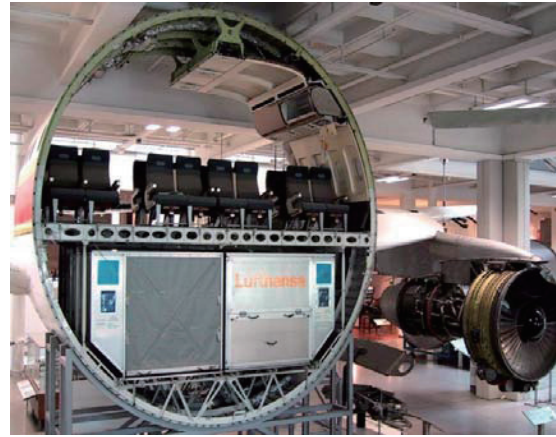


*Container*

For loose consignments which are not bundled into a ULD at our subcontractor's warehouse, the CTO of the relevant airline will do the build up and loading. The possible height of the bundled loose consignments or ULDs depends on the contour of the aircraft's cargo container.



*Loose consignments covered  
by a net at the CTO*



*Cross section of an aircraft  
showing the passenger section and  
the contour of the cargo container section\**

### *Consolidation*

Consistent with industry practice, we employ the consolidation technique by mixing light weight/large volume and heavy weight/small volume consignments in a ULD in order to maximise the utilisation of volume i.e. air cargo space and weight within a ULD and hence benefit from the differential between the actual and volumetric weights. For further details, please refer to the section headed "Business — Sales and marketing — Customers — Pricing".

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\* The image showing the cross section of an aircraft, the passenger section and the contour of the cargo container section is extracted from [www.wikipedia.org](http://www.wikipedia.org).

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## BUSINESS

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However, we do not perform consolidation for purchases of air cargo space under GSA agreements because we act and represent them as a sole agent i.e. GSA. The chargeable weight is solely based on the actual weight of air cargo space utilised and so consolidation is unnecessary. Goods may be arranged in the form of ULDs or loose consignments depending on the size of the aircraft and the decision of the relevant airline. We provide instructions and supervise as to how consignments are pre-packed and consolidated without getting ourselves physically involved.

### *Outsourcing of trucking and warehousing services*

We are not involved in the logistics aspects of the air cargo flow. We outsource such logistics services as trucking and warehousing to independent contractors for temporary warehousing and inventory control of consignments, and delivery and transportation of air cargos. For the relevant consignments, we formulate the consolidation plan and our independent contractor shall perform palletisation and consolidation in accordance with our instructions before delivery to the CTO. In respect of the transportation and delivery of air cargos, the independent contractors are responsible for the pick-up and delivery of air cargos to the CTO.

We enter into an agreement with an independent subcontractor on a yearly basis. For transportation and delivery services, we are charged in accordance with the weight of the air cargos unless the total weight does not exceed the minimum charge, in such case we shall pay the minimum charge. For palletisation services, we are charged in accordance with the weight of the pallet on which goods are assembled unless the total weight does not exceed the minimum charge, in such case we shall pay the minimum charge. The usage of warehouse is charged on a fixed rate based on the frequency of usage. Special charges shall be imposed if services are required on Sundays or public holidays. The payment term is 30 days.

### **Seasonality**

The demand for air cargo space varies greatly due to seasonality factors. Our peak season is between September and December, while our slack season begins after the Chinese New Year falling between February and June. Due to our ability to source sufficient air cargos for airlines and integrated carriers during slack seasons in the past, we have established good business relationships with various airlines and integrated carriers and are generally able to obtain sufficient air cargo space from them during peak seasons when the supply of air cargo space on the market is limited.

In respect of our purchases of air cargo space under firm commitments, we are guaranteed a certain amount of air cargo space for a relevant period and the purchase prices are pre-determined. With purchases under firm commitments, our Group is subject to less uncertainty caused by the unavailability of air cargo space due to seasonality and market conditions.



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## BUSINESS

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### SERVICE LIABILITY

In respect of our wholesale of air cargo space business, while we are responsible for making arrangements with airlines for our customers for the carriage of cargos by air, the contracts (in the form of air waybills) for the carriage of cargos by air are entered into between our customers (or our Group on behalf of them) and the airlines. Accordingly, the airlines are the carriers of the cargos of our customers rather than us and we shall not be liable for any loss or damage of the cargos caused by the airlines. Pursuant to the CAO, the carrier is 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. Accordingly, we would not be held liable for any loss or damage to the cargos caused after the cargos are loaded onto the aircrafts by the CTO.

As a wholesaler of air cargo space, our service liability obligations do not extend to the following areas:

- our Group is not responsible for the labelling requirements of the contents of the air cargos. This responsibility rests with the shipper (or the freight forwarder); and
- our Group is not required to obtain an export licence or import licence (as the case may be). The obligation to obtain the relevant licence rests with the shipper (or the freight forwarder).

Besides, we are not involved in the logistics aspects of the air cargo flow. We outsource the trucking and warehousing services to independent contractors. To clearly specify and identify our responsibilities and liabilities in this regard, we have incorporated the HAFFA FTCs in all the contracts between our Group and our customers with effect from 1 August 2011. The HAFFA FTCs are reference terms and conditions prepared by HAFFA for its members but adoption of the same is not mandatory. Pursuant to paragraph 16.5 of the HAFFA FTCs, pending forwarding or delivery, goods may be warehoused or otherwise held at any place at our sole discretion at the cost and risk of the customer. Also, the independent contractors shall be contractually responsible for any loss or damage of the goods when they are physically stored in the warehouse or during transit by truck.

Pursuant to paragraph 20.1 of the HAFFA FTCs, we shall not be responsible or liable for any damage, loss, non-delivery or mis-delivery of goods or for any delay or deviation howsoever arising or caused unless it is proven that such damage, loss, non-delivery, mis-delivery, delay or deviation occurred whilst the goods were in our actual custody and under our actual control and that the damage, loss, non-delivery, mis-delivery, delay or deviation was due to our wilful neglect or wilful default of our own servants. Before 1 August 2011, the HAFFA FTCs have not yet been incorporated in our trading terms and so our Group may be held contractually liable to our customers for the loss or damage of their cargos if such loss or damage is caused by our servants, employees or the independent contractors employed by our Group while the consignments are within their custody or possession. During the Track Record Period and up to the Latest Practicable Date, we did not receive any claims for loss or damage of our customers' cargos which caused a material adverse impact on our business. Please refer to the section headed "Business — Operational flow" in respect of such point or points of the cargo delivery process at which our Group will be held responsible for the consignments of our customers.

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## BUSINESS

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In order to mitigate the risk of liability of our servants, employees or independent contractors, we have adopted the following procedures:

- We adopt a prudent approach in the selection of employees and independent contractors based on experience, past performance and feedbacks from customers and other relevant parties.
- We review the performance of our independent contractors periodically.
- We review the performance of our staff periodically. We implement training programmes for our staff which mainly focus on specific areas such as sales and marketing, knowledge of the air cargo industry, use of the booking system, operational procedure and other technical knowledge.
- We require the major independent contractor which provides warehousing and trucking services to our Group to maintain insurance for the consignments of our customers.

In respect of customs clearance, the Hong Kong Customs and Excise Department has been conferred with the power to perform sampling check on all cargos. Our Group's only obligation is to cooperate with the Hong Kong Customs and Excise Department during its performance of such sampling checks. We are not required to verify the description of the cargo against the actual physical content of the cargo, unless we accept the labelling responsibility of the particulars of the relevant cargo for our customer. To avoid any potential legal risk, it is our policy that we would not handle the labelling of any cargo. As such, we would not be held liable if the cargo contains any illegal items.

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 cargos but may still be liable if we accept cargos containing dangerous goods without proper and sufficient documentation. To minimise the risk of violating the DGR, our staff members who perform the function of processing cargo containing declared dangerous goods have completed appropriate training on handling dangerous goods. Given the fact that most of the cargos we handled do not contain dangerous goods, our Directors are of the view that the potential liability under the DGR would not have material impact on the business operations of our Group. During the Track Record Period, we were not prosecuted or penalised under the DGR.

It is the primary responsibility of our customers to prepare proper documentation for customs clearance in all jurisdictions in which we operate. Upon special request by our customers, we may prepare or arrange another intermediary to prepare such documentation on their behalf.

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## BUSINESS

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### AWARDS AND ACCREDITATION

As a result of our commitment to the quality of our services, we have received the following awards and accreditation:

Year of grant	Awards/Accreditation	Awardee	Awarding body
2011 . . . . .	Top 1 Agent in local wholesale market in 2010	AOE Freight	AirBridgeCargo Airlines
2011 . . . . .	Top 5 Agent Partner since 2006	ASR Limited	AirBridgeCargo Airlines
2008 . . . . .	Top Cargo Agent Award	AOE Freight	United Airlines
2006 . . . . .	Top Cargo Agent Award	AOE Freight	United Airlines
2003 . . . . .	Mega Tonners Award — Top Cargo Agent	AOE Freight	Malaysia Airlines Cargo Sdn. Bhd.
Since 1998 . .	Accredited Cargo Agent	AOE Freight	IATA

### INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we had registered five trademarks in Hong Kong and were in the process of applying for registration of seven trademarks in the PRC.

As at the Latest Practicable Date, we had not given any consent to any other party for the use of any trademarks owned by us. We are not aware of any material infringement of trademarks copyrights or other intellectual property rights owned by us during the Track Record Period, any litigation or material disputes regarding the intellectual property rights owned by us during the Track Record Period, and any infringement of intellectual property rights owned by any third party.

As at the Latest Practicable Date, we had also registered the following domain names:

- asrholdings.com.hk
- asr.com.hk
- asrw.com.hk
- asreu.com
- aoecargo.com
- aoecargo.com.cn
- asrco.com.hk
- star-pacific.com
- starlitexp.com
- asr-gsa.com
- pacemp.com
- oa-cargo.com
- starcgo.com
- asr-infrastructure.com

Save for the trademarks and domain names disclosed in this prospectus, our business and profitability are not dependant on any other trademarks, copyrights or other intellectual property rights.

Details of our intellectual property rights as at the Latest Practicable Date are set out in the section headed “Further information about our business — Intellectual property rights” in Appendix V to this prospectus.

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## BUSINESS

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### COMPETITION

The major participants involved in the supply chain of the air cargo industry are principally categorised into airlines, integrated carriers and freight forwarders, each type of which is of a different scale ranging from small family owned companies to large multinational courier and logistics companies and serve different functions along the supply chain.

Based on our Directors' experience in and understanding of the air cargo industry, there are layers of freight forwarders which act as intermediaries to coordinate between airlines or integrated carriers and shippers since airlines or integrated carriers do not generally deal with a large pool of freight forwarders and shippers but appoint their own freight forwarders who are commonly known as *wholesalers* for ease of management, cost effectiveness and minimising credit exposure. Our Directors consider that the freight forwarding segment is highly fragmented and competitive with numerous freight forwarders and/or wholesalers with varying capacities and roles and the freight forwarders are relatively regional and local. Due to the variety of air cargo routes offered by different wholesalers, there is a possibility that we compete with our customers who are also wholesalers of certain air cargo routes, and may be even our suppliers from whom we source air cargo space for certain other air cargo routes.

In order to enhance our competitiveness in the market and maintain the viability of our business, we have focused on:

- positioning ourselves in the wholesale market so that our freight forwarding customers do not have to worry about their own retail customers i.e. shippers being solicited by us, which enables us to secure an extensive network of freight forwarders as our customers;
- delivering deferred air freight service; and
- providing air freight solutions in connection with destinations in the Developing Countries which are under served by airlines and integrated carriers because of the considerably limited demand for passenger and air cargo services.

Our Group has achieved growth in revenue from approximately HK\$293.8 million for the financial year ended 31 December 2008 to HK\$489.9 million for the financial year ended 31 December 2010 with our successful efforts in capturing the business opportunities in the deferred air freight segment and in the Developing Countries.

Furthermore, there are major entry barriers to the air cargo space wholesalers market such as proven historical sales track records and air cargo sourcing capabilities as well as financial strengths to provide bank guarantees to airlines or integrated carriers in order to be appointed as their selected air cargo space wholesalers. The aggregate bank guarantees provided were approximately HK\$16.2 million, HK\$16.2 million, HK\$19.5 million and HK\$31.4 million as at 31 December 2008, 2009 and 2010 and 30 June 2011 respectively. On this front, our Directors believe that we have established an extensive customer network and air routes portfolio as well as sufficient financial resources over the past 20 years of operations to continue to be successful in this market.

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### INSURANCE

Pursuant to paragraph 12.1 of the HAFFA FTCs, we are not required to arrange any insurance except on express written instructions given by the customer and accepted by us in writing. The independent contractors providing trucking and warehousing services to us are contractually liable to us for the loss of or damage to cargo, or the non-delivery or mis-delivery of cargo handled by them. If any claim arises due to the loss of or damage to cargo caused by the independent contractors, we will be able to recover the claim from them, or the non-delivery or mis-delivery of cargo.

Pursuant to the GSA agreements entered into between us and various airlines, we have maintained an insurance policy which covers cargo and related liabilities including physical loss of or physical damage to cargos resulted from our negligence or omission. Due to the nature of our business as a wholesaler of air cargo space and the extent of our service liability, we believe that the aforementioned insurance coverage is adequate for our operations. During the Track Record Period, we did not experience any material claims from third parties nor did we make any material insurance claims.

### PROPERTIES

Our Group does not own any properties. As at 30 September 2011, we leased 17 premises from Independent Third Parties with a total gross floor area of approximately 2,481.04 square meters, which are located in Hong Kong, China, Macau, Taiwan and Japan. None of the leased properties is individually material to our Group in terms of total net sales and total rental expenses. In addition, the location of each leased property does not have significant effect on the operations of our business. Please refer to the property valuation report set forth in Appendix III to this prospectus for further details of our leased properties.

Our Group does not own or lease any properties in Malaysia since our business in Malaysia has been operated through our Hong Kong office but not Star Pac (Malaysia), which merely acts as a liaison and representative office to signify our presence in Malaysia. There is no actual business operation taking place in Malaysia and the registered office of Star Pac (Malaysia) was provided by its registered agent. Our Group also does not own or lease any properties in Thailand since Star Cargo (Thailand) is currently inactive and is using its registered agent's office in Thailand as its own registered office.

Save for the properties disclosed in the sections headed "Risk factors — Risks relating to our business — We may have to relocate the offices of our branches in Shenzhen, Nanchang, Hangzhou and Tianjin" and "Business — Compliance and litigation — Non-registration of certain tenancy agreements in the PRC", we have entered into valid tenancy agreements and the lessors have obtained all the necessary title certificates for such properties and all tenancy agreements entered into in the PRC have been properly registered with the relevant authorities.

We paid operating lease rentals for buildings of approximately HK\$1.2 million, HK\$1.5 million, HK\$2.1 million and HK\$1.8 million for the three financial years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 respectively.

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### COMPLIANCE AND LITIGATION

Our PRC Legal Adviser has advised that we have obtained and completed all the required examination and approval formalities in all material aspects from the PRC government in respect of the reorganisation of our existing Group members in the PRC for the purposes of the Listing, which is legal and valid under the PRC laws and regulations.

The laws and regulations applicable to our operations in all relevant jurisdictions are set out in the section headed “Regulatory overview”. Nevertheless, there is no assurance that such laws and regulations in those jurisdictions will not change in the future.

Each of our Hong Kong, PRC, Macau, Japan, Taiwan, Malaysia and Thailand Legal Advisers has advised that each of our subsidiaries in the respective jurisdiction has obtained all the permits and licences necessary for its business operations from the relevant governmental bodies and has complied with all the applicable laws, rules and regulations, and/or all applicable international conventions in its own jurisdiction in all material aspects since its establishment save as disclosed as follows:

#### *Section 122 of the Hong Kong Companies Ordinance*

Pursuant to section 122 of the Companies Ordinance, the financial statements of ASR Limited (formerly known as ASR Holdings Limited), ASR Worldwide and Bluestream Aviation (collectively, the “**Hong Kong Subsidiaries**”) are required to be laid at their annual general meetings no later than nine months after the date to which such financial statements are made up or at their other general meetings at a later time as may be specified by the court. If the directors fail to take reasonable steps to comply with section 122 of the Companies Ordinance, they shall be liable to a fine with a maximum amount of HK\$300,000 and imprisonment with a maximum period of 12 months.

The financial statements of ASR Limited for the period from its date of incorporation (i.e. 24 May 2005) to 31 December 2005 and the financial years ended 31 December 2006, 2007, 2008 and 2009 were laid at its annual general meeting held on 22 August 2011. The financial statements of ASR Worldwide for the period from its date of incorporation (i.e. 3 April 2008) to 31 March 2009 and the financial year ended 31 March 2010 were laid at their respective annual general meetings held on 27 April 2010 and 17 May 2011. The financial statements of Bluestream Aviation for the period from its date of incorporation (i.e. 11 March 2008) to 31 December 2010 were laid at its annual general meeting held on 27 July 2011.

On 7 September 2011, the Court of First Instance of the High Court of Hong Kong granted orders pursuant to section 122(1B) of the Companies Ordinance as follows:

- the requirements under sections 122(1) and 122(2) be substituted; and
- time be extended for the laying of the financial statements of the Hong Kong Subsidiaries as referred to above.

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Our Hong Kong Legal Adviser has advised that our Hong Kong Subsidiaries are, therefore, in compliance with section 122 of the Companies Ordinance.

We relied on the external company secretary and internal accounting staff to prepare the books and accounts of the Hong Kong Subsidiaries and to advise on all issues relating to the compliance of the relevant laws, rules and regulations, but we have not been advised nor informed of the precise requirements under section 122 of the Companies Ordinance.

The financial statements of the Hong Kong Subsidiaries for the financial year/period ended 31 December 2010 have been laid at the annual general meetings of ASR Limited, ASR Worldwide and Bluestream Aviation held on 22 August 2011, 30 August 2011 and 27 July 2011 respectively in compliance with section 122 of the Companies Ordinance. Further, as a matter of implementation of effective remedial measures, our Directors will ensure that the financial statements of our Hong Kong Subsidiaries for the years thereafter will be laid at their respective annual general meetings within the time specified in section 122(1A) of the Companies Ordinance by designating our Company Secretary to: (i) monitor the regulatory compliance regarding company secretarial matters and financial reporting in respect of our Hong Kong Subsidiaries; and (ii) keep abreast of the regulatory requirements regarding financial reporting under the Hong Kong regime. The Sponsor considers that designating our Company Secretary who is familiar with the requirements under section 122 of the Companies Ordinance to monitor the compliance with the same is an effective and adequate measure to ensure the ongoing compliance by our Group.

### *Late capital contribution by AOE Freight to AOE Freight (Shenzhen)*

In 2005, AOE Freight was late to make up the shortfall of RMB8,841.20 in paying the capital contribution for the increase of the registered capital of AOE Freight (Shenzhen) by approximately 10 months according to the timeframe stipulated by the government authority. Such delay was due to an incorrect exchange rate inadvertently used. Our PRC Legal Adviser has advised that the legal risk to AOE Freight (Shenzhen) is remote since: (i) such capital contribution was still made within the time limit prescribed in the PRC Company Law; (ii) AOE Freight (Shenzhen) has renewed the business licence from the government authority without any penalty; and (iii) the limitation period for the relevant authority to impose penalty on us is two years under 中國行政處罰法 (the Administrative Punishment Law of the PRC). No provision is considered necessary in this connection.

### *Outstanding social insurance fund and housing provident fund contributions and relevant registrations by Pacific Empire (Shenzhen) and AOE Freight (Shenzhen)*

During the Track Record Period, as our PRC staff overlooked the relevant compliance requirements: (i) Pacific Empire (Shenzhen) and AOE Freight (Shenzhen) failed to make the housing provident fund contributions and the social insurance fund contributions for four employees amounting to RMB7,200 and RMB32,917 as at 30 June 2011 respectively; and (ii) the Chengdu branch of Pacific Empire (Shenzhen) failed to make registration with the local social insurance authority and deposit registration with the local housing provident fund authority within 30 days from the date of establishment in Chengdu City. Our PRC Legal Adviser has advised that we may be subject to a daily late fee calculated



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## BUSINESS

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by the amount of outstanding social insurance fund multiplied by a daily rate of 0.05% after the due date and a penalty fee up to three times of the outstanding social insurance fund amount. For the failure to make adequate housing provident fund contributions, a penalty fee in the maximum amount of RMB50,000 may be imposed on us.

From August 2011 onwards, we have arranged to make full contributions to the social insurance fund and housing provident fund contributions for all our PRC employees. In addition, we paid off the entire outstanding housing provident fund and pension insurance fund contributions in August 2011 and October 2011 respectively. We also finished the registration with the local social insurance authority and deposit registration with the local housing provident fund authority for the Chengdu branch of Pacific Empire (Shenzhen) in October 2011. No provision is considered necessary in this connection.

Our Controlling Shareholders have undertaken to indemnify in favour of our Group against any costs, expenses and/or damages as a result of our above non-compliance with PRC social insurance fund and housing provident fund laws and regulations.

### *Late tax filing and registration by Pacific Empire (Shenzhen)*

In May 2010, July 2010, September 2010, March 2011 and August 2011, Pacific Empire (Shenzhen) and its Tianjin branch were fined a total of RMB2,945 (which were duly paid) for one incident of late tax registration and four incidents of late filing of tax return as our PRC staff overlooked the relevant compliance requirements under the PRC tax laws and regulations. Our PRC Legal Adviser has advised that except for the above fines, no other material fine or penalty was imposed on our Group by any PRC authorities as at the Latest Practicable Date. Our Directors consider that the payment of such fines would not have any material adverse impact on our Group's financial performance and conditions. No provision is considered necessary in this connection.

### *Non-registration of certain tenancy agreements in the PRC*

Our PRC Legal Adviser considers that the leases for four operating office premises located in Shenzhen and Nanchang, of AOE Freight (Shenzhen), and Hangzhou and Tianjin, of Pacific Empire (Shenzhen), are not in compliance with the provisions of the relevant PRC laws and regulations and may not be valid and enforceable due to one or more of the following reasons:

- (i) the relevant lessor is unable to provide its legal title documents or building ownership certificate for the property;
- (ii) for the property in Shenzhen, the lessor is unable to provide the landlord's consent to the sub-lease of the property; and
- (iii) for the properties in Shenzhen, Nanchang and Hangzhou, the tenancy agreements have not been registered with the relevant authority.



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Our PRC Legal Adviser considers that it is the primary responsibility of the lessors to duly register the tenancy agreements. As the relevant lessors are unable to provide the legal title documents and/or the landlord's consent to sub-lease, the unregistered tenancy agreements are currently not registrable with the relevant housing authorities. No remedial action can be taken by us at the moment. Our PRC Legal Adviser has further advised that the lessors shall be liable for the non-registration of the tenancy agreements and we shall not be liable for any civil or criminal responsibilities or any administrative penalty thereof.

Given the location of these office premises is not essential to our operations and we can easily relocate them at insignificant cost, our Directors are of the view that any early termination of these leases would not have a material impact on our business operations. No provision is considered necessary in this connection.

### *Remedial actions taken for non-compliance incidents in the PRC*

As a matter of implementation of effective remedial measures in order to ensure ongoing compliance with the relevant laws and regulations in the PRC, our Directors have adopted and plan to adopt the following measures:

- Ms. Feng Qian Qing, Connie, our senior management officer, has been appointed as our internal compliance officer who is currently stationed in our office in Guangzhou. Ms. Feng is responsible for managing and overseeing matters in connection with accounting, finance and regulatory compliance for our PRC operations. To reinforce her performance as our internal compliance officer in the PRC, we have further retained a PRC law firm as our PRC legal adviser in respect of legal and regulatory compliance matters in the PRC.
- Meetings and seminars will be arranged for our senior management from time to time to discuss and study regulatory requirements and latest updates thereof applicable to our business operations.
- All management and staff will be required to report to and/or notify our Directors, our compliance officer or our legal adviser promptly of any events which are subject of any possible violations that may be subject to the various regulatory requirements.
- Regular training programmes will be held to improve our staff's legal knowledge.
- We will make the social insurance fund contributions and housing provident fund contributions for all our PRC employees in accordance with the relevant PRC laws and regulations.
- We will make the tax filing and payment strictly within the timeframe required by the tax authorities currently.

The Sponsor is of the view that the above measures will improve our staff's understanding of the relevant rules and regulations in the PRC and enable our Group to strengthen our control environment both at the working level and at the monitoring level, and therefore, the above measures should be adequate and effective to ensure our Group's ongoing compliance with the relevant rules and regulations in the PRC.

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### *Late general meeting and tax filing by Star Cargo (Thailand)*

Pursuant to the Civil and Commercial Code of Thailand and the Announcement of the Department of Business Development B.E. 2553 (A.D. 2010), any limited company which is established under the laws of Thailand must have its financial statements approved by its shareholders in the general meeting within four months after the end of its financial year, the failure to comply with which the maximum penalty shall be a fine of Baht 2,000 against the company and a fine of Baht 5,000 against each director. Such financial statements must be submitted to the Ministry of Commerce in Thailand within one month after the date of approval by the general meeting, the failure to comply with which the maximum penalty shall be a fine of Baht 1,200 against the company. Since the financial year end of Star Cargo (Thailand) is 31 December, it should hold its annual general meeting on or before 30 April 2011 and file its financial statements to the Ministry of Commerce in Thailand within one month thereafter. In addition, under the regulations of the Revenue Department in Thailand, an annual income tax return should be submitted to the Revenue Department within 150 days from the end of financial year by no later than 31 May in each year, the failure to comply with which the maximum penalty shall be a fine of Baht 2,000.

Star Cargo (Thailand) failed to hold its first annual general meeting and to duly file the annual income tax return and financial statements for the financial year ended 31 December 2010 with the Ministry of Commerce in Thailand. As a consequence, penalty fees in the total amount of Baht 14,000 (Baht 2,000 against Star Cargo (Thailand) and Baht 5,000 against each of the two directors of Star Cargo (Thailand) in respect of late general meeting and another Baht 2,000 against Star Cargo (Thailand) in respect of late annual income tax return) have been paid by Star Cargo (Thailand). Since Star Cargo (Thailand) had no taxable profit for the year ended 31 December 2010, no income tax was charged and so there was no surcharge for late tax payment. In addition, since the financial statements were filed within one month after the annual general meeting, no penalty was imposed. Our Thailand Legal Adviser has confirmed that no further penalty or fine would be imposed on Star Cargo (Thailand). Our Directors consider that the payment of such penalty fee would not have any material adverse impact on our Group's financial performance and conditions. No provision is considered necessary in this connection.

Due to Star Cargo (Thailand) being inactive, we overlooked the compliance issues of the relevant laws, rules and regulations in Thailand. Our Directors have taken the following remedial measures:

- we have engaged an accounting firm in Thailand to prepare annual financial statements for Star Cargo (Thailand);
- we have designated our Company Secretary to (i) monitor the regulatory compliance regarding company secretarial matters and financial reporting in respect of Star Cargo (Thailand); and (ii) keep abreast of the regulatory requirements regarding financial reporting under the Thailand regime; and
- we have been advised by our Thailand Legal Adviser as to the relevant laws and regulations in Thailand and will undertake to hold annual general meetings on time in the future.

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## BUSINESS

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The Sponsor considers that designating our Company Secretary who has been advised by our Thailand Legal Adviser to monitor our compliance with the relevant laws and regulations in Thailand together with the assistance from the accounting firm in Thailand should be adequate and effective to ensure our Group's ongoing compliance with the relevant rules and regulations in Thailand.

### **Litigation**

As at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against any member of our Group.

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## REGULATORY OVERVIEW

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The relevant laws and regulations applicable to our operations and the business of our Group are set out below:

### HONG KONG LAWS AND REGULATIONS

#### **The Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong)**

Every person, (a company or individual), carrying on a business in Hong Kong is required by the Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong) to register with the Inland Revenue Department and obtain a business registration certificate within one month of the commencement of the business. Business registration is a process based on application and does not involve government approval. Once the stated criteria are met, a business registration certificate will be granted. Business registration serves to notify the Inland Revenue Department of the establishment of a business in Hong Kong and therefore, it is designed to facilitate the Inland Revenue Department to collect tax from various “businesses” in Hong Kong. Business registration does not serve to regulate the business activities of any person. If a person carries on a business using one or more business or trade names, then a business registration certificate will be required for each different business or trade name. A business registration certificate is renewable every year and the current fee is HK\$2,450 for a 1-year business registration certificate. As at the Latest Practicable Date, our Group has all of the required business registration certificates for our business in Hong Kong.

Our Hong Kong Legal Adviser has advised that there is no specific licensing requirement for conducting our business in Hong Kong (in addition to what is required for carrying on business in Hong Kong in general) pursuant to the laws of Hong Kong.

#### **Convention on International Civil Aviation (“CICA”) and the Aviation Security Ordinance (Chapter 494 of the Laws of Hong Kong)**

The security of air cargos has to be kept in line with Annex 17 to the CICA safeguarding aircraft against acts of unlawful interference. As a result, the Hong Kong Aviation Security Program, which is enforceable under the Aviation Security Ordinance (Chapter 494 of the Laws of Hong Kong), has incorporated the Regulated Agent Regime (“**RAR**”) since March 2000. Our Group has been registered as a regulated agent (“**RA**”) under the RAR and is required to comply with the requirements in the Hong Kong Aviation Security Program in order to prevent the unauthorised carriage of explosives and incendiary devices in consignments of cargo intended for carriage by air.

Under the RAR, we are obliged, among other obligations, to ensure that the appropriate security controls acceptable by the CAD are properly implemented upon the acceptance of cargos for carriage by air unless the consignment is from a known consignor recognised by a RA and that a consignment of cargos is safeguarded against unauthorised interference after its reception and to make best endeavours to protect it from unauthorised interference until the consignment is accepted by another RA or an airline.

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## REGULATORY OVERVIEW

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We are required to ensure that a consignment of cargo accepted from a known consignor or another RA is:

- accompanied by a full description of the contents in shipping documents (e.g. air waybills, cargo manifests or shipper's instructions), that the RA's registration code or the known consignor's code on the shipping documents of the consignment is checked;
- checked against the description in the shipping documents in respect of quantity of cargo tendered and any signs of the package having been tampered with;
- declared as known cargo by checking the annotation of the tendering RA's registration code or otherwise stated as unknown cargo on shipping documents in inter-RA's handling; and
- safeguarded from unauthorised interference after it has been received until accepted by the next RA or an airline, or until loaded onto an aircraft.

However, we are not required to verify the descriptions of the cargo against the actual physical contents of the cargo, unless we accept the labeling responsibility of the particulars of the relevant cargo for our customer. To avoid any potential legal risk, it is our policy that we would not handle the labelling of any cargo. Such responsibility lies on the ultimate owner and/or the shipper.

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

Under the 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 cargos but may still be liable if we accept cargos containing dangerous goods without proper and sufficient documentation.

### **The Warsaw Convention**

The Warsaw Convention is 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 at The Hague and in 1975 in Montreal. It was superseded by the Montreal Convention with effect from 1999.

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## REGULATORY OVERVIEW

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### 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 became subject to the Convention on 15 December 2006. The Montreal Convention was brought into force in Hong Kong under the Carriage of 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 of 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 of 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 cargos. Its extract is stated as follows:

- (1) *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.*
- (2) *However, the carrier is not liable if and to the extent it proves that the destruction, or loss of, or damage to, the cargo resulted from one or more of the following:*
  - (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;*
  - (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 cargos if such loss or damage is caused by our servants, employees or the independent contractors employed by our Group while the cargos are within their custody or possession or by defective packing of the cargos performed by our servants, employees or the independent contractors.

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## REGULATORY OVERVIEW

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### CEPA

On 29 June 2003, China and Hong Kong signed the main text of the CEPA. The CEPA mainly covers 3 broad areas, being: (i) trade in goods; (ii) trade in services; and (iii) trade and investment facilitation. Under the CEPA, services suppliers in Hong Kong enjoy preferential treatment when establishing business in the PRC in various service sectors. Such preferential treatment takes various forms, including allowing wholly-owned operations, relaxing restrictions on equity share holding, reducing registered capital requirements, relaxing restrictions over geographical location and business scope, etc.

According to Annex 4 to the CEPA, China allows Hong Kong service suppliers to establish WFOEs to provide freight forwarding agency services in China. On 2 November 2004, AOE Freight was approved by the MOFCOM to establish AOE Freight (Shenzhen) under the CEPA with the registered capital of RMB3 million, which is the required amount for domestic enterprises.

### PRC LAWS AND REGULATIONS

#### Legal system

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations and directives, local regulations and rules, and international treaties entered into by the PRC. Court cases that have been decided do not constitute binding precedents, although they are used for the purposes of judicial reference and guidance.

The National People's Congress of the PRC, or the NPC, and the Standing Committee of the NPC, or the NPCSC, are empowered by the PRC Constitution to exercise the legislative power of the PRC. The NPC has the power to amend the PRC Constitution and enact and amend basic laws governing the state organs, and civil and criminal matters. The NPCSC is empowered to interpret, enact and amend laws other than those required to be enacted by the NPC.

The State Council is the highest organ of state administration and has the power to enact administrative rules and regulations. The ministries and commissions under the State Council are also vested with the power to issue regulations, rules and measures within the jurisdiction of their respective departments. All administrative rules, regulations, and measures promulgated by the State Council and its ministries and commissions must not conflict with the PRC Constitution and the national laws enacted by the NPC and the NPCSC. In the event that any such conflict arises, the NPCSC has the power to abrogate such administrative rules, regulations and measures.

Local regulations may be enacted or issued at the provincial or municipal people's congresses and the standing committees of the provincial or municipal people's congresses. The PRC governments may promulgate rules applicable to their own administrative region. However, these local regulations must not conflict with the PRC Constitution, the national laws, or the administrative rules and regulations promulgated by the State Council, as well as the administrative regulations promulgated by the State Council.

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The power to interpret laws is vested by the PRC Constitution in the NPCSC. According to 全國人民代表大會常務委員會關於加強法律解釋工作的決議 (the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws, passed on 10 June 1981), the Supreme Court of the PRC has the power to give brief interpretations on the specific application of laws in judicial proceedings of the court in addition to its power to issue specific interpretation for specific cases.

### Judicial system

The people's courts are the judicial organs of the PRC. Under the PRC Constitution and 中華人民共和國法院組織法 (the Law of Organisation of the People's Courts of the PRC (2007 revision), promulgated on 1 July 1979 and subsequently amended), the people's courts are made up of the Supreme People's Court, the local people's courts, the military courts and other special people's courts. The local people's courts are divided into three levels, namely, the Basic People's Courts, the Intermediate People's Courts and the Higher People's Courts. There are civil, criminal and administrative divisions under the Basic People's courts. The Intermediate People's Courts and the Higher People's Courts have divisions similar to those of the Basic People's Courts and other special divisions (such as the intellectual property division), in accordance with needs. The judicial work of the people's courts at lower levels is subject to the supervision of people's courts at higher levels. The People's Procuratorates of the PRC also have the right to exercise legal supervision over the proceedings of people's courts of the same level and the lower level. The Supreme People's Court of the PRC is the highest judicial organ in the PRC. It supervises the administration of justice by the people's courts and special people's courts at all levels.

The people's courts adopt a two-tier final appeal system. If a party is not satisfied with a judgment or order of the first instance of a local people's court, it may appeal against such judgment or order to the people's court at the next higher level, and the judgments or orders of the second instance of the Supreme People's Court are final and binding. If, however, the Supreme People's Court or a people's court at a higher level finds an error in a final and binding judgment which has taken effect in any people's courts at a lower level, or the presiding judge of a people's court finds an error in a final and binding judgment which has taken effect in the court over which he presides, a retrial of the case may be conducted according to the judicial supervision procedures. If a party considers an error exists in a final and binding judgment which has taken effect, it may appeal for a retrial to the original people's court or a people's court at a higher level.

The PRC civil procedures are governed by 中華人民共和國民事訴訟法 (the Civil Procedure Law of the PRC, or the Civil Procedure Law, which was adopted on 9 April 1991 and amended on 28 October 2007 and came into effect on 1 April 2008) which prescribes the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures for a civil action, the court procedures, and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. A general civil case is heard by a people's court located in the defendant's place of domicile. A court may also be specified in a contract by express agreement by the parties to preside over the case provided that the people's court having the jurisdiction is located at the plaintiff's or the defendant's place of domicile, the place of execution or implementation of the contract or the object of the action but it must not violate the regulations in respect of hierarchy and jurisdiction of the courts as stated in the Civil Procedure Law. A foreign national, stateless person, foreign enterprise and organisation are given the same litigation rights and obligations as a citizen, legal person



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## REGULATORY OVERVIEW

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and other organisation of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens, legal person and other organisations, the PRC courts may apply the principal of reciprocity to the Civil Litigation Rights of the citizens, enterprises and organisations of that foreign country. If any party to a civil action refuses to comply with a judgment or an order made by a people's court or an award made by an arbitration organ in the PRC, the affected party may apply to the people's court to enforce the judgment, order or award. There are time limits imposed on the right to apply for such enforcement. The time limit for the submission of an application for enforcement shall be two years.

If a party applies for enforcement of a legally effective judgment or ruling made by a people's court and the party subject to the enforcement or its property is not within the territory of the PRC, the applicant may directly apply for the recognition and enforcement of the judgment or ruling to the foreign court that has jurisdiction over the case, or have the people's court request a foreign court to recognise and enforce the judgment or ruling according to the relevant provisions of the international or bilateral treaties concluded or acceded to by PRC or on the principle of reciprocity unless the people's court considers that the recognition or enforcement of the judgment or ruling will violate fundamental legal principles of the PRC or its sovereignty, security or social or public interest.

In July 2006, the Arrangement on Reciprocal Recognition and Enforcement and Judgments in Civil and Commercial Matters by the Courts of Mainland and the Hong Kong Special Administrative Region Pursuant to Choice of Courts Agreements between Parties Concerned was reached on the matters relating to mutual assistance on legal matters between Hong Kong and PRC. According to this mutual legal assistance agreement, where any people's court of the PRC or any court of Hong Kong has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of agreement in writing, any party concerned may apply under the agreement to a people's court of the PRC or a court of Hong Kong for recognition and enforcement of judgment.

### **Taxation**

#### *Enterprise income tax*

On 16 March 2007, the National People's Congress of the PRC enacted 中華人民共和國企業所得稅法 (the Enterprise Income Tax Law of the PRC, or the 2008 EIT Law), and on 6 December 2007, the State Council enacted 中華人民共和國企業所得稅實施條例 (the Implementation Rules of the Enterprise Income Tax Law of the PRC, or the New Implementation Rules), both of which became effective as of 1 January 2008.

Under the 2008 EIT Law and the New Implementation Rules, both domestic enterprises and foreign invested enterprises in China are subject to the enterprise income tax at a uniform rate of 25%. However, according to the Article 57 of the 2008 EIT Law, for enterprises that were approved to be established prior to the promulgation of the 2008 EIT Law and were subject to lower tax rates according to the provisions of the previous tax laws and administrative regulations, their income tax rates shall, according to the provisions of the State Council, be gradually transferred to the tax rate provided in the 2008 EIT Law within five years after the 2008 EIT Law has been promulgated. The enterprises that have enjoyed preferential treatment of tax exemption for a fixed term may, according to the provisions of the State

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## REGULATORY OVERVIEW

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Council, continue to enjoy such treatment after the implementation of the 2008 EIT Law until the fix term expires. However, for those enterprises that have failed to enjoy preferential treatment due to an inability to make profits, the term of preferential treatment may be counted from the year when the 2008 EIT Law was implemented.

On 26 December 2007, the State Council issued 國務院關於實施企業所得稅過渡優惠政策的通知 (the Notice of the State Council on the Implementation of Transitional Preferential Enterprise Income Tax Policies, or the Transition Preferential Policy Circular), which became effective simultaneously with the 2008 EIT Law. According to the Transitional Preferential Policy Circular, enterprises that have previously enjoyed the preferential policies of low tax rates shall be gradually transferred to the statutory tax rate within 5 years after the implementation of the 2008 EIT Law. Among them, enterprises that were subject to the enterprise income tax rate of 15% shall be subject to the enterprise income tax rate of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012. The enterprises that previously enjoyed the tax rate of 24% shall be subject to the tax rate of 25% as of 2008.

The 2008 EIT Law provides that a withholding tax rate of 20% will normally be applicable to dividends payable to non-PRC resident enterprises, unless there exists a tax treaty between the PRC and the relevant jurisdictions in which such non-PRC resident enterprise shareholders reside whereupon the relevant tax may be reduced or exempted. Pursuant to the New Implementation Rules, a reduced withholding tax rate of 10% shall be applicable to any dividends payable to non-PRC enterprise investors of foreign invested enterprises.

### *Dividends from our PRC subsidiaries*

Pursuant to 內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排 (the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income), which took effective on 8 December 2006, as amended thereafter, a company incorporated in Hong Kong will be subject to the withholding income tax at a rate of 5% on dividends it receives from its PRC subsidiaries if it holds a 25% or greater interest in that particular PRC subsidiary at the time of the distribution, or 10% if it holds less than a 25% interest in that subsidiary. Pursuant to 國家稅務總局關於執行稅收協定股息條款有關問題的通知 (the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividends Clauses of Tax Treaties), which came into force as of 20 February 2009, the corporate recipients of dividends distributed by PRC enterprises must satisfy the direct ownership thresholds at all times during the 12 consecutive months preceding the receipt of the dividends. The State Administration of Taxation issued 非居民享受稅收協定待遇管理辦法(試行) (the Administrative Measures for Non-resident Enterprises to Enjoy Treatments under Tax Treaties (For Trial Implementation)) on 24 August 2009 and 國家稅務總局關於《非居民享受稅收協定待遇管理辦法(試行)》有關問題的補充通知 (the Supplementary Notice of the State Administration of Taxation on Issues about the Administrative Measures for Non-residents to Enjoy the Treatments of Tax Treaties (for Trial Implementation)) on 21 June 2010 respectively. These regulations mentioned require that the non-resident enterprises obtain the approval for enjoying the treatments in connection with dividends distributed by PRC enterprises under tax treaties from the competent tax authority.

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Pursuant to 非居民企業所得稅源泉扣繳管理暫行辦法 (the Interim Measures for the Administration of Source-based Withholding of Enterprise Income Tax on Non-resident Enterprises), effective on 1 January 2009, and 關於加強非居民企業股權轉讓所得稅管理的通知 (the Notice on Strengthening the Administration of the Income Tax relating to the Equity Transfer by Non-residential Enterprises), which was issued by the State Administration of Taxation of the PRC on 10 December 2009 and became effective retroactively from 1 January 2008, non-resident enterprises shall be subject to the PRC withholding tax at a rate of up to 10% on its PRC sourced capital gains, while the shares of the PRC resident enterprises trading in the public securities market were excluded from the capital gains.

### *Business tax*

Pursuant to 中華人民共和國營業稅暫行條例 (the PRC Provisional Regulations on Business Tax) and its implementation rules, as amended and effective as of 1 January 2009, a business tax is levied on all units and individuals engaged in taxable services, the transfer of intangible assets or the sale of real properties within the territory of the PRC. The tax rates range from 3% to 20% depending on the type of underlying transactions.

### *Urban maintenance and construction tax*

Under 中華人民共和國城市維護建設稅暫行條例 (the Interim Regulations of the PRC on Urban Maintenance and Construction Tax, or the Urban Maintenance and Construction Tax), which was promulgated by the State Council in 1985 and revised on 8 January 2011, a taxpayer (whether an individual or otherwise), of consumption tax, value-added tax and/or business tax shall be required to pay the Urban Maintenance and Construction Tax. The Urban Maintenance and Construction Tax is payable over and above the payable amount of consumption tax, value-added tax or business tax. The tax rate is 7% (for a taxpayer whose domicile is in an urban area), 5% (for a taxpayer whose domicile is in a county or a town), or 1% (for a taxpayer whose domicile is not in any urban area or county or town).

Enterprises with foreign investment were previously exempt from the Urban Maintenance and Construction Tax. However, since 1 December 2010, the Urban Maintenance and Construction Tax applies to foreign-invested enterprises, according to 關於統一內外資企業和個人城市維護建設稅和教育費附加制度通知 (the Notice on Unifying the Urban Maintenance and Construction Tax and Education Surcharge System of Domestic Enterprises, Foreign-Invested Enterprises and Individuals, which was issued by the State Council).

### *Education surcharge*

Under 徵收教育費附加的暫行規定 (the Interim Provisions on the Imposition of Education Surcharge), which was promulgated by the State Council on 28 April 1986 and as amended on 7 June 1990, 20 August 2005 and 8 January, 2011, a taxpayer (whether an individual or otherwise), of consumption tax, value-added tax or business tax shall pay an education surcharge. The education surcharge is payable at 3% of the payable amount of consumption tax, value-added tax or business tax, as applicable. The education surcharge applies to foreign-invested enterprises since 1 December 2010.

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## REGULATORY OVERVIEW

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### Foreign exchange

According to 中華人民共和國外匯管理條例 (the PRC Foreign Exchange Administration Rules, promulgated in 1996 and revised in 1997 and 2008, respectively), foreign exchange activities are divided into current account related activities and capital account related activities. The current account activities include those activities such as the receipts and payments in connection with trade and services and the payment of interest and dividend, which is generally not subject to approval from the SAFE or its local branches, if applicable. The receipt of foreign currency payments under the current account may be retained by the domestic enterprises or individuals and the foreign currency receipts and remittances under the current account should have a genuine and legitimate basis. Financial institutions processing such transactions shall verify the authenticity of the relevant transaction documents and their consistency with the foreign currency receipts or remittances. The capital account activities generally include investment related transactions, either through equity or debt or relevant derivative instruments, which require the approval from the SAFE or its local branches, if applicable, before the conversion for the foreign currency into RMB or RMB into the foreign currency. Under 結匯、售匯及付匯管理規定 (the Administration Rules of Settlement, Sale and Payment of Foreign Exchange, promulgated by the People's Bank of China on 20 June 1996), the foreign invested enterprises in the PRC generally may purchase foreign exchange without the approval or review of the SAFE or its local branches, if applicable, if such purchases are trade and service related foreign exchange transactions and commercial documents evidencing these transactions are produced. They may also retain foreign exchange, subject to a cap approved by the SAFE or its local branches, if applicable, under the current account items. Foreign invested enterprises are permitted to remit their profits or dividends in foreign currencies out of their foreign exchange accounts or exchange RMB for foreign currencies through banks authorised to conduct foreign exchange business for the remittance of their profits or dividends.

On August 29, 2008, the SAFE issued 關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知 (the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises), or Circular No. 142. Pursuant to Circular No. 142, the Renminbi capital from the settlement of foreign currency capital of a foreign-invested enterprise must be used within the business scope as approved by the applicable government authority and cannot be used for domestic equity investment, unless it is otherwise provided for. Documents certifying the purposes of the settlement of foreign currency capital into Renminbi, including a business contract, must also be submitted for the settlement of the foreign currency. In addition, the SAFE has strengthened its oversight of the flow and use of the Renminbi capital converted from foreign currency registered capital of a foreign-invested company. The use of such Renminbi capital may not be altered without the SAFE's approval, and such Renminbi capital may not be used to repay Renminbi loans if such loans have not been used. Violations of the Circular No. 142 could result in severe monetary fines or penalties.

### Regulations on related logistics business

#### *International freight forwarding business*

Under 中華人民共和國外資企業法 (the Law of the People's Republic of China on Foreign-funded Enterprises) as promulgated by the National People's Congress of the PRC on 31 October 2000, foreign enterprises, other foreign economic organisations and individuals may establish wholly foreign-funded

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enterprises in the PRC. Pursuant to 中華人民共和國外資企業法實施細則 (the Rules for the Implementation of the Law of the People's Republic of China on Foreign-funded Enterprises as promulgated by the State Council on 12 April 2001, these wholly foreign-funded enterprises are legal persons in the PRC and are protected under the PRC laws.

Under 外商投資國際貨物運輸代理企業管理辦法 (the Measures for the Administration of Foreign-funded International Freight Forwarding Enterprises (2005 Revision), or FIE Freight Forwarding Measures, promulgated by the MOFCOM on 1 December 2005 and effective as of 11 December 2005, foreign enterprises may establish foreign-funded international freight forwarding agent enterprises, either wholly foreign-funded or as a joint venture. Upon approval, a foreign-funded international freight forwarding enterprise may deal with part or all of the following businesses: (i) booking (air chartering), consigning, storing and packaging; (ii) the supervision of loading and unloading of goods, consolidating and deconsolidation, distribution, transferring and relevant short-distance transport services; (iii) acting as an agent to make customs declarations, check and inspection, and to purchase insurance; (iv) preparing the relevant documents, paying for the freight, settling and paying of the miscellaneous expenses; (v) freight forwarding of international exhibits, personal articles and goods in transit; (vi) international multimode transport and consolidation (including container shipping); (vii) international express (excluding delivery of personal letters and official documents of any political party, the political and military bodies at and above the county level); and (viii) consultation and other international freight forwarding businesses.

If a foreign-funded international freight forwarding enterprise has started business operations for one year or more and its registered capital has been paid, it may apply for setting up branches in other places in the PRC. The business scope of a branch shall fall within that of the parent company. The civil liabilities of the branch shall be borne by the parent company. The registered capital of a foreign-funded international freight forwarding enterprise shall be subject to an increase of RMB500,000 for each branch that undertakes international freight forwarding businesses it establishes. If its registered capital has exceeded the minimum amount, the exceeding part may be used as money for increasing the registered capital of the company. If a foreign-funded international freight forwarding enterprise applies to establish a branch, consent from the provincial level counterpart of MOFCOM where the proposed branch to be located, shall be obtained prior to such application being approved by the provincial level counterpart of MOFCOM where the parent company is located.

Pursuant to 國際貨物運輸代理業管理規定實施細則 (the Rules for the Implementation of Regulations on the Administration of Agency Business for International Freight Forwarding the PRC, promulgated by the MOFCOM in January 2004), enterprises engaged in international freight forwarding businesses must satisfy certain requirements as to the number of experienced and qualified staff, business premises, logistics infrastructures and stable sources of market for import and export goods resources. In order for enterprises to be eligible for the provision of international integrated freight forwarding services in the PRC, such enterprises must also have at least three years of experience in the provision of the related business, with the necessary domestic and foreign agency network and have complied with the requisite filing requirements with the MOFCOM.

According to 國際貨運代理企業備案(暫行)辦法 (the Interim Measures for the Archival Filing of International Freight Forwarders, promulgated by the MOFCOM on 7 March 2005 and effective as of 1 April 2005), or the FIE Freight Forwarding Measures, all international freight forwarders and their



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## REGULATORY OVERVIEW

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branches that are legally registered at the state administrative department of industry and commerce shall go through the archival filing and registration at the MOFCOM or an organ entrusted by the MOFCOM. The establishment of foreign invested international freight forwarding agency enterprises should be substantially satisfied with the requirements under the FIE Freight Forwarding Measures.

According to 中華人民共和國海關進出境運輸工具艙單管理辦法 (the Administrative Measures of the Customs of the People's Republic of China for Manifests of Inward and Outward Means of Transport, promulgated on 28 March 2008 by the General Administration of Customs and effective as of 1 January 2009), freight forwarders shall transmit electronic data of manifests to the customs of the PRC within the prescribed time limit in accordance with the archive-filing scope of the customs of the PRC. Acts in violation of these measures that constitute smuggling, violation of customs of the PRC control regulations or other breaches of the Customs Law of the PRC shall be dealt with by the customs of the PRC in accordance with 中華人民共和國海關行政處罰實施條例 (the Regulations of the People's Republic of China on Implementing Customs Administrative Punishment). If any act constitutes a crime, criminal responsibility shall be imposed in accordance with law.

### Regulations on employment

On 29 June 2007, the Standing Committee of the National People's Congress of the PRC passed 勞動合同法 (the Labor Contract Law of the PRC), or the Labor Contract Law, which took effect on 1 January 2008. The Labor Contract Law requires that an employment relationship be based on an employment contract. The penalty for failure to enter into a written employment contract in a timely manner is the required payment by the employer to the employee of twice the usual remuneration for each month until the execution of the written employment contract. Employment lasting for over one year without a written employment contract will be considered one of indefinite employment term.

The Labor Contract Law provides for three types of labor contracts: (i) fixed-term; (ii) indefinite term; and (iii) contracts based on the completion of an assignment. An employment contract of an indefinite term is a contract not stipulating a definite ending date. An employee is entitled to an employment contract of an indefinite term based on various criteria, including: the employee has worked consecutively for the employer for more than 10 years; an eligible employee has concluded two consecutive fixed-term contracts with the same employer; or for other reasons provided in the Labor Contract Law, regardless of the employer's preference.

The Labor Contract Law allows employers to stipulate non-compete provisions in the employment contracts only with a limited group of employees. The term of the non-compete obligations may not exceed two years and the employers must pay monthly compensation to the employees for the employees' performance of the non-compete obligations.

The Labor Contract Law strengthens the role of the trade union or employee representatives where there is no trade union by requiring employers to consult with them in promulgating rules and regulations, implementing dismissals, etc. The Labor Contract Law specifies the consequences that the employers will face if it violates the Labor Contract Law, which range from a warning by the governmental authority and rectification to paying penalties and compensation for the losses suffered by the employees. If the employer's internal rules and regulations violate the law or if the employment contract lacks the necessary protection provisions, the governmental authority will demand rectification and the employer

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## REGULATORY OVERVIEW

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will be required to pay the employee any losses. The employer shall pay twice the severance pay to the employee in a case of unlawful dismissal. In cases where the employer forces the employee to work through violence, threatens or illegally restrains the employee, the employer illegally commands or forces the employee to perform dangerous operations endangering the employee's life, or the poor working conditions or severely polluted environment causes damage to the physical or mental health of the employees, the employer may even face criminal liability for severe violations of the Labor Contract Law. This constitutes a violation of the criminal law by the employer.

### *Social insurance and housing provident fund*

Social insurance is a mandatory, non-profit social security system under the laws of the PRC including 中華人民共和國社會保險法 (Social Insurance Law of the PRC, which was promulgated on 28 October 2010 and implemented on 1 July 2011 by the Standing Committee of the 11th National People's Congress of the PRC) and 社會保險費徵繳暫行條例 (the Interim Regulations on the Collection and Payment of Social Insurance Fund, which was promulgated and implemented on 22 January 1999 by the State Council). It is administered by the human resources and social security authorities. There are five types of social insurance fund in China: (i) 基本養老保險 (basic pension insurance); (ii) 基本醫療保險 (basic medical insurance), (iii) 失業保險 (unemployment insurance); (iv) 工傷保險 (industrial accident insurance); and (v) 生育保險 (maternity insurance). Among these, the premiums for basic pension insurance, basic medical insurance and unemployment insurance are jointly contributed to by the employer and the employee, whereas the premiums for industrial accident insurance and maternity insurance are the sole responsibility of employer. The actual percentages are determined by provincial governments and may vary from place to place.

The payments for the insurance fund are made to the local administrative authorities. Any employer who fails to contribute to the fund may be fined and ordered to make good the payment deficit within a stipulated time limit.

According to 住房公積金管理條例 (the Regulations on Management of the Housing Provident Fund), which was promulgated by the State Council on 3 April 1999 and amended on 24 March 2002, the housing provident fund is administered by the housing provident fund management centers. Companies in China shall go through housing fund registration with the local housing fund administration centres and open housing fund accounts for their employees with banks to deposit housing provident funds. The deposit proportion of an employee's or an entity's housing provident fund is determined by the provincial governments and may vary from place to place.

A company may be subject to an order to attend to registration within a time limit for failure to comply with the rules in relation to the registration with the local housing fund administration and the opening of the relevant accounts. If a company fails to attend to registration within the prescribed time limit, it shall be imposed with a penalty ranging from RMB10,000 to RMB50,000. Where a company fails to pay the housing funds within the statutory time limit, the housing provident fund management centre will order it to make the required payment within a certain period of time, and if the company still fails to do so, the housing provident fund management centre may apply to the court for enforcement of the unpaid amount.

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## REGULATORY OVERVIEW

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### MACAU LAWS AND REGULATIONS

#### The Macau Commercial Code and the Macau Commercial Registration Code

In order for a foreign company to engage in a business in Macau, it has to (i) register and establish a local permanent representation (branch) pursuant to article 178 of the Macau Commercial Code and article 38 of the Macau Commercial Registration Code or incorporate a company as its subsidiary under the laws of Macau; and (ii) register the branch or the subsidiary with the Finance Department for tax purposes.

#### Tax laws and regulations

Pursuant to the Complementary Income Tax Regulation approved by the Law no. 21/78/M of 9 September (as amended and complemented), companies operating in Macau are obliged to submit a yearly tax filing with the Finance Department declaring the annual revenues for tax purposes. On the other hand, pursuant to the Professional Tax Regulation, the Law no. 2/78/M of 25 February (as amended and complemented), companies operating in Macau are obliged to register their employees with the Finance Department for tax purpose.

#### Social Security Law and Insurance

Pursuant to the Social Security Law, the Law no. 4/2010, of 23 of August, companies operating in Macau are obliged to register themselves and their local resident workers with the Social Security Fund for the purpose of paying the social security contribution. For non-resident workers, payment of non-resident workers employment tax is required pursuant to the law on Employment of Non-Resident Workers, the Law no. 21/2009, of 27 October.

Pursuant to the Decree Law 40/95/M of 14 August, which regulates the compensation for labour accidents and professional diseases, employers are required to maintain an insurance policy against working accidents and professional diseases for their employees.

### JAPAN LAWS AND REGULATIONS

#### Aviation Law of Japan (“ALJ”)

Paragraph 1 of Article 133 of the ALJ stipulates that, in order to engage in the air freight service business, the relevant company is required to provide a notification to the Ministry of Land and Infrastructure, Transportation and Tourism (“MLIT”) of its status as an air freight service provider. The requirement of the notification is governed by the Ministry Order related to ALJ (“ALJ MO”). The filing of the notification should be accompanied by the following:

- name and address of the applicant;
- name of representative and officers of the applicant;



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## REGULATORY OVERVIEW

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- the Agency Agreement entered into between the applicant and a qualified air freight forwarder or airline;
- name and address of the counter party to the Agency Agreement;
- name and location of the applicant's office;
- a summary of the Agency Agreement;
- the existing simultaneous business of the applicant (if any); and
- expected commencement date of the business.

Paragraph 2 of Article 133 of the ALJ stipulates that another notification must be submitted within 30 days after the discontinuance of business.

Pursuant to Article 134 of the ALJ, the MLIT has the right to request for the production of a report from the applicant regarding the air freight service business and to conduct an inspection of the books and ledgers in the applicant's office.

### **Foreign Exchange and Trade Control Law ("FEL")**

Paragraph 2 of Article 26 of the FEL stipulates that the acquisition by a foreign investor of the Japanese company's shares shall be treated as an inward investment ("**Inward Investment**"). Article 27 of FEL stipulates that certain Inward Investment should be notified to the relevant Ministries in advance ("**Prior FEL Notification**"). Specifically, paragraph 2 of Article 3 of the Cabinet Order regarding Inward Investment ("**FEL CO**") requires that any acquisition of shares of a Japanese company engaged in the air freight forwarding business should be notified to the MLIT and to the Minister of Finance through the Bank of Japan.

If a Japanese company acts as an air freight forwarding agent, a foreign investor should only file a post facto notification ("**Post FEL Notification**") in order to acquire such Japanese company's shares. Separately, Paragraph 1 of Article 7 of the Ministry Order regarding Inward Investment ("**FEL MO**") stipulates that the Post FEL Notification should be made by filing a post facto report within thirty (30) days following the acquisition by the foreign investor who filed the Prior FEL Notification. Additionally, for any disposal of the shares of that company, its shareholders should file a Post FEL Notification within thirty (30) days following the disposal.

### **Corporate tax law and consumption tax law**

In Japan, the types of applicable income taxes are as follows: (i) corporate income tax; (ii) prefectural inhabitant tax; (iii) municipal inhabitant tax; (iv) enterprise tax; and (v) special regional corporate tax. Item (i) and Item (v) are national income tax and the others are local taxes. Special regional corporate tax is a national tax, but it will be collected together with enterprise tax assessed by the pertinent prefecture.

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## REGULATORY OVERVIEW

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Both the prefectural inhabitant tax and the municipal inhabitant tax consist of a per capita levy and corporate tax levy. The per capita tax rates for the prefectural inhabitant tax vary (from JPY20,000 to JPY800,000) depending on the capital amount of the taxpayer company, and the per capita tax rates for the municipal inhabitant tax vary (from JPY50,000 to JPY3,000,000) depending on the capital amount and the number of employees of the taxpayer company. The capital amount for the purpose of both taxes includes both the amount of paid-in capital and the amount of capital reserves.

Furthermore, although the corporate income tax rate applicable to a subsidiary is currently 30%, if the amount of stated capital of such foreign company and the subsidiary (except the companies which head office owns 100% shares of the subsidiary and has a paid-in capital of JPY500,000,000 or more), as the case may be, is JPY100,000,000 or less, the corporate income tax rate applicable to their respective taxable income of the first JPY8,000,000 is reduced to 22% (18% for business years ending during 1 April 2009 to 31 March 2011).

Japanese Consumption Tax (“CT”) is a valued-added tax similar to European VATs. CT of 5% is imposed on the value added at each stage of sales (and imports) and services with some exceptions and exclusions explained below. CT is imposed on the basis of the books and records of the corporation. To claim a credit for CT paid, the company must keep original invoices for the purchase and maintain proper documents.

All corporations in Japan with taxable sales in excess of JPY10,000,000 for the year two years prior to the current tax year must declare their CT liability and file a CT return within two months after the close of the current tax year. If a corporation does not meet the JPY10,000,000 test and it has elected taxable status, it must complete and file a CT return in order to get a refund of CT paid. All companies with a paid-in capital of JPY10,000,000 and over must file a CT return even if the company is newly established.

## TAIWAN LAWS AND REGULATIONS

### Foreign investment laws and regulations

Pursuant to Article 8 of the Statute For Investment By Foreign Nationals, an investor who wishes to make an investment in Taiwan should submit an investment application, together with his/her investment plans and relevant documents, to the Investment Commission of the Ministry Of Economic Affairs for approval.

Pursuant to Paragraph 1 of Article 4 of the Regulations For Verification Of Investment Amount By Overseas Chinese Or Foreign Nationals, any investor making investments by foreign currency or acquiring of stock ownership from existing shareholders in Taiwan should provide the competent authority with the following documents for verification:

- one original and two copies of the application for investment verification;
- one original and two copies of bank advice of inward remittance or two copies of bank draft issued in relation to any incoming wire transfers;
- one original and two copies of foreign exchange receipt issued for the purchase of TWD; and

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## REGULATORY OVERVIEW

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- one copy of bank deposit slip issued by the bank in which the invested business holds an account or the bank passbook of the invested business.

### Regulations of Foreign Civil Air Transport Enterprise

Pursuant to paragraph 1 of Article 4 of 外籍民用航空運輸業營業管理規則 (Regulations of Foreign Civil Air Transport Enterprise), in order to operate as the general sales agent for passenger or cargo carrier service in Taiwan, the relevant Taiwan company should file an application attaching the following documents with the Civil Aeronautic Administration, Ministry of Transportation and Communication for approval:

- an application form;
- an English copy and a Chinese copy of the general sales agent contract;
- air operator certificate issued by authorities in the country of registration; and
- identification documents of the general sales agent.

### Civil Aviation Law

Pursuant to paragraph 1 of Article 66 of 民用航空法 (Civil Aviation Law), in order to provide the air freight cargo transportation forwarding services in Taiwan, Star Cargo (Taiwan) shall file an application for approval with 交通部 (Ministry of Transportation and Communication) through 民用航空局 (Civil Aeronautic Administration).

### Value-added and Non-value-added Business Tax Act

Pursuant to Article 28 of the Value-added and Non-value-added Business Tax Act, each of the head office of a business entity and its branches with fixed places of business should file an application for business registration with the competent tax authority before commencement of business.

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## EXEMPTED CONTINUING CONNECTED TRANSACTION

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### CONNECTED PERSON

Worldwide Logistics is the beneficial owner of 40% shareholding in ASR Worldwide and therefore is a Connected Person of our Company.

### SUPPLY OF AIR CARGO SPACE TO WORLDWIDE LOGISTICS

During the Track Record Period, ASR Logistics, AOE Freight and ASR Worldwide (“**Suppliers**”) had been supplying air cargo space to Worldwide Logistics. During the three financial years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, the aggregate total purchases of air cargo space by Worldwide Logistics from the Suppliers were approximately HK\$29.6 million, HK\$23.3 million, HK\$26.6 million and HK\$5.1 million respectively.

Our Directors, including our INEDs, are of the view that the purchase of air cargo space by Worldwide Logistics from the Suppliers, is on normal commercial terms, in the ordinary and usual course of business of our Group and in the interests of our Company and our Shareholders as a whole.

Worldwide Logistics will not be the only purchaser of our Group for air cargo space. Our Directors therefore consider that we do not place a significant reliance on Worldwide Logistics in purchasing air cargo space from us.

### Insignificant subsidiary exemption under the Listing Rules

The abovementioned supply of air cargo space arrangement is of a continuing nature and will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing. However, such connected transactions were constituted only because Worldwide Logistics is a Connected Person of our Company by virtue of its relationship with our Company’s subsidiary (i.e. ASR Worldwide) and Worldwide Logistics has no other connected relationship with our Company. As the assets, profits and revenue size test ratios of ASR Worldwide represent less than 5% for the latest financial year, ASR Worldwide will be considered as an insignificant subsidiary of our Company pursuant to Rule 14A.31(9)(b) of the Listing Rules and such connected transactions will be exempted from all the reporting, announcement and independent shareholders’ approval requirements set out in Chapter 14A of the Listing Rules.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### DIRECTORS

Our Board currently consists of six Directors, of whom three are executive Directors and three are INEDs. The powers, functions and duties conferred on our Board include convening Shareholders' meetings and reporting their work to the Shareholders' meetings, implementing the resolutions of the Shareholders' meetings, determining our business plans and investment plans, formulating our annual budget and approving final accounts, formulating our proposals for dividend distributions, bonus payments and for the increase or reduction of share capital, as well as exercising other powers, functions and duties as conferred by the Memorandum and the Articles.

The following table sets out certain information concerning our Directors:

Name	Age	Position
Mr. Yu Ho Yuen, Sunny (余浩源先生) . . . . .	51	Executive Director, Chairman and CEO
Mr. Mak Chi Hung, Richard (麥志雄先生) . .	44	Executive Director
Mr. Law Kai Lo, Niki (羅佳路先生) . . . . .	45	Executive Director
Mr. Wei Jin Cai (魏錦才先生) . . . . .	61	Independent non-executive Director
Dr. Zhang Xianlin (張憲林博士) . . . . .	58	Independent non-executive Director
Dr. Tyen Kan Hee, Anthony (田耕熹博士) . .	56	Independent non-executive Director

### Executive Directors

**Mr. Yu Ho Yuen, Sunny (余浩源先生)**, aged 51, was appointed as our executive Director on 28 June 2011 and is the chairman of the Board, the chief executive officer of our Company and one of the Founders. He is responsible for overall business strategy and development and management of our Group as a whole. Mr. Yu has over 27 years of experience in the aviation industry. From 1983 to 1989, Mr. Yu worked in various management positions with United Airlines. From 1989 to 1990, he worked as the Central Pacific Manager with Trans World Airlines. From 1990 to 2000, he worked as the General Manager to oversee the operations in Greater China and the North Asia Region with Lauda Air, a member of the Austrian Airlines Group. In February 2001, Mr. Yu joined AOE Freight as a management employee and became its shareholder in March 2002. Mr. Yu has been awarded the Sales Award of the Year 1986 by United Airlines. On 12 December 1996, Mr. Yu graduated from the Chinese University of Hong Kong with a Bachelor's degree in Business Administration.

**Mr. Mak Chi Hung, Richard (麥志雄先生)**, aged 44, was appointed as our executive Director on 28 June 2011 and is one of the Founders. He is responsible for the development and management of our Group's non-exclusive sales business. Mr. Mak has over 20 years of experience in cargo revenue management, product development and strategic planning. In June 1991, he commenced work with Federal Express as an account executive, where he was subsequently promoted to Sales Manager and was responsible for supervising the cargo and express business in Hong Kong and Taiwan. In October 2000, Mr. Mak joined AOE Freight as a management employee and became its shareholder in March 2002. On 6 December 1990, Mr. Mak graduated from the University of Hong Kong with a Bachelor of Science degree, majoring in Chemistry.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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**Mr. Law Kai Lo, Niki** (羅佳路先生), aged 45, was appointed as our executive Director on 28 June 2011 and is one of the Founders. He is responsible for the development and management of our Group's GSA business. Mr. Law has over 24 years of experience in the air cargo business. From 1986 to 1995, Mr. Law served Japan Airlines for airport passenger administration, UTL Service Limited (then GSA of Trans World Airlines) as a sales executive for the cargo and passenger divisions, and Lauda Air in its cargo department. He started his service with Lauda Air as a cargo manager and was subsequently promoted to a regional cargo manager. In April 1995, Mr. Law joined Orient Air (HK) Limited, which was principally engaged in the wholesale of air cargo space from GSA agreements, as a director. In 2007, Mr. Law joined our Group for the development of our GSA business.

### Independent non-executive Directors

**Mr. Wei Jin Cai** (魏錦才先生), aged 61, was appointed as our independent non-executive Director on 1 July 2011. Mr. Wei has over 42 years of experience in civil aviation. From April 1969 to March 1970, Mr. Wei worked in the Chengdu branch of the Civil Aviation Administration of China. In October 1970, Mr. Wei was promoted to work in the headquarters of the Civil Aviation Administration of China. From August 1985 to March 1993, Mr. Wei acted as the deputy party secretary of the Party Committee of Institution of the Civil Aviation Administration of China. He was appointed as the party secretary of Civil Aviation Management Institute of China in March 1993 and was promoted as the president in October 2008. Mr. Wei retired from the Civil Aviation Management Institute of China in August 2010. Mr. Wei is currently an independent non-executive director of China Southern Airlines Company Limited (stock code: 1055), a company which shares are listed on the Stock Exchange. He is concurrently acting as an independent director of Shandong Airlines Company Limited (stock code: 200152), a company which shares are listed on the Shenzhen Stock Exchange. Mr. Wei graduated from the Party School of the Central Committee of the Communist Party of China majoring in economics and management through distance learning in December 1994. He conducted an in-depth study on the operation and management of civil aviation.

**Dr. Zhang Xianlin** (張憲林博士), aged 58, was appointed as our independent non-executive Director on 1 October 2011. Dr. Zhang has over 33 years of experience in the areas of accounting and management and in the aviation industry. Dr. Zhang graduated from the Party School of the Central Committee of the Communist Party of China majoring in economics and management through distance learning in December 1997. He then obtained from Huazhong University of Science and Technology a Master's Degree in Business Administration and a Doctoral Degree in Management in December 1998 and December 2004 respectively. He is a non-practising member of the Chinese Institute of Certified Public Accountants. During the period from March 1978 to December 1996, he served in various positions including senior management positions in the Civil Aviation Administration of China. Between December 1996 and April 2009, Dr. Zhang had held various senior managerial positions for several Hong Kong and PRC companies, including the chairman of the board of supervisors in Air Macau Company Limited, the general manager in China National Aviation Company Limited, a director in Hong Kong Dragon Airlines Limited and the chairman of the board of supervisors in Air China Limited (stock code: 753) and the chairman of the board of directors of HNA Group (Hong Kong) Co., Limited. Dr. Zhang had also been a non-executive director of Cathay Pacific Airways Limited (stock code: 293) during the period from August 1997 to October 2006. He is currently an independent non-executive director of Asia Resources Holdings Limited (stock code: 899), a company which shares are listed on the Stock Exchange.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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**Dr. Tyen Kan Hee, Anthony** (田耕熹博士), aged 56, was appointed as our independent non-executive Director on 1 October 2011. Dr. Tyen has over 34 years of experience in auditing, accounting, management and company secretarial practice. He is currently an independent director of Entertainment Gaming Asia Inc. (formerly known as Elixir Gaming Technologies, Inc.) (stock code: EGT), a company which shares are listed on the New York Stock Exchange and an independent non-executive director of Summit Ascent Holdings Limited (stock code: 102) and Melco International Development Limited (stock code: 200), both of which shares are listed on the Stock Exchange.

Dr. Tyen was a director of Show8 Cyber Media Limited (“**Show8**”), a company incorporated in Hong Kong prior to its dissolution as a result of creditors’ voluntary liquidation commenced on 20 January 2001. Show8 was dissolved in July 2003. Before its liquidation, Show8 was an Internet content provider. Due to the unfavourable economic condition at that time and the burst of the Internet bubble in year 2000 and the significant decline in business activities in the Internet sector, Show8 was unable to overcome its financial difficulty and was then put into liquidation in January 2001. Mr. Tyen confirmed that he was not involved in the dissolution of Show8 and is not aware of any liability as a result of the dissolution of Show8. He is also not aware of any outstanding claim from the creditors of Show8 after the dissolution of the company. In the three years preceding the Latest Practicable Date, Dr. Tyen was also an independent non-executive director of Value Convergence Holdings Limited (stock code: 821) and Recruit Holdings Limited (stock code: 550), both of which shares are listed on the Stock Exchange.

Dr. Tyen obtained a Doctoral degree in Philosophy and a Master’s degree in Business Administration on 10 December 1998 and 30 October 1986 respectively, both from the Chinese University of Hong Kong. He is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of both the Association of Chartered Certified Accountants and the Institute of Chartered Secretaries and Administrators and a member of the Taxation Institute of Hong Kong. He is currently a practicing certified public accountant in Hong Kong.

### **Other disclosure pursuant to Rule 13.51(2) of the Listing Rules**

Save as disclosed above, none of our Directors has been a director of any public companies the securities of which are listed on any securities market in Hong Kong and overseas during the last three years preceding the date of this prospectus and there are no other matters concerning all our Directors’ appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rule 13.51(2) of the Listing Rules.



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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### SENIOR MANAGEMENT

Our senior management are responsible for the day-to-day management of our business. The following table sets forth certain information concerning our senior management personnel:

Name	Age	Position
Mr. Ritola, Jouni Juhani . . . . .	31	Director of ASR Europe
Mr. Wong Kin Yan, Michael (黃建仁先生) . .	49	General manager, Group performance and services standard compliance
Ms. Ng Yee Ming, Canny (吳依明小姐) . . .	36	Director of finance and administration
Mr. Fok Kam Man, Billy (霍錦文先生) . . . .	45	General manager, GSA
Mr. Lee Wai Man, Tom (李偉文先生) . . . . .	39	General manager, air freight and operations
Mr. Chou Chiu Ho, Lewis (周昭何先生) . . .	30	Head of corporate services
Ms. Feng Qian Qing, Connie (馮倩卿小姐).	42	Manager, finance and administration of our South China operations, PRC internal compliance officer

**Mr. Ritola, Jouni Juhani**, aged 31, is a director of ASR Europe and the beneficial owner of 40% shareholding in ASR Europe. Mr. Ritola joined our Group on 15 September 2010 and was responsible for overseeing our operations in Europe and Asia. He has over 6 years of experience in project management and the logistics industry. On 17 December 2007 he joined Project Expeditors Limited (formerly known as Polar Logistics Hong Kong Limited), a project logistics company as a shareholder and director, in which he was responsible for leading its logistics team and managing its the business operations in Hong Kong, China, Korea and Japan. On 4 December 2009, Mr. Ritola became the sole shareholder of Project Expeditors Limited and since then operated it as a sole owner. Mr. Ritola graduated from the University of Jyväskylä with a Master of Science in Economics and Business Administration.

**Mr. Wong Kin Yan, Michael (黃建仁先生)**, aged 49, is the general manager for Group performance and services standard compliance. Mr. Wong joined our Group on 5 July 2010.

Mr. Wong has over 30 years of experience in the airlines and cargo industries. Since 1981, Mr. Wong worked as a traffic officer for Thai Airways International Limited and was responsible for daily operations tasks. He was then promoted to traffic supervisor in 1987 and was responsible for overseeing the daily operations at the airport office of Thai Airways International Limited. He was then promoted to senior traffic supervisor who was responsible for handling administrative tasks in the airport office such as staff rostering, training, annual leave approval, coordination/liaison with various service providers and government authorities. Mr. Wong left Thai Airways International Limited and joined Emirates Airlines in 1991, where he worked as the senior station supervisor and was responsible for handling both operational and administrative tasks in the airport office of Emirates Airlines. Mr. Wong left Emirates Airlines and joined Scandinavian Airlines in 1992, where he worked as the duty station manager and was responsible for handling both operational and administrative tasks in the airport office of Scandinavian Airlines. At the same time, Mr. Wong also acted as the deputy station manager at the airport office of Scandinavian Airlines when the station manager was away from the station. From September 1993 to



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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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January 2000, Mr. Wong worked initially as a duty airport services manager for Hong Kong International Airport Services Limited and was promoted as the airport service manager in May 1994 who was responsible for the provision of ramp and cargo services. He was then transferred to work in the “Planning & Standards” division in 1999. From January 2000 to April 2001, Mr. Wong worked as a terminal service manager for AHK Air Hong Kong Limited. From July 2001 to February 2003, he worked as a manager in respect of operations procedure for Kowloon-Canton Railway Corporation. From March 2003 to January 2007, Mr. Wong worked as a service manager for KLM Royal Dutch Airlines. During his employment with KLM Royal Dutch Airlines, he was seconded to its Beijing office for about two years. In February 2007, Mr. Wong joined Hong Kong Dragon Airlines Limited as a security manager. He was then internally transferred to Hong Kong Airport Services Limited and worked as a passenger service manager with effect from November 2008 and up to June 2010.

In November 1995, Mr. Wong completed the “Station Ground Handling Management” training course undertaken by IATA which was intended for airline station and ground handling managers. In September 2001, he completed the Joint DMS program undertaken by the Hong Kong Management Association and Lingnan University, thus obtaining a Diploma in Management Studies. Mr. Wong attended and completed the “Safety Audit and Lead Auditor Course” undertaken by Aviation Consulting & Training Pty Ltd. and the “Security Quality Control” course undertaken by IATA in April 2007 and May 2007 respectively.

**Ms. Ng Yee Ming, Canny** (吳依明小姐), aged 36, is the director of finance and administration. She has over 13 years of experience in the areas of accounting, taxation, finance and auditing. Prior to joining our Group as an accounting supervisor on 17 November 2000, Ms. Ng worked in a CPA firm from March 1998 to January 1999. From April 1999 to July 2000, Ms. Ng worked in various positions at DTZ Debenham Tie Leung Property Management Limited. From July 2000 to October 2000, Ms. Ng worked for New World TMT Limited (formerly known as New World Infrastructure Limited), a wholly-owned subsidiary of New World Development Company Limited (stock code: 17). Ms. Ng graduated from the University of Technology, Sydney with a Bachelor of Business degree in October 1997. She was admitted as a member of CPA Australia in December 1997 and advanced to the status of Certified Practising Accountant of CPA Australia in July 2002.

**Mr. Fok Kam Man, Billy** (霍錦文先生), aged 45, is the general manager for GSA. Mr. Fok has over 24 years of experience in the aviation industry. Prior to joining our Group on 2 February 2009, Mr. Fok had worked as the passenger traffic agent and then a lead agent in the passenger traffic section of Japan Airlines from October 1987 to July 1993. From July 1993 to January 1996, Mr. Fok worked as a junior dealer for Emperor Management Services (Overseas) Limited. From February 1996 to October 2008, Mr. Fok worked initially as a passenger services supervisor for Menzies Macau Airport Services Limited and was promoted to the position of senior duty manager. Mr. Fok graduated from the School of Continuing Studies, the Macau University of Science and Technology with a degree of Bachelor of International Tourism Management.

**Mr. Lee Wai Man, Tom** (李偉文先生), aged 39, is the general manager for the air freight and operations of our Group. Mr. Lee has over with 17 years of experience in the logistics industry. Prior to joining our Group on 16 June 1997, he had worked for different freight forwarding companies. After

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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joining our Group, he has served various positions including operations supervisor, assistant operations manager, consolidation manager and assistant general manager. He was promoted to his current position in 2008. Mr. Lee completed a Dangerous Goods Diploma which was undertaken by IATA and Cathay Pacific in 2003.

**Mr. Chou Chiu Ho, Lewis (周昭何先生)**, aged 30, is head of corporate services of our Group. Mr. Chou has over 8 years of experience in accounting and auditing. Prior to joining our Group on 17 January 2011, Mr. Chou worked in an accounting firm from September 2003 to January 2006. From January 2006 to December 2010, Mr. Chou served in various positions at PricewaterhouseCoopers including associate, senior associate and manager. Mr. Chou graduated from the Hong Kong Polytechnic University with a degree of Bachelor of Arts in Accountancy in November 2003. He completed the HKSI Foundation Programme Examination undertaken by the Hong Kong Securities Institute in 2002. Mr. Chou is a member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

**Ms. Feng Qian Qing, Connie (馮倩卿小姐)**, aged 42, is the manager for finance and administration of our South China operations and our PRC internal compliance officer. Ms. Feng has over 16 years of experience in the areas of accounting and finance. Prior to joining our Group as an accounts officer on 1 November 2005, Ms. Feng worked as an accounts officer for the Guangzhou branch office of a shipping company from November 1994 to June 1997. From November 2000 to August 2005, she worked as the chief accounts officer for Guangzhou Chengtong Investment Consultant Limited. After joining our Group in September 2005, she was promoted as the assistant finance manager for our South China operations, stationing at the Guangzhou branch of AOE Freight (Shenzhen). In October 2008, she was further promoted as the manager for finance and administration of our South China operations. Ms. Feng graduated from Guangzhou Institute of Technology (formerly known as the Guangzhou Worker Amateur University) with a diploma in accounting in July 2001.

### COMPANY SECRETARY

**Mr. Cheng Hoo (鄭豪先生)**, aged 49, was appointed as the company secretary of our Company on 10 November 2011 to serve our Company on a part-time basis. Mr. Cheng obtained a bachelor of laws degree from the University of Hong Kong in 1987. He was admitted as a solicitor in Hong Kong in 1990 and in England and Wales in 1995. Mr. Cheng has over 20 years' experience in the practice of law. He is a co-founder and partner of Cheng Wong Lam & Partners in association with Nixon Peabody LLP and Hylands Law Firm where he practises corporate and commercial law. Currently, he is not acting as a company secretary of any listed companies other than our Company.

### CORPORATE GOVERNANCE

We consider our corporate governance structure is very important in establishing a strong relationship among our Board, senior management, our Shareholders and our stakeholders. Accordingly, we have put in place our corporate governance structure with a view to creating shareholder value and augmenting intracompany relationships. Our Board, which includes three INEDs out of a total of six Directors, is responsible for setting strategic, management and financial objectives and ensuring that the interests of our Shareholders, including those of minority Shareholders, are protected. To this end, our Board has established an audit committee, a remuneration committee and a nomination committee.

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## **DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

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### **AUDIT COMMITTEE**

An audit committee was established by our Board on 3 December 2011 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and approve our financial reporting process and internal control system, and to assist our Board in providing an independent view of the effectiveness of our financial reporting process. The members of the audit committee are Mr. Wei Jin Cai, Dr. Zhang Xianlin and Dr. Tyen Kan Hee, Anthony. Dr. Tyen Kan Hee, Anthony is the chairman of the audit committee.

### **NOMINATION COMMITTEE**

We established a nomination committee on 3 December 2011 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary functions of the nomination committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board and in senior management. The nomination committee comprises Mr. Mak, Mr. Law, Mr. Wei Jin Cai, Dr. Zhang Xianlin and Dr. Tyen Kan Hee, Anthony. Dr. Tyen Kan Hee, Anthony is the chairman of the nomination committee.

### **REMUNERATION COMMITTEE**

A remuneration committee was established by our Board on 3 December 2011 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to review and determine the terms and structure of the remuneration packages, bonuses and other compensation payable to our Directors and senior management. The members of the remuneration committee are Mr. Yu, Mr. Mak, Mr. Wei Jin Cai, Dr. Zhang Xianlin and Dr. Tyen Kan Hee, Anthony. Dr. Tyen Kan Hee, Anthony is the chairman of the remuneration committee.

### **DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION**

The remuneration packages of our Directors are generally structured by reference to market terms and individual merits. Salaries are normally reviewed and discretionary bonuses are paid on an annual basis based on our results, individual performance and other relevant factors.

The aggregate amount of compensation (including any fees, salaries and other allowances and benefits in kind) paid by us to our Directors and senior management during each of the three financial years ended 31 December 2008, 2009, 2010 and the six months ended 30 June 2011 was approximately HK\$3.4 million, HK\$8.5 million, HK\$11.9 million and HK\$4.8 million respectively.

Save as disclosed above, no other payments have been paid or are payable in respect of the Track Record Period by us or any of our subsidiaries to our Directors and senior management.

Going forward, our remuneration committee will review and determine the remuneration and compensation of our Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of our Directors and senior management and performance of our Group.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### SHARE OPTION SCHEME

The purpose of the Share Option Scheme is to provide us with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to potential participants comprising of our employees, Directors or non-executive Directors (including INEDs) of any member of our Group. For further details of the Share Option Scheme, please see the section headed “Share Option Scheme” in Appendix V to this prospectus.

### EMPLOYEES

As at 31 October 2011, we had 142 full-time employees on our own payroll. Our employees are located in Hong Kong, China, Macau and overseas. The relationship and cooperation between our management and employees has been good and is expected to remain amicable in the future. There has not been any incidence of work stoppages or labour disputes, which adversely affected our operations.

The functional distribution of our Group’s employees as at 31 October 2011 was as follows:

	Number of employees				
	Hong Kong	China	Macau	Overseas	Total
Management . . . . .	7	1	—	1	9
Sales personnel . . . . .	4	24	—	2	30
Operations . . . . .	24	26	2	4	56
Finance . . . . .	15	23	—	1	39
General administration . . . . .	5	2	—	1	8
<b>Total</b> . . . . .	<u>55</u>	<u>76</u>	<u>2</u>	<u>9</u>	<u>142</u>

We review the performance of our employees annually, the results of which are used in determining annual bonus, salary adjustments and promotion appraisals. We conduct research on remuneration packages offered for similar positions in our industry, which we believe helps us remain competitive in the labour market. Our employees are also entitled to participate in our Share Option Scheme, details of which are more fully set out in the section headed “Share Option Scheme” in Appendix V to this prospectus.

### Training

Our employees are a valuable resource of our Company. As such, we place great emphasis on the training and development of our employees. We provide internal and external training to our employees to ensure they possess the requisite skills-set parameter and technical expertise for the operation of our business. Our training programme is not only used as a platform to constantly upgrade the skills of our employees, it is also used to encourage greater cohesion within our Company, so as to increase overall efficiency and loyalty to our Company, and also as a means of retaining quality employees. Our training programmes focus mainly on specific areas such as sales and marketing, knowledge of the air cargo industry, use of the booking system, operational procedure and other technical knowledge. Employees receive training when they first join our Group. Training sessions may be conducted in-house or outside.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### Social insurance

We contribute to various social insurance plans, such as pension contribution plans, medical insurance plans, work-related injury insurance plans and unemployment insurance plans for our employees in accordance with the applicable PRC laws and regulations on social insurance. Please also refer to the section headed “Regulatory overview”.

Our contributions paid to the social insurance plans described above for the three financial years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 amounted to approximately HK\$157,000, HK\$172,000, HK\$348,000 and HK\$393,000 respectively.

### COMPLIANCE ADVISER

We will appoint Oriental Patron Asia Limited as our compliance adviser upon Listing in compliance with Rule 3A.19 of the Listing Rules.

We expect to enter into a compliance adviser’s agreement with the compliance adviser, the material terms of which are expected to be as follows:

- we will appoint the compliance adviser for the purpose of Rule 3A.19 of the Listing Rules for a period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of the publication of our financial results for the financial year ending 31 December 2012, unless terminated earlier in accordance with the terms of the compliance adviser’s agreement;
- the compliance adviser shall provide us with such advisory services as are required to be provided by a compliance adviser pursuant to Chapter 3A of the Listing Rules; and
- we may terminate the appointment of the compliance adviser if the compliance adviser’s work is of an unacceptable standard or if there is a material dispute (which cannot be resolved within 30 days) over fees payable to the compliance adviser as permitted by Rule 3A.26 of the Listing Rules. The compliance adviser will have the right to terminate its appointment if we breach the agreement.

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## SUBSTANTIAL SHAREHOLDERS

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### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware of, immediately following completion of the Share Offer and the Capitalisation Issue, without taking into account any Shares which may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme or the exercise of the Over-allotment Option, the following persons will have interests or short positions in our Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO (except they are Directors), or are directly and/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:

Substantial Shareholder	Capacity/Nature of interest	Number of Shares directly or indirectly held immediately following completion of the Share Offer and the Capitalisation Issue	Percentage of the issued share capital of our Company immediately following completion of the Share Offer and the Capitalisation Issue
<b>Mr. Yu</b> . . . . .	Beneficial owner	34,000,000	8.5%
	Interest in controlled company (1)	258,000,000	64.5%
<b>Ms. Lip Fung Chun, Louise</b> . . . . .	Family interest (2)	292,000,000	73%
<b>Mr. Mak</b> . . . . .	Beneficial owner	4,000,000	1%
	Interest in controlled company (1)	258,000,000	64.5%
<b>Ms. Ng Hoi Shan</b> . . . . .	Family interest (3)	262,000,000	65.5%
<b>Mr. Law</b> . . . . .	Beneficial owner	4,000,000	1%
	Interest in controlled company (1)	258,000,000	64.5%
<b>Ms. Mardamshina Zhanna</b> . . . . .	Family interest (4)	262,000,000	65.5%
<b>ASR Victory</b> . . . . .	Beneficial owner	258,000,000	64.5%

*Notes:*

1. These Shares will be directly held by ASR Victory, which is beneficially owned as to 33.33% by each of the Founders. ASR Victory and each of the Founders as a group of persons entitled to exercise 30% or more of voting rights at general meeting of our Company, are together regarded as Controlling Shareholders.
2. Ms. Lip Fung Chun, Louise is the spouse of Mr. Yu and is therefore deemed to be interested in all the Shares held by Mr. Yu (by himself and through ASR Victory) by virtue of the SFO.
3. Ms. Ng Hoi Shan is the spouse of Mr. Mak and is therefore deemed to be interested in all the Shares held by Mr. Mak (by himself and through ASR Victory) by virtue of the SFO.
4. Ms. Mardamshina Zhanna is the spouse of Mr. Law and is therefore deemed to be interested in all the Shares held by Mr. Law (by himself and through ASR Victory) by virtue of the SFO.

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## SUBSTANTIAL SHAREHOLDERS

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### NON-DISPOSAL UNDERTAKING

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has, jointly and severally, undertaken to our Company and the Sponsor (on behalf of the Underwriters) that he/it shall not directly or indirectly and shall procure that the relevant registered holder(s) of the Shares (as the case maybe) shall not (except pursuant to or in connection with the Stock Borrowing Agreement):

- (a) during the First Lock-up Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/it is shown by this prospectus to be the beneficial owner (whether direct or indirect); or
- (b) during the Second Lock-up Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in (a) above if, immediately following such disposal or upon the exercise of enforcement of such options, rights, interests or encumbrances, he/it, individually or together with each other as a group, would cease to be a Controlling Shareholder.

Each of our Controlling Shareholders has also jointly and severally undertaken to the Stock Exchange, our Company and the Sponsor that within the period commencing on the date of this prospectus and ending on the date which is 12 months from the Listing Date, he/it shall:

- (1) when he/it pledges or charges any Shares beneficially owned by him/it, in favour of an authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of Shares so pledged or charged; and
- (2) when he/it receives indications, whether verbal or written, from the pledgee/chargee that any of the pledged/charged Shares will be disposed of, immediately inform us of such indications.

We shall inform the Stock Exchange as soon as we have been informed of matters referred to in (1) and (2) above by any of our Controlling Shareholders and disclose such matters by way of an announcement in accordance with the Listing Rules as soon as practicable.

Further details of undertakings given by our Controlling Shareholders are set out under the section headed “Underwriting — Undertakings” and the section headed “Relationship with the Controlling Shareholders — Non-competition undertakings”.



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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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### CONTROLLING SHAREHOLDER

Details of the shareholdings of our Controlling Shareholders are set forth in the section headed “Substantial Shareholders” and the section headed “Further information about our Directors, senior management, staff, Substantial Shareholders and experts” in Appendix V to this prospectus.

### NON-COMPETITION UNDERTAKINGS

Our Controlling Shareholders, as covenantors (collectively, the “**Covenantors**”), have entered into a deed of non-competition in favour of our Company on 29 December 2011, (the “**Non-competition Deed**”), pursuant to which each of the Covenantors has irrevocably and unconditionally undertaken to and covenanted with our Company (for itself and for the benefit of the members of our Group) that during the continuation of the Non-competition Deed that each of the Covenantors shall not, and shall procure each of his/its associates and/or companies controlled by him/it, whether on his/its own account or in conjunction with or on behalf of any person, firm or company and whether directly or indirectly, which carries on a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest or otherwise involved in (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business that is similar to or in competition with or is likely to be in competition with any business carried on by any member of our Group from time to time or in which any member of our Group is engaged or has invested or is otherwise involved in (including but not limited to the provision of air freight solution services in the wholesale market and any business ancillary to the foregoing, in Hong Kong, China, Macau, Taiwan, Japan and any other country or jurisdiction to which our Group provides, markets, sells, or otherwise supplies such services and/or in which any member of our Group carries on business mentioned above from time to time (the “**Restricted Business**”). Our Directors have represented and warranted that none of them and, as far as they know, none of our Controlling Shareholders or his/its associates is currently interested, involved or engaging, directly or indirectly, in (whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) the Restricted Business otherwise than through our Group.

Pursuant to the Non-competition Deed, each of the Covenantors has also undertaken that if each of the Covenantors and/or any of his/its associates is offered or becomes aware of any project or new business opportunity (“**New Business Opportunity**”) that relates to the Restricted Business, whether directly or indirectly, he/it shall (i) promptly in any event not later than seven days notify our Company in writing of such opportunity and provide such information as is reasonably required by our Company in order to enable our Company to come to an informed assessment of such opportunity; and (ii) use his/its best endeavours to procure that such opportunity is offered to our Company on terms no less favourable than the terms on which such opportunity is offered to him/it and/or his/its associates.

Our Directors (including our INEDs) will review the New Business Opportunity and decide whether to invest in the New Business Opportunity. If our Group has not given written notice of its desire to invest in such New Business Opportunity or has given written notice denying the New Business Opportunity within thirty (30) business days (the “**30-day Offering Period**”) of receipt of notice from the Covenantors, the Covenantors and/or his/its associates shall be permitted to invest in or participate in the New Business Opportunity on his/its own accord. With respect to the 30-day Offering Period, our Directors consider that such period is adequate for our Company to assess any New Business Opportunity. In



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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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order to ensure that our Group has adequate time to assess some complicated business opportunities, the Covenantors have agreed to extend the offering period from 30 business days to a maximum of 60 business days should our Group require so by giving written notice within the 30-day Offering Period to the Covenantors.

In addition, upon Listing, each of the Covenantors has also undertaken:

- (i) in favour of our Company to provide our Company and our Directors (including our INEDs) from time to time with all information necessary, including but not limited to, monthly sales records (such as purchase orders placed by customers, the corresponding invoices and any other relevant documents considered necessary by our INEDs), for the annual review by our INEDs with regard to compliance of the terms of the Non-competition Deed and the enforcement of the non-competition undertakings in the Non-competition Deed;
- (ii) to provide to our Company, within 20 Business Days after the end of each financial year of our Company, a declaration made by each of the Covenantors which shall state whether or not the Covenantors have during that financial year complied with the terms of the Non-competition Deed, and if not, particulars of any non-compliance, which declaration (or any part thereof) may be reproduced, incorporated, extracted and/or referred to in the annual report of our Company for the relevant financial year such annual declaration shall be consistent with the principles of making voluntary disclosures in the corporate governance report; and
- (iii) to our Group to allow our Directors (including our INEDs), their respective representatives and our auditors to have sufficient access (with reasonable prior notice) to the records of the Covenantor and his/its associates to ensure their compliance with the terms and conditions under the Non-competition Deed.

Further, each of the Covenantors has undertaken that during the period in which he/it and/or his/its associates, individually or taken as a whole, remains as a Controlling Shareholder:

- (i) he/it will not invest or participate in any project or business opportunity that competes or may compete, directly or indirectly, with the business activities engaged by our Group from time to time unless pursuant to the provisions stipulated in the Non-competition Deed;
- (ii) he/it will not solicit any existing or then existing employee of our Group for employment by him/it or his/its associates (excluding our Group);
- (iii) he/it will not without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to his/its knowledge in his/its capacity as the Controlling Shareholder for any purposes; and
- (iv) he/it will procure his/its associates (excluding our Group) not to invest or participate in any project or business opportunity mentioned above unless pursuant to the provisions stipulated in the Non-competition Deed.

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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The Non-competition Deed will take effect upon Listing and shall expire on the earlier of:

- (i) the day on which our Shares cease to be listed on the Main Board or other recognised stock exchange; or
- (ii) the day on which the Covenantors and his/its associates, individually or taken as a whole, cease to own, in aggregate, 30% or more of the then issued share capital of our Company directly or indirectly or cease to be deemed as Controlling Shareholder and do not have power to control our Board or there is at least one other independent Shareholder other than the Covenantors and his/its respective associates holding more Shares than the Covenantors and his/its respective associates taken together.

In order to strengthen the corporate governance in respect of the existing and potential conflict of interests between our Group and the Covenantors, upon Listing:

- (i) our Company shall disclose in our annual reports the compliance and enforcement of the undertakings by the Covenantors in respect of the Non-competition Deed and the appropriate action to be taken by our Company;
- (ii) our Company shall disclose decision on matters reviewed by our INEDs in relation to the compliance and enforcement of the arrangement of the New Business Opportunity in our annual reports;
- (iii) our Board will ensure reporting any event relating to potential conflict of interests to our INEDs as soon as practicably when it realises or suspects any event relating to potential conflict of interests may occur during the daily operations;
- (iv) following the reporting of any event relating to potential conflict of interests, our Board will hold a management meeting to review and evaluate the implications and risk exposures of such event and the compliance of the Listing Rules in order to monitor any irregular business activities and alert our Board, including our INEDs, to take any precautionous actions; and
- (v) in the event that there is any potential conflict of interests relating to the business of our Group between our Group and the Controlling Shareholders, the interested Directors, or as the case may be, the Controlling Shareholders would, according to the Articles or the Listing Rules, be required to declare his/its interests and, where required, abstain from participating in the relevant board meeting or general meeting and voting on the transaction and not count as quorum where required.

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## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

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### **Directors' interest in competing business**

Save and except for their interests in our Company, our Directors had no interest in any other companies as at the Latest Practicable Date which (i) holds interests in our business; or (ii) may, directly or indirectly, compete with our Group's business.

### **INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS**

We believe that we can carry on our business independently of our Controlling Shareholders (and our Controlling Shareholders' associates) following the Listing, and that we satisfy the relevant requirements under the Listing Rules, since (i) our Controlling Shareholders and their respective associates do not have any interests in any business that competes or is likely to compete with ours; (ii) our Controlling Shareholders and their respective associates do not have any dealings with us; (iii) our Controlling Shareholders have entered into the Non-competition Deed in our favour; (iv) our corporate Controlling Shareholder is an investment holding company and does not carry on any business; (v) our Controlling Shareholders do not share common resources with our Group; and (vi) all guarantees given by our Founders to secure our bank borrowings will be released upon Listing.

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## SHARE CAPITAL

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### SHARE CAPITAL

The following table is prepared on the basis that the Share Offer and the Capitalisation Issue have become unconditional. This table, however, takes no account of any Shares which may be allotted and issued by our Company pursuant to the exercise of the options which may be granted under the Share Option Scheme or the exercise of the Over-allotment Option and of any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as referred to below:

<i>Authorised share capital:</i>	<i>HK\$</i>
<u>2,000,000,000</u> Shares	<u>20,000,000</u>
<i>Shares in issue or to be issued, fully paid or credited as fully paid:</i>	
10,000,000 Shares in issue	100,000
290,000,000 Shares to be issued under the Capitalisation issue	2,900,000
<u>100,000,000</u> Shares to be issued under the Share Offer	<u>1,000,000</u>
<i>Total</i>	
<u>400,000,000</u> Shares	<u>4,000,000</u>

### RANKING

The Offer Shares will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned herein, and will qualify for all dividends or other distributions declared, made or paid after the date of this prospectus, save for entitlements under the Capitalisation Issue.

### SHARE OPTION SCHEME

We have conditionally adopted a share option scheme. Details of the principal terms of our Share Option Scheme are summarised in the section headed "Share Option Scheme" in Appendix V to this prospectus.

### GENERAL MANDATE

Our Directors have been granted a general unconditional mandate to exercise all powers of our Company to allot, issue and deal with (otherwise than by way of rights issues, scrip dividend or an issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of the options which may be granted under the Share Option Scheme or other similar arrangements) Shares with an aggregate nominal value not exceeding the sum of:

- 20% of the aggregate nominal value of our share capital in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Share Option Scheme); and

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## SHARE CAPITAL

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- the aggregate nominal amount of Shares repurchased under the authority granted by us to our Directors pursuant to the Repurchase Mandate referred to below (if any).

This general mandate will remain in effect until:

- the conclusion of our next annual general meeting;
- the expiration of the period within which our next annual general meeting is required to be held under the Articles or any applicable law; or
- the revocation, variation or renewal by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please refer to the section headed “Further information about our Group — Written resolutions of the sole shareholder” in Appendix V to this prospectus.

### REPURCHASE MANDATE

Our Directors have been granted a general unconditional mandate to exercise all our powers 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, Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of our share capital in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Share Option Scheme).

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

- the conclusion of our next annual general meeting;
- the expiration of the period within which our next annual general meeting is required to be held under the Articles or any applicable law; and
- the revocation, variation or renewal by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

For further details of this repurchase mandate, please refer to the section headed “Further information about our Group — Written resolutions of the sole shareholder” in Appendix V to this prospectus.

## FINANCIAL INFORMATION

*You should read the following discussion and analysis in conjunction with our combined financial information set out in Appendix I to this prospectus, and selected historical combined financial data, in each case, together with the accompanying notes thereto included elsewhere in this prospectus. The financial information included in the Accountants' Report has been prepared in accordance with Hong Kong Financial Reporting Standards. Our financial information and the discussion and analysis below assume that our current structure had been in existence throughout the Track Record Period. For further information, please refer to the section headed "History and corporate development — Reorganisation". Additionally, the following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of factors, including without limitation, the factors set out in the section headed "Risk factors" and elsewhere in this prospectus.*

### RESULTS OF OPERATIONS

Set out below are our results of operations for the Track Record Period extracted from the financial information section of the Accountants' Report:

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)
				(unaudited)	
<b>Revenue</b> . . . . .	293.8	297.1	489.9	226.6	294.9
Cost of sales . . . . .	(249.4)	(222.6)	(344.9)	(158.0)	(198.6)
<b>Gross profit</b> . . . . .	<u>44.4</u>	<u>74.5</u>	<u>145.0</u>	<u>68.6</u>	<u>96.3</u>
Other (losses)/gains, net . . . . .	(0.1)	0.1	2.5	(0.1)	2.0
Other income . . . . .	—	1.3	0.3	0.2	0.1
Administrative expenses . . . . .	(20.6)	(26.3)	(40.2)	(20.0)	(28.0)
<b>Operating profit</b> . . . . .	23.7	49.6	107.6	48.7	70.4
Finance (costs)/income, net . . . . .	(0.9)	(0.4)	(0.5)	(0.2)	0.1
<b>Profit before income tax</b> . . . . .	22.8	49.2	107.1	48.5	70.5
Income tax expense . . . . .	(2.0)	(6.3)	(13.9)	(6.2)	(10.1)
<b>Profit for the year/period</b> . . . . .	<u>20.8</u>	<u>42.9</u>	<u>93.2</u>	<u>42.3</u>	<u>60.4</u>
<b>Attributable to:</b>					
Equity holders of the Company . . . . .	20.8	42.8	92.1	41.8	59.4
Non-controlling interests . . . . .	—	0.1	1.1	0.5	1.0
<b>Profit for the year/period</b> . . . . .	<u>20.8</u>	<u>42.9</u>	<u>93.2</u>	<u>42.3</u>	<u>60.4</u>

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### OVERVIEW

We are an air freight solution provider positioned in the wholesale market, with an operating history since 1991. Our business model principally involves purchasing air cargo space from airlines and/or integrated carriers and on-selling such space to our customers, namely freight forwarders. Airlines and integrated carriers generally engage their respective appointed wholesalers and freight forwarders to market and/or on-sell their air cargo space for ease of management, cost effectiveness and minimising credit exposure instead of dealing with a large pool of freight forwarders and shippers themselves. Our main role for airlines and integrated carriers is to source a necessary amount of air cargos from freight forwarders on a timely basis to enable them to maximise the utilisation of air cargo space of their aircrafts. We handled approximately 13,386 tons, 18,849 tons, 29,114 tons and 17,059 tons of cargo for the three financial years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 respectively.

In order to enhance our competitiveness in the market and maintain the viability of our business, we have focused on: (i) positioning ourselves in the wholesale market so that our freight forwarding customers do not have to worry about their own retail customers i.e. shippers being solicited by us, which enables us to secure an extensive network of freight forwarders as our customers; (ii) delivering deferred air freight service; and (iii) providing air freight solutions in connection with destinations in the Developing Countries.

We have enjoyed growth in revenue and profitability over the Track Record Period. Our revenues were HK\$293.8 million, HK\$297.1 million, HK\$489.9 million and HK\$294.9 million for the three financial years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 respectively. Our net profits attributable to equity holders of our Company were HK\$20.8 million, HK\$42.8 million, HK\$92.1 million and HK\$59.4 million for the three financial years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 respectively. Our Directors believe that our growth is attributable to our critical mass of business, our wholesale market positioning, our extensive portfolio of air cargo routes, our business focus on the deferred air freight segment and the Developing Countries, and our experienced management team.

### BASIS OF PRESENTATION

The combined financial statements of our Group have been prepared on a basis in accordance with the principles of the Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants. The combined statements of comprehensive income, combined cash flow statements and combined statements of changes in equity of our Group for each of the financial years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 have been prepared as if the current Group structure had been in existence throughout the Track Record Period, or since the respective dates of incorporation/establishment of the combining companies, or since the date when the combining companies first came under the control of our Controlling Shareholders, whichever is a shorter period. The combined balance sheets of our Group as at 31 December 2008, 2009 and 2010 and 30 June 2011 have been prepared to present the assets and liabilities of the companies now comprising our Group at these dates, as if the current Group structure had been in existence as at these dates. The net assets and results of our Group were combined using the existing book values from our Controlling Shareholders' perspective.

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Further details on the basis of presentation are set out in note 2 to the financial information in the Accountants' Report.

### PRINCIPAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS

#### Global GDP growth and air cargo throughput volume

The growth in the air cargo industry is driven by the global growth of economic output, the demand for goods abroad and the consumption patterns of citizens (i.e. import and export patterns) coupled with the growth in freight fleet (i.e. the number of aircrafts). Global GDP is a measure of global economic activity which is the key driver to the air cargo throughput volume. As such, a decrease in global GDP would have a negative impact on the throughput volume of air cargo and hence demand for air freight services. For example, the global financial crisis in the fourth quarter of 2008 has led to negative global GDP growth of approximately 2.1% in 2009 and hence a decline in global air cargo traffic by approximately 11.3% in 2009 according to the World Air Cargo Forecast 2010-2011 by Boeing. Accordingly, world scheduled air freight and charter air freight also fell by approximately 10.7% and 18.4% in 2009 respectively. After the global financial crisis in late 2008, the global economy revived quickly. Our Directors believe that the continuous global economic growth will steadily drive the growth in the air cargo industry, and that the growth in the demand for air freight services will be beneficial to our Group. For further details on the industry forecast, please refer to the section headed "Industry overview". In addition, please refer to the section headed "Summary — Recent trend of our Group's business".

#### Our ability to continue to focus on the deferred air freight segment and reaching the Developing Countries

Our Group has enjoyed growth in revenue from HK\$293.8 million for the financial year ended 31 December 2008 to HK\$489.9 million for the financial year ended 31 December 2010, representing a CAGR of approximately 29.1%. Our gross profit margin also increased from approximately 15.1% for the financial year ended 31 December 2008 to approximately 29.6% for the financial year ended 31 December 2010. Such improvements in revenue and gross profit margin were predominantly attributable to our business focus on delivering deferred air freight service and reaching the Developing Countries. As such, our ability to continue to focus on these areas is essential to our Group's future growth, as well as to maintain our Group's profitability. For further details on our Group's business focus, please refer to the section headed "Business — Our business model — Our business focus".



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### **The impact of fluctuation of air cargo space selling price on our financial results**

Our Group purchases air cargo space from airlines and integrated carriers by way of either non-committed purchases or firm commitments. For purchases via firm commitments (either in the form of block space agreements or GSA agreements), our Group is committed to purchasing an agreed quantity of air cargo space at pre-determined rates negotiated with airlines and/or integrated carriers on an arm's length basis over a relevant period of time and we are required to pay for the agreed quantity of air cargo space regardless of whether we are able to on-sell them to our customers. Since our Group is committed to purchasing such air cargo space at pre-determined rates, we are subject to price fluctuations when on-selling such air cargo space because of the fact that the selling price of air cargo space is affected by the demand and supply in the market at the time of selling. During the Track Record Period, we were able to sell air cargo space at the then prevailing market price higher than the pre-determined rates as fixed under firm commitment purchasing. However, should the market selling price of air cargo space fall below the pre-determined rates, our Group will be subject to a loss and vice versa.

### **Our ability to enter into purchasing agreements with firm commitments at the pre-determined rates which would enable the Group to maintain its profitability**

During the Track Record Period, with our Directors' experience in and understanding of the air freight industry, our Group successfully entered into block space agreements and GSA agreements at pre-determined rates, under which we were able to sell the agreed quantities of air cargo space at the market price higher than those pre-determined rates as specified in the agreements, or alternatively we were able to bundle it with other air cargo routes as deferred air freight products offered to our customers at higher gross profit margin than time definite air freight products. Our Directors are of the view that should the selling prospects of any of the air routes under any of the existing block space agreements or GSA agreements become uncertain, they will choose not to renew these agreements when they expire or only to renew them at pre-determined rates which, in our Directors' view, will not render the Group to be subject to material price risk. At the same time, our Directors will continue to endeavour to identify new block space agreements and GSA agreements that would enhance our Group's air freight services as well as profitability.

### **Competition**

Our Directors consider that the freight forwarding segment is highly fragmented and competitive with numerous freight forwarders and/or wholesalers with varying capacities and roles they play along the supply chain of the air cargo industry. According to HAFFA, there were 345 companies registered as its members as of September 2011. Furthermore, according to the Quarterly Report of Employment and Vacancies Statistics — December 2010 issued by the Census and Statistics Department of Hong Kong, there were over 3,500 Hong Kong companies registered under the Business Registration Office of the Inland Revenue Department as companies engaged in cargo forwarding services (including both air and sea) as of December 2010. Our Directors believe that our growth in revenue and improvement in gross profit margin are mainly attributable to our wholesale market positioning as well as our business focus on delivering deferred air freight service and serving flight destinations in the Developing Countries.

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However, should more air cargo wholesalers happen to participate in offering deferred air freight service or air cargo routes serving the Developing Countries in the future, our profitability and financial performance would be adversely affected.

### **CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS**

The preparation of our combined financial statements and related notes often requires the use of judgment to select specific accounting methods and policies from several acceptable alternatives. Estimates and judgments are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Our Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. You should read the following descriptions of critical accounting estimates and assumptions in conjunction with our combined financial statements and critical accounting estimates and assumptions set forth in note 5 to the financial information in the Accountants' Report. 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 discussed below:

#### **Impairment of receivables**

Our Group makes provision for impairment of receivables based on an assessment of the recoverability of the receivables. Provisions are applied to receivables where events or changes in circumstances indicate that the balances may not be collectable. The identification of impairment of receivables requires the use of judgment and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying value of receivables and loss for the impairment of receivable is recognised in the years in which such estimates have been changed.

#### **Income taxes**

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Our Group recognises liabilities for anticipated taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences would impact the current income tax and deferred income tax provisions in the period in which such determination is made.

#### **Fair values of available-for-sale financial assets and financial assets at fair value through profit or loss**

For the fair value of financial assets not traded in an active market, our Group uses the quoted prices provided by counterparties to estimate the fair values. The methodology, models and assumptions used in valuing these financial assets require judgment.

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### PRINCIPAL INCOME STATEMENT COMPONENTS

#### Revenue, cost of sales and gross profit

Revenue represents income for provision of air freight services to our customers i.e. freight forwarders. Revenue is recognised when the air freight services are provided i.e. the point in time at which the consignment is loaded onto an aircraft and being delivered. All our revenue is recorded on a gross basis except for the commission based revenue generated under non-committed purchases as agreed with relevant airlines which is recorded on a net basis. Cost of sales mainly includes purchases of air cargo space from airlines, integrated carriers and freight forwarders.

Our Directors consider that our Group's services are categorised into time definite air freight service and deferred air freight service where our Group focuses on providing deferred air freight service. In addition, our Group focuses on serving flight destinations in the Developing Countries as opposed to the Developed Countries. During the Track Record Period, our Group achieved growth in revenue and gross profit with our business focus on delivering deferred air freight service and serving flight destinations in the Developing Countries. Our revenue increased from HK\$293.8 million for the financial year ended 31 December 2008 to HK\$489.9 million for the financial year ended 31 December 2010. Our gross profit also increased from HK\$44.4 million for the financial year ended 31 December 2008 to HK\$145.0 million for the financial year ended 31 December 2010, representing a significant increase in gross profit margin from approximately 15.1% to approximately 29.6% in the respective years. Such growth in revenue, gross profit and gross profit margins were contributed from our business growth in deferred air freight service and flight destinations in the Developing Countries which had higher gross profit margins.

Set forth below are the details of our Group's revenue, cost of sales, gross profit and gross profit margin by business segmentation during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2008		2009		2010		2010		2011	
	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%
<i>Revenue</i>										
Deferred . . . . .	226.3	77.0%	203.2	68.4%	317.7	64.8%	143.4	63.3%	210.0	71.2%
- Developed Countries. . . . .	159.3	54.2%	128.6	43.3%	178.0	36.3%	82.0	36.2%	105.2	35.7%
- Developing Countries . . . . .	67.0	22.8%	74.6	25.1%	139.7	28.5%	61.4	27.1%	104.8	35.5%
Time definite . . . . .	48.4	16.5%	78.4	26.4%	164.3	33.6%	78.6	34.7%	84.2	28.6%
- Developed Countries. . . . .	33.9	11.5%	37.4	12.6%	58.5	11.9%	33.5	14.8%	14.7	5.0%
- Developing Countries . . . . .	14.5	5.0%	41.0	13.8%	105.8	21.7%	45.1	19.9%	69.5	23.6%
Sea freight . . . . .	19.1	6.5%	15.5	5.2%	7.9	1.6%	4.6	2.0%	0.7	0.2%
<b>Total revenue . . . . .</b>	<b>293.8</b>	<b>100.0%</b>	<b>297.1</b>	<b>100.0%</b>	<b>489.9</b>	<b>100.0%</b>	<b>226.6</b>	<b>100.0%</b>	<b>294.9</b>	<b>100.0%</b>

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	Year ended 31 December						Six months ended 30 June			
	2008		2009		2010		2010		2011	
	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%
<i>Cost of sales</i>										
Deferred . . . . .	189.9	76.1%	152.4	68.5%	216.9	62.9%	98.7	62.5%	143.4	72.2%
- Developed Countries. . . . .	145.8	58.5%	104.6	47.0%	135.9	39.4%	62.5	39.6%	80.6	40.6%
- Developing Countries . . . . .	44.1	17.6%	47.8	21.5%	81.0	23.5%	36.2	22.9%	62.8	31.6%
Time definite . . . . .	40.8	16.4%	55.2	24.8%	120.3	34.9%	54.9	34.7%	54.6	27.5%
- Developed Countries. . . . .	31.7	12.8%	34.4	15.5%	55.2	16.0%	31.5	19.9%	13.6	6.8%
- Developing Countries . . . . .	9.1	3.6%	20.8	9.3%	65.1	18.9%	23.4	14.8%	41.0	20.7%
Sea freight . . . . .	18.7	7.5%	15.0	6.7%	7.7	2.2%	4.4	2.8%	0.6	0.3%
<b>Total cost of sales . . . . .</b>	<b>249.4</b>	<b>100.0%</b>	<b>222.6</b>	<b>100.0%</b>	<b>344.9</b>	<b>100.0%</b>	<b>158.0</b>	<b>100.0%</b>	<b>198.6</b>	<b>100.0%</b>
<i>Gross profit</i>										
Deferred . . . . .	36.4	82.0%	50.8	68.2%	100.8	69.5%	44.7	65.2%	66.6	69.2%
- Developed Countries. . . . .	13.5	30.4%	24.0	32.2%	42.1	29.0%	19.5	28.5%	24.6	25.5%
- Developing Countries . . . . .	22.9	51.6%	26.8	36.0%	58.7	40.5%	25.2	36.7%	42.0	43.7%
Time definite . . . . .	7.6	17.1%	23.2	31.1%	44.0	30.4%	23.7	34.5%	29.6	30.7%
- Developed Countries. . . . .	2.2	5.0%	3.0	4.0%	3.3	2.3%	2.0	2.9%	1.1	1.1%
- Developing Countries . . . . .	5.4	12.1%	20.2	27.1%	40.7	28.1%	21.7	31.6%	28.5	29.6%
Sea freight . . . . .	0.4	0.9%	0.5	0.7%	0.2	0.1%	0.2	0.3%	0.1	0.1%
<b>Total gross profit. . . . .</b>	<b>44.4</b>	<b>100.0%</b>	<b>74.5</b>	<b>100.0%</b>	<b>145.0</b>	<b>100.0%</b>	<b>68.6</b>	<b>100.0%</b>	<b>96.3</b>	<b>100.0%</b>
<i>Gross profit margin</i>										
	2008		2009		2010		2010		2011	
	%		%		%		%		%	
Deferred. . . . .	16.1%	25.0%	31.7%	31.2%	31.7%	31.2%	31.7%	31.2%	31.7%	
- Developed Countries. . . . .	8.5%	18.7%	23.7%	23.8%	23.7%	23.8%	23.4%	23.8%	23.4%	
- Developing Countries . . . . .	34.2%	35.9%	42.0%	41.0%	42.0%	41.0%	40.1%	41.0%	40.1%	
Time definite . . . . .	15.7%	29.6%	26.8%	30.2%	26.8%	30.2%	35.2%	30.2%	35.2%	
- Developed Countries. . . . .	6.5%	8.0%	5.6%	6.0%	5.6%	6.0%	7.5%	6.0%	7.5%	
- Developing Countries . . . . .	37.2%	49.3%	38.5%	48.1%	38.5%	48.1%	41.0%	48.1%	41.0%	
Sea freight . . . . .	2.1%	3.2%	2.5%	4.3%	2.5%	4.3%	14.3%	4.3%	14.3%	
<b>Overall gross profit margin . . . . .</b>	<b>15.1%</b>	<b>25.1%</b>	<b>29.6%</b>	<b>30.3%</b>	<b>29.6%</b>	<b>30.3%</b>	<b>32.7%</b>	<b>30.3%</b>	<b>32.7%</b>	

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As at 31 December 2008, 2009 and 2010 and 30 June 2011, we engaged with 4, 8, 10 and 11 airlines under the GSA agreements (either in the form of non-committed purchases or firm commitments) respectively, which mainly cover destinations in the Developing Countries. With our business focus on serving flight destinations in the Developing Countries, our cost of sales of air cargo space sourced from firm commitments increased from approximately HK\$53.1 million for the financial year ended 31 December 2008 to approximately HK\$145.3 million for the financial year ended 31 December 2010.

Set out below is our Group's cost of sales by type of suppliers under non-committed purchases and firm commitments during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2008		2009		2010		2010		2011	
	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%
Non-committed purchases.	196.3	78.7%	132.8	59.7%	199.6	57.9%	95.5	60.4%	124.8	62.8%
- Airlines . . . . .	20.2	8.1%	7.5	3.4%	33.9	9.8%	9.7	6.1%	35.5	17.9%
- Integrated carriers . . . . .	97.8	39.2%	36.5	16.4%	51.9	15.1%	21.2	13.4%	30.3	15.2%
- Freight forwarders . . . . .	70.3	28.2%	81.0	36.4%	105.8	30.7%	60.2	38.1%	53.4	26.9%
- Subcontractors and others . . . . .	8.0	3.2%	7.8	3.5%	8.0	2.3%	4.4	2.8%	5.6	2.8%
Firm commitments										
- Airlines . . . . .	53.1	21.3%	89.8	40.3%	145.3	42.1%	62.5	39.6%	73.8	37.2%
<b>Total cost of sales . . . . .</b>	<b>249.4</b>	<b>100.0%</b>	<b>222.6</b>	<b>100.0%</b>	<b>344.9</b>	<b>100.0%</b>	<b>158.0</b>	<b>100.0%</b>	<b>198.6</b>	<b>100.0%</b>

As our Group continued to focus on serving flight destinations in the Developing Countries, revenue and gross profit derived from flight destinations in the Asia-Pacific region also increased significantly. Revenue derived from flight destinations in the Asia-Pacific region accounted for approximately 49.2% of total revenue for the financial year ended 31 December 2010 as compared to that of approximately 28.2% for the financial year ended 31 December 2008. Gross profit derived from flight destinations in the Asia-Pacific region accounted for approximately 79.3% of total gross profit for the financial year ended 31 December 2010 as compared to that of approximately 56.5% for the financial year ended 31 December 2008. On the same basis, revenue and gross profit derived from the Developed Countries, in particular the America, decreased significantly. Revenue derived from the America decreased from approximately 47.7% of total revenue for the financial year ended 31 December 2008 to approximately 18.6% of total revenue for the financial year ended 31 December 2010. Gross profit derived from the America also decreased from approximately 24.8% of total gross profit for the financial year ended 31 December 2008 to approximately 3.9% of total gross profit for the financial year ended 31 December 2010.

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Set forth below are the details of revenue, cost of sales and gross profit margin by destination of air freight services during the Track Record Period:

*Six months ended 30 June 2011*

	Europe	America	Asia-Pacific	Others	Total
	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)
Revenue . . . . .	66.9	22.7	173.6	31.7	294.9
Cost of sales . . . . .	<u>(59.4)</u>	<u>(20.8)</u>	<u>(89.7)</u>	<u>(28.7)</u>	<u>(198.6)</u>
Gross profit . . . . .	<u>7.5</u>	<u>1.9</u>	<u>83.9</u>	<u>3.0</u>	<u>96.3</u>
Gross profit margin (%). . . . .	11.2%	8.4%	48.3%	9.5%	32.7%

*Year ended 31 December 2010*

	Europe	America	Asia-Pacific	Others	Total
	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)
Revenue . . . . .	125.1	91.2	241.2	32.4	489.9
Cost of sales . . . . .	<u>(103.0)</u>	<u>(85.6)</u>	<u>(126.2)</u>	<u>(30.1)</u>	<u>(344.9)</u>
Gross profit . . . . .	<u>22.1</u>	<u>5.6</u>	<u>115.0</u>	<u>2.3</u>	<u>145.0</u>
Gross profit margin (%). . . . .	17.7%	6.1%	47.7%	7.1%	29.6%

*Year ended 31 December 2009*

	Europe	America	Asia-Pacific	Others	Total
	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)
Revenue . . . . .	67.7	84.7	131.9	12.8	297.1
Cost of sales . . . . .	<u>(54.7)</u>	<u>(79.2)</u>	<u>(78.4)</u>	<u>(10.3)</u>	<u>(222.6)</u>
Gross profit . . . . .	<u>13.0</u>	<u>5.5</u>	<u>53.5</u>	<u>2.5</u>	<u>74.5</u>
Gross profit margin (%). . . . .	19.2%	6.5%	40.6%	19.5%	25.1%

*Year ended 31 December 2008*

	Europe	America	Asia-Pacific	Others	Total
	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)
Revenue . . . . .	66.1	140.2	82.9	4.6	293.8
Cost of sales . . . . .	<u>(59.7)</u>	<u>(129.2)</u>	<u>(57.8)</u>	<u>(2.7)</u>	<u>(249.4)</u>
Gross profit . . . . .	<u>6.4</u>	<u>11.0</u>	<u>25.1</u>	<u>1.9</u>	<u>44.4</u>
Gross profit margin (%). . . . .	9.7%	7.8%	30.3%	41.3%	15.1%

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In terms of gross profit contribution to our financial results, the deferred/Developing Countries segment accounted for approximately 36.0% to 51.6%, followed by approximately 12.1% to 31.6% of our total gross profit from the time definite/Developing Countries segment over the Track Record Period. Similarly, these two segments also had the higher gross profit margin than the other segments in each of the three financial years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011.

### Other net gain

Other net gain mainly consists of net exchange gain since our Group involves in foreign operations.

### Administrative expenses

Administrative expenses mainly consist of: (i) staff costs for management and operational employees; (ii) travelling expenses; (iii) marketing and promotion expenses; (iv) rents and rate; (v) auditor's remuneration; and (vi) other administrative expenses including communication expenses, motor vehicles expenses and legal and professional fees. The following table sets out a breakdown of the principal components of our Group's administrative expenses during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2008		2009		2010		2010		2011	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
<b>Administrative expenses</b>										
Staff costs . . . . .	10,520	51.1%	15,061	57.2%	25,477	63.3%	13,507	67.5%	14,254	51.0%
Travelling expenses . . . . .	1,469	7.1%	2,191	8.3%	3,027	7.5%	1,143	5.7%	1,947	7.0%
Marketing and promotion . . . . .	2,662	12.9%	1,682	6.4%	3,076	7.6%	1,548	7.8%	2,197	7.9%
Rents and rate . . . . .	1,174	5.7%	1,452	5.5%	2,056	5.1%	984	4.9%	1,838	6.6%
Auditor's remuneration . . . . .	116	0.6%	666	2.5%	702	1.7%	323	1.6%	429	1.5%
Communication expenses . . . . .	917	4.5%	905	3.4%	1,088	2.7%	469	2.3%	643	2.3%
Depreciation . . . . .	623	3.0%	599	2.3%	970	2.4%	418	2.1%	670	2.4%
Legal and professional fee . . . . .	116	0.6%	183	0.7%	623	1.5%	249	1.2%	4,065	14.5%
Bad debts . . . . .	268	1.3%	1,321	5.0%	198	0.5%	—	0.0%	—	0.0%
Others . . . . .	2,722	13.2%	2,259	8.7%	3,027	7.7%	1,360	6.9%	1,907	6.8%
<b>Total . . . . .</b>	<b>20,587</b>	<b>100.0%</b>	<b>26,319</b>	<b>100.0%</b>	<b>40,244</b>	<b>100.0%</b>	<b>20,001</b>	<b>100.0%</b>	<b>27,950</b>	<b>100.0%</b>

### Finance costs, net

Our net finance costs represent interest expenses on our trust receipt loans and bank overdrafts as well as interest income from short-term bank deposits.

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### Taxation

Our Group is subject to Macau tax as five international airlines (“**Airlines**”) have appointed us as their GSA or non-exclusive agent to market and on-sell their air cargo space in Macau. Included in the section headed “Information about our Group members and our corporate structure — Our Group members” is the number of airlines and/or integrated carriers engaged with by each of our subsidiaries as at 31 October 2011. Our Macau incorporated subsidiary, Pacific Empire (Macau), has indeed signed up with the Airlines to source air cargo space serving air routes originating from Macau, Hong Kong and China. The origins of air routes covered by the Airlines are not limited to Macau, and we are therefore able to leverage the network of the Airlines to serve our freight forwarding customers in Hong Kong and China who require our service to cover air routes originating from Hong Kong or China reaching the other parts of the world. We have two full-time staff in Macau who are primarily responsible for handling sales orders. The daily administrative operations in Macau are assisted by our head office in Hong Kong. During the Track Record Period, our purchases of air cargo space from the Airlines, which covered different origins of air routes, represented a relatively significant portion of our total purchases for the purposes of marketing and on-selling air cargo space for the relevant years and period. According to Article 2 of the Macau Complementary Tax Law, Macau complementary tax is imposed on the taxable income earned by corporations in Macau. As a result of Pacific Empire (Macau) being appointed as an agent for the Airlines and the revenue of Pacific Empire (Macau) derived from such appointment, the profit made on the air cargo space marketed and on-sold by us under such appointment is attributed to Pacific Empire (Macau) for tax purposes regardless of the origins of the air routes. During the Track Record Period, our Group was not subject to any tax disputes with the relevant tax authorities in Hong Kong and China with respect to such profit which was attributed to Pacific Empire (Macau) for tax purposes.

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits during the Track Record Period. Macau complementary tax is levied at progressive rates ranging from 3% to 9% on the taxable income above MOP32,000 (equivalent to approximately HK\$31,000) but below MOP300,000 (equivalent to approximately HK\$291,000), and thereafter at a fixed rate of 12%. For the financial year ended 31 December 2010, a special complementary tax incentive is provided to effect that tax free income threshold is increased from MOP32,000 to MOP200,000 (equivalent to approximately HK\$31,000 to HK\$194,000) with the next MOP100,000 (equivalent to approximately HK\$97,000) of profit being taxed at a fixed rate of 9% and thereafter at a fixed rate of 12%. Our Group’s operations in China are subject to PRC corporate income tax law of the PRC. The standard PRC corporate income tax rate is 25%. Preferential rate of 5% withholding income tax is also imposed on dividends relating to any profits earned commencing from 1 January 2008 to foreign investors incorporated in Hong Kong. Taxation outside Hong Kong and China has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.



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### PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

#### Six months ended 30 June 2011 compared to six months ended 30 June 2010

##### *Revenue*

Revenue increased by approximately HK\$68.3 million, or 30.1%, from approximately HK\$226.6 million for the six months ended 30 June 2010 to approximately HK\$294.9 million for the six months ended 30 June 2011. Increase in revenue was primarily due to the increase in air cargo handled by our Group from approximately 13,428 tons for the six months ended 30 June 2010 to approximately 17,059 tons for the six months ended 30 June 2011. During the period, our Group continued to pursue our business strategy to focus on providing air freight forwarding services covering the destinations in the Developing Countries, and revenue derived from which increased from approximately HK\$106.5 million for the six months ended 30 June 2010 to approximately HK\$174.3 million for the six months ended 30 June 2011.

##### *Cost of sales*

Cost of sales increased by approximately HK\$40.6 million, or 25.7%, from approximately HK\$158.0 million for the six months ended 30 June 2010 to approximately HK\$198.6 million for the six months ended 30 June 2011. Cost of sales increased to a lesser extent than revenue for the period because we managed to source air cargo space at competitive rates coupled with our bundling ability for providing air freight forwarding services covering the destinations in the Developing Countries.

##### *Gross profit and gross profit margin*

Our gross profit increased by approximately HK\$27.7 million, or 40.4%, from approximately HK\$68.6 million for the six months ended 30 June 2010 to approximately HK\$96.3 million for the six months ended 30 June 2011. Our gross profit margin also improved to approximately 32.7% from approximately 30.3% during the period. The increase in gross profit margin was mainly due to the fact that our Group continued to focus on providing air freight forwarding services covering the destinations in the Developing Countries.

##### *Administrative expenses*

Administrative expenses increased by approximately HK\$8.0 million, or 40.0%, from approximately HK\$20.0 million for the six months ended 30 June 2010 to approximately HK\$28.0 million for the six months ended 30 June 2011. Our Group expanded our scale of operation in Hong Kong and hence leased an office with a larger gross floor area during late 2010, leading to an increase in rental expenses. Furthermore, professional fees paid and payable increased for the preparation of the Listing. As a result, administrative expenses increased significantly on a period-on-period basis.

##### *Operating profit*

Our operating profit increased by approximately HK\$21.7 million, or 44.6%, from approximately HK\$48.7 million for the six months ended 30 June 2010 to approximately HK\$70.4 million for the six months ended 30 June 2011. Increase in operating profit was primarily due to the increase in sales volume as well as increase in the gross profit margin during the six months ended 30 June 2011.

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### *Finance income, net*

Finance costs primarily comprised interest on trust receipt loans drawn to settle the amounts due to airlines and/or integrated carriers for the provision of air cargo space and interest income on short term deposits. Decrease in net finance costs was primarily due to the decrease in trust receipt loans drawn and increase in short-term deposits made during the period.

### *Taxation*

Income tax expense increased by approximately HK\$3.9 million, or 62.9%, from approximately HK\$6.2 million for the six months ended 30 June 2010 to approximately HK\$10.1 million for the six months ended 30 June 2011. The increase was primarily due to the increase in our operating profit for the six months ended 30 June 2011. Our effective tax rates were 12.9% and 14.3% for the six months ended 30 June 2010 and 2011 respectively.

### **Year ended 31 December 2010 compared to year ended 31 December 2009**

### *Revenue*

Revenue increased significantly by approximately HK\$192.8 million, or 64.9%, from approximately HK\$297.1 million for the financial year ended 31 December 2009 to approximately HK\$489.9 million for the financial year ended 31 December 2010. During the year, our Group continued to shift towards providing deferred and time definite air freight services targeting the Developing Countries and entered into four purchasing arrangements with firm commitments with airlines/integrated carriers. Our Group was also benefited from the recovery of global economy, which resulted in a strong increase in demand for air cargo transport in the Developed and Developing Countries. Air cargo handled by our Group increased from approximately 18,849 tons for the financial year ended 31 December 2009 to approximately 29,114 tons for the financial year ended 31 December 2010. As a result, our revenue improved significantly for the financial year ended 31 December 2010.

### *Cost of sales*

Cost of sales increased by approximately HK\$122.3 million, or 54.9%, from approximately HK\$222.6 million for the financial year ended 31 December 2009 to approximately HK\$344.9 million for the financial year ended 31 December 2010. Cost of sales had a smaller increase than revenue for the year. As the global economy picked up its growth pace during the year, the selling price of air cargo space also increased. However, approximately 42.1% of our cost of sales was related to firm commitment purchases at pre-determined rates in 2010.

### *Gross profit and gross profit margin*

Our gross profit increased by approximately HK\$70.5 million, or 94.6%, from approximately HK\$74.5 million for the financial year ended 31 December 2009 to HK\$145.0 million for the financial year ended 31 December 2010. Our gross profit margin also improved to approximately 29.6% from

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approximately 25.1% during the year. The increase in gross profit margin was mainly due to (i) more sales of higher margin products such as the Developing Countries segment being recorded; and (ii) the increasing selling price of air cargo space against the pre-determined rates of air cargo space purchased under firm commitments enabling us to capture a growing margin as mentioned above.

### *Administrative expenses*

Administrative expenses increased by approximately HK\$13.9 million, or 52.9%, from approximately HK\$26.3 million for the financial year ended 31 December 2009 to approximately HK\$40.2 million for the financial year ended 31 December 2010. Total staff costs, which represented approximately 57.2% and 63.3% of total administrative expenses for the financial years ended 31 December 2009 and 2010 respectively, increased significantly by approximately HK\$10.4 million. Our Group expanded our scale of operation in Hong Kong and set up five new PRC branches during the year, which led to an increase in staff number from 80 to 114. Discretionary bonus to employees was also increased as compared to the prior year as a result of the significant improvement in our financial results achieved by our Group. Furthermore, in order to promote our profile within the industry, our Group produced a promotional video during the year. As a result, marketing and promotion expenses increased by approximately HK\$1.4 million for the financial year ended 31 December 2010.

### *Operating profit*

Our operating profit increased by approximately HK\$58.0 million, or 117.0%, from approximately HK\$49.6 million for the financial year ended 31 December 2009 to approximately HK\$107.6 million for the financial year ended 31 December 2010. Increase in operating profit was primarily due to the increase in sales volume as well as increase in the gross profit margin during the financial year ended 31 December 2010.

### *Finance costs, net*

Finance costs increased from approximately HK\$0.4 million for the financial year ended 31 December 2009 to approximately HK\$0.5 million for the financial year ended 31 December 2010. Finance costs primarily comprised interest on trust receipt loans drawn to settle the amounts due to airlines and/or integrated carriers for the provision of air cargo space. Increase in finance costs was primarily due to the increase in the amount of trust receipt loans drawn during the year.

### *Taxation*

Income tax expense increased by approximately HK\$7.6 million, or 120.6%, from approximately HK\$6.3 million for the financial year ended 31 December 2009 to approximately HK\$13.9 million for the financial year ended 31 December 2010. The increase was primarily due to the increase in our operating profit for the financial year ended 31 December 2010. Our effective tax rates were 12.8% and 13.0% for the financial years ended 31 December 2009 and 2010 respectively.

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### Year ended 31 December 2009 compared to year ended 31 December 2008

#### *Revenue*

Revenue increased by approximately HK\$3.3 million, or 1.1%, from approximately HK\$293.8 million for the financial year ended 31 December 2008 to approximately HK\$297.1 million for the financial year ended 31 December 2009 despite the fact that the total amount of cargo handled by us increased by over 40% in terms of tonnage during the same period. Revenue derived from serving destinations in the Developed Countries recorded a decrease of approximately 14.1% as compared to the previous year, mainly due to the weak demands for air cargo transport and the fall in freight rates by approximately 10.4% in relation to destinations in North America resulting from the global financial crisis. However, revenue derived from serving destinations in the Developing Countries increased by approximately 42.0%, as most countries in Asia were able to recover quickly from the global financial crisis and we also expanded our air routes offerings to customers as a result of entering into four GSA agreements serving destinations in Asia.

#### *Cost of sales*

Cost of sales decreased by approximately HK\$26.8 million, or 10.7%, from approximately HK\$249.4 million for the financial year ended 31 December 2008 to approximately HK\$222.6 million for the financial year ended 31 December 2009 against approximately 1.1% increase in revenue during the year. The decrease in cost of sales was mainly caused by (i) an overall fall in freight rates resulting from the global financial crisis; and (ii) the fact that our Group handled more air cargo to destinations in Asia with shorter flight distance and hence lower freight costs.

#### *Gross profit and gross profit margin*

Our gross profit increased by approximately HK\$30.1 million, or 67.8%, from approximately HK\$44.4 million for the financial year ended 31 December 2008 to HK\$74.5 million for the financial year ended 31 December 2009. Increase in gross profit was primarily due to the increase in sales volume and our shift towards selling more cargo space in relation to destinations in the Developing Countries which offered a higher gross margin.

Our gross profit margin was 15.1% and 25.1% for the financial years ended 31 December 2008 and 2009 respectively. Our Group derived approximately 47.7% of the total revenue from the flight routes to the American region in 2008 and 28.5% in 2009, whilst revenue derived from the Developing Countries segment increased from approximately 27.7% in 2008 to approximately 38.9% in 2009. Since our Group entered into purchasing arrangements with firm commitments covering destinations in the Asia-Pacific region, we were able to benefit from the recovery of global economy, particularly in the Asia-Pacific region, which also led to the increase in market price for air freight services to the Developing Countries during the year. As a result, we have sold more air cargo space sourced from purchasing arrangements with firm commitments and captured a higher gross profit margin as compared to the prior year.

#### *Administrative expenses*

Administrative expenses increased by approximately HK\$5.7 million, or 27.7%, from approximately HK\$20.6 million for the financial year ended 31 December 2008 to approximately HK\$26.3 million for the

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financial year ended 31 December 2009. Total staff costs, which represented approximately 51.1% and 57.2% for the financial years ended 31 December 2008 and 2009 respectively, increased significantly by approximately HK\$4.5 million. During the year, our Group established its presence in Taiwan and recruited more staff including a senior management employee for our Group's operations and administrative matters. Staff number increased from 58 to 80 as at 31 December 2008 and 2009 respectively which led to the increase in total staff costs.

### *Operating profit*

Our operating profit increased by approximately HK\$25.9 million, or 109.3%, from approximately HK\$23.7 million for the financial year ended 31 December 2008 to approximately HK\$49.6 million for the financial year ended 31 December 2009. Increase in operating profit was primarily due to the increase in sales volume coupled with the decrease in cost of sales.

### *Finance costs*

Finance costs decreased from approximately HK\$0.9 million for the financial year ended 31 December 2008 to approximately HK\$0.4 million for the financial year ended 31 December 2009. Finance costs mainly comprised interests on trust receipt loans drawn for settling the purchases of air cargo space from airlines and integrated carriers. Decrease in finance costs was primarily due to the decrease in the amount of trust receipt loans drawn during the year.

### *Taxation*

Income tax expenses increased by approximately HK\$4.3 million, or 215.0%, from approximately HK\$2.0 million for the financial year ended 31 December 2008 to approximately HK\$6.3 million for the financial year ended 31 December 2009. The increase was primarily due to the increase in our operating profit for the financial year ended 31 December 2009. Our effective tax rates were 8.8% and 12.8% for the financial years ended 31 December 2008 and 2009 respectively. Our Group recognised deferred tax assets of approximately HK\$0.5 million for the tax losses of a subsidiary and reversed the over-provision of tax expenses of approximately HK\$0.4 million for a prior year, which resulted in the low effective tax rate in 2008.

## **DESCRIPTION OF CERTAIN LINE ITEMS IN THE COMBINED STATEMENT OF FINANCIAL POSITION**

### **Trade receivables analysis**

Our trade receivables primarily represented receivables for air cargo space on-sold to our trade customers.

Our trade receivables increased by approximately HK\$10.4 million, or 26.6%, from approximately HK\$39.1 million as at 31 December 2008 to HK\$49.5 million as at 31 December 2009, and further increased by approximately HK\$22.0 million, or 44.4%, to HK\$71.5 million as at 31 December 2010. Our trade receivables further increased by approximately HK\$16.6 million, or 23.2%, to HK\$88.1 million as at 30 June 2011. The balance increased primarily due to the increase in our sales volume.

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The following tables set out the ageing analysis of our trade receivables as of the dates indicated and our average trade receivables turnover days for the Track Record Period:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)
<i>Ageing analysis of trade receivables</i>				
- 0 to 30 days . . . . .	16.4	27.1	42.4	53.7
- 31 to 60 days . . . . .	15.1	16.5	22.5	18.4
- Over 60 days . . . . .	7.6	5.9	6.6	16.0
	39.1	49.5	71.5	88.1

	Year ended 31 December			Six months ended 30 June
	2008	2009	2010	2011
Average trade receivables turnover days (Note) . . . . .	67	54	45	49

*Note:* Average trade receivables turnover days is equal to the average trade receivables divided by revenue and multiplied by 365 days (180 days in the case of the six months ended 30 June 2011). Average trade receivables equals trade receivables at the beginning of the year/period plus trade receivables at the end of the year/period divided by two.

Our average trade receivables turnover days decreased from 67 days in 2008, to 54 days in 2009, and to 45 days in 2010. Our average trade receivables turnover days remained relatively stable for the six months ended 30 June 2011. Our Group generally requests cash on delivery for all new customers after performing adequate assessments including, but not limited to, company search on the potential customers. Subject to their transaction and settlement history, our Group may offer credit periods of 30 days to 60 days to our customers. On average, we have had business relationships for over two years with those customers to whom we offer credit periods of 30 days to 60 days. As a result of our Group's continuous efforts on closely following up our customers' trade receivables, our average trade receivables turnover days improved during the Track Record Period.

Our Group did not make any general provision on the trade receivables. However, our Directors will consider making specific provisions for trade receivables when there are indications that the balances are unlikely to be recovered. Our bad debts written-off amounted to approximately HK\$0.3 million, HK\$1.3 million, HK\$0.2 million and nil for the three financial years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 respectively.

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The following table sets out the number of outstanding trade receivables accounts, average and largest trade receivables balances as of the dates indicated:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
Trade receivables balance (HK\$'000) . . . . .	39,138	49,530	71,463	88,040
Number of accounts with trade receivables outstanding at the year/period end. . . . .	294	334	399	516
Average trade receivables balance (HK\$'000) . . . . .	133.1	148.3	179.1	170.6
Largest trade receivables balance (HK\$'000). . . . .	6,159	4,965	7,514	15,087

The above table indicates that our year end trade receivables balance spread over a large number of customers and the largest trade receivables account accounted for approximately 17.1% of the aggregate balance as at 30 June 2011.

As at 31 October 2011, approximately HK\$73.9 million, representing 84.0% of our trade receivables as at 30 June 2011 have been settled. The outstanding balance principally relates to a customer with whom we have agreed to receive a minimum amount each month regardless of the actual volume of air cargo space purchased from us. In December every year, the final outstanding balance would be settled by then. We have had this customer since November 2010 when we started to develop our market in Korea. Our sales to this customer represented approximately 7.5% of our total sales for the six months ended 30 June 2011 and this customer was our largest customer for the same period. Our Directors consider that no provision for doubtful debt is necessary.

### Prepayments, deposits and other receivables

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Prepayments . . . . .	417	664	765	7,580
Deposits . . . . .	441	849	3,283	1,887
Other receivables . . . . .	4,311	2,967	802	1,879
	5,169	4,480	4,850	11,346
Amounts due from shareholders . . . . .	5,030	—	4,199	—
Amounts due from non-controlling interests . . . . .	400	850	360	360
Amounts due from related companies . . . . .	884	1,035	—	—
	11,483	6,365	9,409	11,706
Less: non-current portion: deposits . . . . .	—	(204)	(360)	(545)
	<u>11,483</u>	<u>6,161</u>	<u>9,049</u>	<u>11,161</u>



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Prepayments, deposits and other receivables as at 30 June 2011 mainly included the rental deposits of approximately HK\$1 million and trade deposits to the suppliers of approximately HK\$4.9 million for a sea freight service delivered in August 2011. Our Directors consider that the business from sea freight forwarding is opportunistic and do not foresee that it will become our Group's core business. The amounts due from non-controlling interests (i.e. Worldwide Logistics) of approximately HK\$0.4 million as at 30 June 2011 have been fully settled.

### **Financial assets**

Our Group adopts the policy of investing in financial instruments such as principal protected equity-linked notes, investment funds and corporate bonds by relying on investment advice given by external investment managers. Our Board reviews the performance and monitors the financial exposure of such assets as reported by the external investment managers from time to time. Our Directors confirm that our Group does not intend to invest in such financial assets after Listing.

#### *Financial assets at fair value through profit or loss*

We held financial assets at fair value through profit or loss of approximately HK\$2.7 million, HK\$3.8 million, HK\$1.0 million and HK\$1.0 million as at 31 December 2008, 2009 and 2010 and 30 June 2011. These financial assets were acquired for general investment purpose and pledged as collaterals with our bankers to obtain banking facilities, including provision of bank guarantees and trust receipt loans to finance purchases of air cargo space from airlines and integrated carriers. The financial assets at fair value through profit or loss bought by our Group were principal-protected equity-linked notes with selected Hong Kong stocks as the underlying assets. The total market value of financial assets at fair value through profit or loss amounted to approximately HK\$1.0 million as at 31 October 2011.

#### *Available-for-sale financial assets*

We held available-for-sale financial assets of nil, approximately HK\$1.0 million, HK\$ 7.3 million and HK\$7.3 million as at 31 December 2008, 2009 and 2010 and 30 June 2011. Our Directors are of the view that these financial assets, which were primarily fixed income investment funds, could provide a favourable return as an investment and hence have purchased such financial assets during 2009 and 2010. Considering the advice of the external investment managers, we increased our investment in such financial assets in 2010 and the six months ended 30 June 2011. Income generated from these financial assets amounted to nil, nil, approximately HK\$65,000 and HK\$98,000 for the three financial years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 respectively. The total market value of available-for-sale financial assets amounted to approximately HK\$7.3 million as at 31 October 2011. Our Group intends to dispose of such financial assets prior to Listing.



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### Trade payables analysis

Our trade payables are primarily related to the costs of purchasing air cargo space. Our suppliers of air cargo space usually grant us credit terms ranging from 15 to 60 days.

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)
<i>Ageing analysis of trade payables</i>				
- 0 to 30 days . . . . .	11.9	20.5	31.0	45.8
- 31 to 60 days . . . . .	7.2	16.7	14.0	5.9
- Over 60 days . . . . .	6.3	13.5	23.6	29.2
	25.4	50.7	68.6	80.9

Our trade payables increased by approximately HK\$25.3 million, or 99.6%, from approximately HK\$25.4 million as at 31 December 2008, to approximately HK\$50.7 million as at 31 December 2009, and further increased by approximately HK\$17.9 million, or 35.3%, to approximately HK\$68.6 million as at 31 December 2010. Our trade payables further increased by approximately HK\$12.3 million, or 17.9%, to HK\$80.9 million as at 30 June 2011. Increase in the trade payables balance was mainly due to the increase in our business activities during the Track Record Period.

Furthermore, according to the terms of the GSA agreements entered into with an airline, we are required to pay the MGP only to the said airline on a monthly basis regardless of the actual volume of cargo space we purchase from the airline and on-sell it to our freight forwarding customers in that particular month. Subsequent to the end of March each year, the said airline will then determine if the actual aggregate volume of air cargo space our Group has on-sold during the relevant period exceeds the volume we have committed to purchasing under the agreements. Should the actual aggregate volume of air cargo space we on-sold exceed the volume we have committed to purchasing over the said twelve months period under the agreements, we need to settle the cost for such unpaid air cargo space within 30 days after being notified of payment in accordance with the terms of the relevant GSA agreements. Though there were circumstances that we had exceeded such period of 30 days for settlement during the Track Record Period, we neither had any dispute with nor were penalised by the said airline in this connection as we managed to negotiate with such airline for a later payment date without interest. The balance as at the end of each year/period principally included an aggregation of monthly unpaid air cargo space purchased from the said airline which monthly amounts were recorded as payables on a cumulative basis as our Group was able to on-sell the volume of air cargo space above the committed amount on a monthly basis during the Track Record Period, and hence, resulting in a trade payables balance aged more than 60 days at the end of each year/period. In line with our business

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expansion over the period, the amount of air cargo space sourced according to these agreements increased, resulting in an increase in trade payables aged over 60 days during the Track Record Period. The aggregation of monthly unpaid air cargo space purchased during the period up to March 2011 remained included in our trade payables balance as at 30 June 2011 and was settled in July 2011 subsequent to the notification of payment dated 31 May 2011.

As at 31 October 2011, approximately HK\$67.6 million, representing 83.6% of our trade payables as at 30 June 2011 have been settled. The outstanding balance relates to the abovementioned airline and represents the monthly unpaid air cargo space purchased from it since April 2011, which is expected to be settled in accordance with the arrangement mentioned above.

The following table sets forth our trade payables turnover days for the Track Record Period:

	Year ended 31 December			Six months ended 30 June
	2008	2009	2010	2011
Average trade payables turnover days (Note) . . . . .	55	62	63	68

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*Note:* Average trade payables turnover days is equal to the average trade payables divided by total cost of sales and multiplied by 365 days (180 days in the case of the six months ended 30 June 2011). Average trade payables equals trade payables at the beginning of the year/period plus trade payables at the end of the year/period divided by two.

Our average trade payables turnover days generally increased from 55 days in 2008 to 62 days in 2009, and to 63 days in 2010. The credit terms offered by the airlines, integrated carriers and freight forwarders ranged from 15 to 60 days. The number of trade payables turnover days was slightly higher than the credit terms granted to us because (i) the peak season for the air freight industry usually falls in November/December, which results in a higher balance of trade payables at the end of each financial year for the calculation of the turnover days; and (ii) as explained above, the portion of the cost for the volume of air cargo space exceeding our commitment amount under the relevant GSA agreement usually takes more than 60 days to settle.

Trade payables included amounts of approximately HK\$1.1 million and HK\$1.0 million payable to Winbase Warehousing and Transportation Company Limited (“**Winbase**”), a company held as to 50% by Mr. Yu and 50% by Mr. Mak prior to 25 May 2010, as at 31 December 2008 and 2009 respectively for the provision of warehouse management services. Our Group has ceased such related party transactions (which, in the opinion of our Directors, were conducted on normal commercial terms and in the ordinary course of our Group’s business) with Winbase since 1 January 2010. As at the Latest Practicable Date, Winbase was beneficially owned by an Independent Third Party.

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### Other payables and accruals

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accruals . . . . .	2,490	4,880	5,524	4,693
Deposits received . . . . .	200	314	917	1,101
Other payables . . . . .	1,482	297	204	1,066
	4,172	5,491	6,645	6,860
Amounts due to shareholders . . . . .	—	14,984	—	60,505
Amount due to a director . . . . .	—	—	—	99
	4,172	20,475	6,645	67,464

Other payables and accruals mainly included the provision for staff costs and bonus and other provisions such as audit fee and professional fees. Increase in accruals over the respective years was primarily due to the increase in the number of employees, which led to the increase in provision at year end. Amounts due to shareholders of approximately HK\$15.0 million primarily represented the remaining balance of the dividends payable to shareholders of HK\$26.4 million declared in 2009. Dividends amounting to approximately HK\$100.5 million were declared during the six months ended 30 June 2011, of which approximately HK\$60.5 million remained unpaid as at 30 June 2011. Such outstanding balance was partially paid as to HK\$38.9 million in September 2011 and the remaining balance of HK\$21.6 million is expected to be paid prior to Listing in our Group's internally generated cash.

### Bank borrowings

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank overdraft . . . . .	857	228	—	—
Trust receipt loans . . . . .	18,338	7,203	15,916	—
	19,195	7,431	15,916	—

Our Group's bankers provided us with short term financing in the form of bank overdraft and trust receipt loans during the Track Record Period. Bank overdraft is repayable on demand, whilst trust receipt loans are repayable within 60 to 90 days and carry an interest rate lower than bank overdraft. Trust receipt loans are drawn against invoices or payment requests for purchases of air cargo space from airlines, integrated carriers and other air cargo wholesalers.

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## FINANCIAL INFORMATION

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### Bank guarantees and pledged deposits

Certain airlines and integrated carriers would require their air cargo wholesalers to deliver a bank guarantee before their appointment. The aggregate guarantees provided were HK\$16.2 million, HK\$16.2 million, HK\$19.5 million and HK\$31.4 million as at 31 December 2008, 2009, and 2010 and 30 June 2011 respectively.

During the Track Record Period, banks which issued guarantees on our behalf usually required us to place pledged deposits and financial assets as collaterals. The pledged deposits were HK\$1.5 million, HK\$1.5 million, HK\$7.4 million and HK\$17.0 million as at 31 December 2008, 2009, 2010 and 30 June 2011. For the information about the financial assets pledged with banks, please refer to the section headed “Financial information — Description of certain line items in the combined statement of financial position — Financial assets”.

### LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are for the payment of purchases of air cargo space and various operating expenses. We have historically financed our liquidity requirements primarily through cash generated from our operating activities and shareholders’ capital contributions. There have been no material changes in our underlying drivers of the sources and uses of cash during the Track Record Period.

The following table sets forth the condensed summary of our combined statements of cash flows for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)
Net cash generated from operating activities . . . . .	21.5	58.4	107.6	17.0	52.2
Net cash used in investing activities . . . . .	(0.3)	(1.3)	(11.2)	(4.8)	(1.9)
Net cash generated from/(used in) financing activities . . . . .	8.5	(11.3)	(50.5)	(8.8)	(56.1)
Net increase/(decrease) in cash . . . . .	29.7	45.8	45.9	3.4	(5.8)
Cash as at 1 January . . . . .	4.5	34.2	80.0	80.0	125.9
Effect of foreign exchange rate changes . . . . .	—	—	—	—	—
Cash at the end of the year/period . . . . .	<u>34.2</u>	<u>80.0</u>	<u>125.9</u>	<u>83.4</u>	<u>120.1</u>

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## FINANCIAL INFORMATION

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### Cash flows from operating activities

We derive our cash generated from operating activities principally from the receipt of payments for on-selling air cargo space. Cash used in operating activities is principally for purchases of air cargo space and operating expenses such as staff costs, travelling expenses and rental expenses. Our cash flows from operating activities have benefited from the increase in sales revenue during the Track Record Period.

Net cash flows from operating activities for the six months ended 30 June 2011 were approximately HK\$52.2 million while our profit before tax was approximately HK\$70.5 million. The difference of HK\$18.3 million was primarily due to the combined effect of: (i) an increase in trade receivables of HK\$16.6 million; (ii) an increase in prepayments, deposits and other receivables of HK\$2.1 million; (iii) an increase in pledged deposits of HK\$9.7 million; (iv) the payment of income tax of HK\$3.6 million, which were partially offset by (v) the adjustment for depreciation of HK\$0.7 million; (vi) an increase in trade payables of HK\$12.3 million; and (vii) an increase in other payables and accruals of HK\$0.6 million.

Net cash flows from operating activities for the six months ended 30 June 2010 were approximately HK\$17.0 million while our profit before tax was approximately HK\$48.5 million. The difference of HK\$31.5 million was primarily due to the combined effect of: (i) an increase in trade receivables of HK\$13.1 million; (ii) an increase in prepayments, deposits and other receivables of HK\$3.7 million; (iii) a decrease in other payables and accruals of HK\$13.7 million; (iv) an increase in pledged deposits of HK\$1.5 million, partially offset by (v) the adjustment for depreciation of HK\$0.4 million.

Net cash flows from operating activities in 2010 were approximately HK\$107.6 million while our profit before tax was approximately HK\$107.1 million. The difference of HK\$0.5 million was primarily due to the combined effect of: (i) the adjustment for depreciation of HK\$1.0 million; (ii) an increase in other payables and accruals of HK\$12.8 million; (iii) an increase in trade payables of HK\$18.0 million; which were partially offset by (iv) an increase in trade receivables of HK\$22.1 million; (v) an increase in prepayments, deposits and other receivables of HK\$3.0 million; and (vi) an increase in pledged deposits of HK\$5.9 million.

Net cash flows from operating activities in 2009 were approximately HK\$58.4 million while our profit before tax was approximately HK\$49.2 million. The difference of HK\$9.2 million was primarily due to the combined effect of: (i) the adjustment for depreciation of HK\$0.6 million; (ii) a decrease in prepayments, deposits and other receivables of HK\$5.1 million; (iii) an increase in trade payables of HK\$26.4 million; which were offset by (iv) an increase in trade receivables of HK\$11.7 million; and (v) a decrease in other payables and accruals of HK\$10.1 million.

Net cash flows from operating activities in 2008 were approximately HK\$21.5 million while our profit before tax was approximately HK\$22.8 million. The difference of HK\$1.3 million was primarily due to the combined effect of: (i) the adjustment for depreciation of HK\$0.6 million; (ii) a decrease in trade receivables of HK\$29.8 million; which were offset by (iii) an increase in prepayments, deposits and other receivables of HK\$4.8 million; (iv) a decrease in trade payables of HK\$24.0 million; and (iv) a decrease in other payables and accruals of HK\$2.6 million.

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## FINANCIAL INFORMATION

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### **Cash used in investing activities**

Our investing activities during the Track Record Period primarily included purchases of property, plant and equipment and available-for-sale financial assets. Net cash used in investing activities were on an increasing trend during the Track Record Period as our Directors considered available-for-sale financial assets an investment with a favourable return and hence our Group has purchased financial assets amounting to HK\$1.0 million and HK\$6.2 million during the financial years ended 31 December 2009 and 2010 respectively.

Net cash flows used in investing activities were approximately HK\$1.9 million for the six months ended 30 June 2011 which were mainly attributable to: (i) the purchase of items of property, plant and equipment of HK\$1.7 million; (ii) the purchase of available-for-sale financial assets of HK\$1.6 million; partially offset by (iii) the proceeds from disposal of available-for-sale financial assets of HK\$1.5 million.

Net cash flows used in investing activities were approximately HK\$4.8 million for the six months ended 30 June 2010 which were mainly attributable to: (i) the purchase of items of property, plant and equipment of HK\$2.4 million; and (ii) the purchase of available-for-sale financial assets of HK\$2.5 million.

Net cash flows used in investing activities were approximately HK\$11.2 million in 2010 which were mainly attributable to: (i) the purchase of items of property, plant and equipment of HK\$4.4 million; (ii) the purchase of available-for-sale financial assets of HK\$6.2 million; and (iii) the acquisition of additional interests in a subsidiary for HK\$1.2 million.

Net cash flows used in investing activities were approximately HK\$1.3 million in 2009 which were mainly attributable to: (i) the purchase of items of property, plant and equipment of approximately HK\$0.4 million; and (ii) the purchase of available-for-sale financial assets of approximately HK\$1.0 million.

Net cash flows used in investing activities were approximately HK\$0.3 million in 2009 which were mainly attributable to the purchase of items of property, plant and equipment.

### **Cash flows from/(used in) financing activities**

Our financing activities during the Track Record Period mainly included receipts and repayments of bank borrowings and payments of dividends.

Net cash flows used in financing activities amounted to approximately HK\$56.1 million for the six months ended 30 June 2011 which were mainly attributable to: (i) the repayments of bank borrowings of approximately HK\$15.9 million; and (ii) the payment of dividend of approximately HK\$40.0 million.

Net cash flows used in financing activities amounted to approximately HK\$8.8 million for the six months ended 30 June 2010 which were mainly attributable to: (i) the repayments of bank borrowings of approximately HK\$23.0 million; (ii) the payment of dividend of approximately HK\$11.6 million, partially offset by (iii) the proceeds from bank borrowings of approximately HK\$25.5 million.

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## FINANCIAL INFORMATION

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Net cash flows used in financing activities amounted to approximately HK\$50.5 million in 2010 which were mainly attributable to: (i) the repayments of bank borrowings of approximately HK\$50.8 million; and (ii) the payment of dividend of approximately HK\$59.4 million, partially offset by (iii) the proceeds from bank borrowings of approximately HK\$59.5 million.

Net cash flows used in financing activities amounted to approximately HK\$11.3 million in 2009 which were mainly attributable to the repayments of bank borrowings of approximately HK\$51.9 million, partially offset by the proceeds from bank borrowings of approximately HK\$40.7 million.

Net cash flows generated from financing activities amounted to approximately HK\$8.5 million in 2008 which were mainly attributable to proceeds from bank borrowings of approximately HK\$78.9 million, partially offset by repayments of bank borrowings of approximately HK\$72.7 million.

### KEY FINANCIAL RATIOS

	As at 31 December			As at
	2008	2009	2010	30 June
Current ratio ( <i>Note 1</i> ) . . . . .	1.72x	1.60x	1.95x	1.37x
Gearing ratio ( <i>Note 2</i> ) . . . . .	20.9%	5.1%	7.0%	—
Debt to total assets ratio ( <i>Note 3</i> ) . . . . .	57.2%	61.1%	48.6%	69.3%

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*Notes:*

1. Current ratio is the ratio of the total current assets to the total current liabilities.
2. Gearing ratio is the total bank borrowings divided by the total assets.
3. Debt to total assets ratio represents the total liabilities divided by the total assets.

Our current ratio decreased from 1.72 times as at 31 December 2008 to 1.60 times as at 31 December 2009, increased to 1.95 times as at 31 December 2010, and decreased to 1.37 times as at 30 June 2011. The decrease in 2009 was mainly due to an increase in trade payables as a result of the increase in payables to airlines with which the Group had GSA arrangements for purchases exceeding MGP to be settled after the financial year end. The increase in 2010 was due to increases in cash and cash equivalents and trade receivables as a result of improvements in revenue and operating profit. The decrease in 2011 was primarily due to the declaration of dividends amounting to approximately HK\$100.5 million, of which approximately HK\$60.5 million remained unpaid as at 30 June 2011.

Our gearing ratio decreased from 20.9% as at 31 December 2008 to zero as at 30 June 2011. Such decrease was mainly due to our Group's improved ability to finance our purchases of air cargo space through our internally generated operating cash flows as a result of improved revenue and operating profit during the Track Record Period, and all borrowings have been repaid by our Group as at 30 June 2011.

## FINANCIAL INFORMATION

Our debt to total assets ratio decreased from 61.1% as at 31 December 2009 to 48.6% as at 31 December 2010 because of an increase in cash generated by improvements in revenue and operating profit in 2010 compared to that in 2009. Debt to total assets ratio increased to 69.3% as at 30 June 2011 was primarily due to the declaration of dividends amounting to approximately HK\$100.5 million, of which approximately HK\$60.5 million remained unpaid as at 30 June 2011.

### NET CURRENT ASSETS

The following table sets forth the breakdown of our current assets and liabilities as of the dates indicated:

	As at 31 December			As at 30 June	As at 31 October
	2008	2009	2010	2011	2011
	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million) (unaudited)
<b>Current assets</b>					
Trade receivables . . . . .	39.1	49.5	71.5	88.1	95.2
Prepayments, deposits and other receivables . . . . .	11.5	6.2	9.0	11.2	7.2
Financial assets at fair value through profit or loss . . . . .	2.7	3.8	1.0	1.0	1.0
Pledged deposits . . . . .	1.5	1.5	7.4	17.0	17.0
Cash and cash equivalents (excluding bank overdraft) . . .	35.0	80.2	125.9	120.1	95.6
	<u>89.8</u>	<u>141.2</u>	<u>214.8</u>	<u>237.4</u>	<u>216.0</u>
<b>Current liabilities</b>					
Trade payables . . . . .	25.4	50.7	68.6	80.9	66.5
Other payables and accruals . . .	4.2	20.5	6.6	67.5	30.2
Bank loans and overdrafts . . . . .	19.2	7.4	15.9	—	—
Financial lease liabilities . . . . .	0.2	0.3	—	—	—
Income tax payable . . . . .	3.2	9.4	19.0	25.2	24.3
	<u>52.2</u>	<u>88.3</u>	<u>110.1</u>	<u>173.6</u>	<u>121.0</u>
<b>Net current assets</b> . . . . .	<u>37.6</u>	<u>52.9</u>	<u>104.7</u>	<u>63.8</u>	<u>95.0</u>

### INDEBTEDNESS

#### Liabilities

At the close of business on 31 October 2011, being the latest practicable date on which such information was available to us, our Group had a dividend payable to our Shareholders of HK\$21,670,000 and finance lease liabilities of HK\$21,000. The dividend payable to our Founders is expected to be paid prior to Listing in our Group's internally generated cash.



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## FINANCIAL INFORMATION

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### **Contingent liabilities and guarantees**

The Group had an un-utilised bank facility of HK\$40,300,000 as at 31 October 2011 and the facility was guaranteed by our Founders and secured by the pledged deposits of HK\$17,000,000 and financial assets at fair value through profit or loss of our Group. Such guarantees given by our Founders will be released upon Listing. Certain airlines and integrated carriers would require their air cargo wholesalers to deliver a bank guarantee before their appointment. The aggregate guarantee amount provided was HK\$47,000,000 as at 31 October 2011. Save as disclosed above, we had no material contingent liabilities and guarantees. We are not involved in any current material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving us. If we were involved in such material legal proceedings, we would record any loss contingencies when, based on information then available, it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated.

Save as disclosed above, at the close of business on 31 October 2011, our Group did not have any other outstanding liabilities or any mortgages, charges, debentures, loan capital, bank overdrafts or loans, liabilities under acceptance or other similar indebtedness, hire purchase commitments or finance lease obligations or any guarantees.

### **No material change**

We confirm that there had been no material change in the indebtedness of our Group since 31 October 2011 up to the Latest Practicable Date.

### **WORKING CAPITAL**

Our Directors are of the opinion that, taking into consideration the financial resources presently available to us, including the banking facilities and other internal resources, and the estimated net proceeds of the Share Offer, we have sufficient working capital for our present requirements at least in the next 12 months commencing on the date of this prospectus.

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## FINANCIAL INFORMATION

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### CONTRACTUAL AND CAPITAL COMMITMENTS

#### Operating leases commitments

Non-cancellable operating leases were primarily related to certain office premises. The table below shows future minimum operating lease payments under non-cancellable operating leases as of the dates indicated:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)
<i>Operating lease commitments</i>				
Within 1 year . . . . .	0.2	1.1	2.2	2.6
After 1 year but within 5 years . . . . .	—	0.1	2.1	1.3
	0.2	1.2	4.3	3.9

#### Total outstanding payments obligations under finance leases

We have also entered into a number of finance leases relating to certain office equipment and a motor vehicle. The following table shows outstanding payment obligations as of the dates indicated:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)
<i>Finance lease liabilities</i>				
Within 1 year . . . . .	0.2	0.3	—	—
After 1 year but within 5 years . . . . .	0.3	—	—	—
	0.5	0.3	—	—
			<i>(Note)</i>	<i>(Note)</i>

*Note:* The actual amounts were less than HK\$0.1 million after rounding.

#### Capital commitments outstanding but not provided for in our financial statements

There were no capital commitments outstanding not provided for in our financial statements as at 31 December 2008, 2009 and 2010 and 30 June 2011.

### CAPITAL RISK MANAGEMENT AND FINANCIAL RISK MANAGEMENT

#### Capital risk management

Our Group's objectives when managing capital are to safeguard our Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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## FINANCIAL INFORMATION

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In order to maintain or adjust the capital structure, our Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, or sell assets to reduce debt. Our Group monitors capital on the basis of the total liabilities-to-total assets ratio.

Further details on our Group's capital risk management are set out in note 4.3 to the financial information in the Accountants' Report.

### **Financial risk management**

Our Group is exposed to market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk in the normal course of business.

#### *Foreign exchange risk*

In light of the nature of our Group's business, we are exposed to various foreign currencies including RMB, US\$, MOP, TWD and JPY, among which, RMB and US\$ are mostly used in our business apart from HK\$. Nevertheless, our operations are predominately subject to the fluctuations of RMB since HK\$ is pegged to each of US\$ and MOP and the other currencies represent a relatively small portion of our business. Set out in note 4.1(a)(i) to the financial information in the Accountants' Report is our Group's policy on the foreign exchange risk. In view of the sensitivity analysis on the fluctuations of RMB in note 4.1(a)(i) to the financial information in the Accountants' Report and the relatively small portion of our business conducted in other foreign currencies, our Directors are of the view that our Group is subject to insignificant foreign exchange risk and is accordingly not necessary to take out any forward contracts or adopt similar measures to hedge against its foreign exchange risk. Our Directors expect that HK\$, RMB and US\$ will continue to be mostly used in our business in the foreseeable future, nonetheless our Group intends to expand our presence in China and some other parts of the world. As such, our Directors consider that our Group's policy on the foreign exchange risk is effective. For the three financial years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, net foreign exchange gains of approximately HK\$151,000, HK\$18,000, HK\$2.3 million and HK\$1.8 million were recorded. The net foreign exchange gains recorded in 2010 and the six months ended 30 June 2011 were primarily due to the effect of the appreciation of RMB on our revenue generated from China.

Further details on our financial risk management policies and practices are set out in note 4.1 to the financial information in the Accountants' Report.

### **OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS**

As at the Latest Practicable Date, we have not entered into any off-balance sheet transactions.

### **DIVIDENDS AND DIVIDEND POLICY**

Dividends may be paid out by way of cash or by other means that we consider appropriate. We have declared dividends of approximately HK\$26.4 million, HK\$32.8 million and HK\$100.5 million for the financial years ended 31 December 2009 and 2010 and the six months ended 30 June 2011 respectively. As at the Latest Practicable Date, the amount of our declared but unpaid dividends was

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## FINANCIAL INFORMATION

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HK\$21.6 million. The payment of such dividends is expected to be made prior to Listing. The declaration of dividends is subject to the discretion of our Board and the approval of our Shareholders. Our Directors may recommend a payment of dividends in the future after taking into account our operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors as it may deem relevant at such time.

Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents including the approval of our Shareholders. Investors should note that historical dividend distributions are not indicative of our future dividend distribution policy.

Subject to the factors above, we currently intend to recommend an annual dividend of not less than 25% of the net profit attributable to equity holders of our Company for the financial years subsequent to the Share Offer. Such intention does not amount to any guarantee or representation or indication that we must or will declare and pay dividends in such manner or declare and pay dividends at all.

### DISTRIBUTABLE RESERVES

Our Company was incorporated on 28 June 2011. As at 30 June 2011, our Company had no distributable reserves available for distribution to our Shareholders.

### UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an unaudited pro forma statement of adjusted net tangible assets of our Company which has been prepared in accordance with Rule 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the Share Offer as if it had taken place on 30 June 2011. This pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Company had the Share Offer been completed as at 30 June 2011 or at any future date.

	Audited combined net tangible assets attributable to equity holders of our Company as at 30 June 2011 <sup>(1)</sup>	Estimated net proceeds from the Share Offer <sup>(2)</sup>	Unaudited pro forma adjusted net tangible assets attributable to equity holders of our Company	Unaudited pro forma adjusted net tangible assets per Share <sup>(3)</sup>
	HK\$'000	HK\$'000	HK\$'000	HK\$
Based on the Offer Price of:				
• HK\$0.88 per Share. . . . .	74,972	65,500	140,472	0.35
• HK\$1.05 per Share . . . . .	74,972	81,700	156,672	0.39

*Notes:*

- The audited combined net tangible assets of our Group attributable to equity holders of our Company as at 30 June 2011 has been extracted from the Accountants' Report, which is based on the audited combined net assets of our Group attributable to equity holders of our Company as at 30 June 2011 of approximately HK\$74,972,000.

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## FINANCIAL INFORMATION

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2. The estimated net proceeds from the Share Offer are based on the Offer Prices of HK\$0.88 per Share and HK\$1.05 per Share, after deduction of the underwriting fees and other related expenses payable by our Company. No account has been taken of the Shares that may be allotted and issued upon the exercise of the Over-allotment Option or any options granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate and the Repurchase Mandate.
3. The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 400,000,000 Shares were in issue assuming that the Share Offer had been completed on 30 June 2011 but takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or 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 mandate and the Repurchase Mandate.
4. No adjustment has been made to reflect any trading result or other transaction of our Group entered into subsequent to 30 June 2011.

### DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirmed that as at the Latest Practicable Date, there were no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

### NO MATERIAL ADVERSE CHANGE

We confirm that, up to the Latest Practicable Date, there had been no material adverse change in the financial or trading position or prospects of us since 30 June 2011, and there had been no event since 30 June 2011 which would materially affect the financial information shown in the Accountants' Report, in each case except as otherwise disclosed herein.

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## FUTURE PLANS AND PROPOSED USE OF PROCEEDS

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### FUTURE PLANS

Our plan is to capitalise on the opportunities offered by the expected growth in the air cargo industry across China, Asia and Europe. Our primary objective is to become one of the leading air freight solution providers in Asia through implementing the strategies which are outlined below and set out in details in the section headed “Business — Business strategies”.

- Continue to improve and expand our service network;
- Continue to expand our portfolio of air cargo routes;
- Establish an e-platform booking system for our business;
- Set up logistics hub centres in Southern China;
- Establish effective operational and financial management systems; and
- Continue to invest in staff training.

Please see the section headed “Business — Business strategies” for a detailed description of our future plans.

### USE OF PROCEEDS

We estimate that the aggregate net proceeds (assuming the Over-allotment Option is not exercised) available to us from the Share Offer (after deducting the underwriting commissions and estimated expenses payable by us in connection with the Share Offer) will be approximately HK\$73.6 million (assuming the Offer Price is HK\$0.965 per Offer Share, being the mid-point of the indicative Offer Price range). We intend to apply the net proceeds in the following manner:

- approximately 30% of the net proceeds to finance the expansion of our service network in relation to the set-up of branches and subsidiaries in China, Asia and Europe;
- approximately 20% of the net proceeds to finance the expansion of our portfolio of air cargo routes, which comprises cash reserves as collaterals for bank guarantees provided to the 12 additional airlines we plan to engage with;
- approximately 20% of the net proceeds to finance the capital expenditure for the development of our own e-platform booking system;
- approximately 15% of the net proceeds to fund the capital expenditure for setting up logistics hub centres in China which mainly includes construction of warehouse, development of warehouse management system and collective house system and establishment of courier handling facilities;

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## FUTURE PLANS AND PROPOSED USE OF PROCEEDS

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- approximately 5% of the net proceeds to fund the capital expenditure for upgrading our management information system to establish effective operational and financial management systems which can support the planned expansion of service network; and
- approximately 10% of the net proceeds to be used as our general working capital.

Based on the maximum Offer Price of HK\$1.05 per Offer Share, if the Over-allotment Option is exercised in full, we estimate that the net proceeds to be received from the Share Offer will be approximately HK\$96.7 million, after deducting the underwriting commissions and estimated expenses payable by us in relation to the Share Offer. The additional net proceeds of approximately HK\$23.1 million will be applied by us in the same proportions as set out above.

To the extent, if any, that the net proceeds available to us from the Share Offer are not immediately applied for the above purposes, we intend to deposit the net proceeds into interest-bearing bank accounts or to purchase money market instruments e.g. capital preservation instruments excluding listed equity securities.

None of the net proceeds will be applied towards the acquisition of any property or company to which paragraph 12 of the Third Schedule of the Hong Kong Companies Ordinance applies.

We will issue an announcement in Hong Kong if there is any material change to the above proposed use of proceeds.

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## UNDERWRITING

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### UNDERWRITERS

#### Placing Underwriter

Oriental Patron Securities Limited

#### Public Offer Underwriter

Oriental Patron Securities Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### Public Offer Underwriting Agreement

Pursuant to the Public Offer, the Company is offering the Public Offer Shares for subscription by way of the Public Offer on the terms and subject to the conditions set out in this prospectus and the related Application Forms.

Pursuant to the Underwriting Agreements, and conditional upon the Listing Committee granting or agreeing to grant (subject to allotment) listing of, and permission to deal in, the Shares, in issue and to be issued as mentioned in this prospectus subject to such customary conditions that may be imposed by the Stock Exchange and certain other conditions (including but not limited to (i) the Offer Price being determined by the Company and the Lead Manager (for itself and on behalf of the Underwriters) by entering into the Price Determination Agreement on or before the Price Determination Date; and (ii) the Placing Underwriting Agreement being executed and delivered by the Placing Underwriter and the parties thereto and the Placing Underwriting Agreement having become unconditional and not terminated prior to 8:00 a.m. (Hong Kong time) on the Listing Date), the Public Offer Underwriter has agreed to subscribe or procure subscribers to subscribe for, on the terms and conditions of this prospectus, the Public Offer Underwriting Agreement and the Application Forms, the Public Offer Shares which are not taken up under the Public Offer.

#### Grounds for termination

The Lead Manager (for itself and on behalf of the Public Offer Underwriter) is entitled to terminate the Public Offer Underwriting Agreement by giving written notice before 8:00 a.m. (Hong Kong time) on the Listing Date (the “**Termination Time**”) to our Company if certain events, including the following events, shall occur prior to the Termination Time:

- (a) there comes to the notice of any of the Sponsor, the Lead Manager or the Public Offer Underwriter of any matter or event showing any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement to be untrue, inaccurate or misleading in any material respect when given or repeated or there has been a breach of any of the warranties or any other obligations imposed on any party to the Public Offer



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## UNDERWRITING

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Underwriting Agreement (other than those undertaken by the Public Offer Underwriter, the Sponsor and/or the Lead Manager) of the Public Offer Underwriting Agreement which, in any such cases, is considered, in the sole and absolute opinion of the Lead Manager (on behalf of the Public Offer Underwriter), to be material in the context of the Share Offer; or

- (b) any statement contained in this prospectus or the Application Forms has become or been discovered to be untrue, incorrect or misleading in any respect or any matters arises or is discovered which would, if this prospectus were to be issued at that time, constitute an omission therefrom as determined by the Lead Manager in its sole and absolute opinion; or
- (c) any event, series of events, matters or circumstances occurs or arises on or after the date of the Public Offer Underwriting Agreement and before the Termination Time, being events, matters or circumstances which, if it had occurred before the date of the Public Offer Underwriting Agreement would have rendered any of the warranties contained in the Public Offer Underwriting Agreement untrue, incorrect or misleading in any respect, and comes to the knowledge of any of the Sponsor, the Lead Manager or the Public Offer Underwriter and which is considered, in the sole and absolute opinion of the Lead Manager (for itself and on behalf of the Public Offer Underwriter), to be material in the context of the Share Offer; or
- (d) any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the sole and absolute opinion of the Lead Manager (for itself and on behalf of the Public Offer Underwriter), an omission in the context of the Share Offer; or
- (e) any event, act or omission which gives or is likely to give rise to any material liability of our Company or any of our Controlling Shareholders and the executive Directors arising out of or in connection with any representations, warranties or undertakings contained in the Public Offer Underwriting Agreement; or
- (f) there comes to the notice of the Sponsor, the Lead Manager or the Public Offer Underwriter any breach by any party to the Public Offer Underwriting Agreement (other than the Sponsor, the Lead Manager or the Public Offer Underwriter) of any provision thereof which, in the sole and absolute opinion of the Lead Manager (for itself and on behalf of the Public Offer Underwriter), is material; or
- (g) there shall have developed, occurred, existed or come into effect any event or series of events, matters or circumstances whether occurring or continuing before, on and/or after the date of the Public Offer Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:
  - (i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the Cayman Islands, the British Virgin Islands, the PRC, any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to our Group; or

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## UNDERWRITING

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- (ii) any change in, or any event or series of events or development resulting or likely to result in any change in Hong Kong, the Cayman Islands, the British Virgin Islands, the PRC, any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or other jurisdiction relevant to our Group, the local, national, regional or international financial, currency, political, military, industrial, economic, stock market, conflict-related, legal, fiscal, exchange control, regulatory, equity or other financial market or other market conditions or prospects, circumstances or matters (including without limitation any moratorium on suspension or material restriction of commercial banking activities in Hong Kong, the U.S., the European Union (or any member thereof), the PRC or elsewhere or trading in securities on the Stock Exchange shall have occurred, happened or come into effect); or
- (iii) any change in the conditions of Hong Kong, the U.S., the PRC or international equity securities or other financial markets (including, without limitation, stock and bond markets, money and foreign exchange markets and inter-bank markets); or
- (iv) the imposition of any moratorium, suspension or material restriction on trading in securities generally on any of the markets operated by the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (v) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) or foreign investments regulations in Hong Kong, the Cayman Islands, the British Virgin Islands, the PRC, any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or other jurisdiction relevant to our Group; or
- (vi) any change or prospective change in the business or in the financial or trading position or prospects of any member of our Group; or
- (vii) the imposition of economic or other sanctions or withdrawal of trading privileges, in whatever form, directly or indirectly, by the U.S. or by the European Union (or any member thereof) or any other country or organisation in Hong Kong, the PRC, or any other jurisdiction relevant to our Company; or
- (viii) a general moratorium on commercial banking activities in the PRC or Hong Kong declared by the relevant authorities; or
- (ix) any event, or series of events of force majeure including, without limiting the generality thereof, any act of God, acts of government, war, riot, public disorder, civil commotion, economic sanctions, fire, flood, explosion, epidemic, outbreak of an infectious disease (including but not limited to the severe acute respiratory syndrome, the swine flu), calamity, crisis, terrorism, strike or lock-out (whether or not covered by insurance) shall have occurred, happened or come into effect; or

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## UNDERWRITING

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- (x) any outbreak or escalation of hostilities involving Hong Kong, the PRC, the U.S., the European Union (or any member thereof), or any other jurisdiction relevant to our Company; or
- (xi) there is, in the sole and absolute opinion of the Lead Manager, a change in the system under which the value of the HK dollar is linked to that of the US dollar; or
- (xii) there is, in the sole and absolute opinion of the Lead Manager, a material change in the exchange rate between the US dollar and the Renminbi, or between the HK dollar and the Renminbi; or
- (xiii) a demand by any creditor for repayment or payment of any indebtedness of our Company or in respect of which our Company is liable prior to its stated maturity which demand has or could be expected to have a material adverse effect on our Company; or
- (xiv) any loss or damage sustained by our Company (however caused and whether or not the subject of any insurance or claim against any person) which has or could be expected to have a material adverse effect on our Company; or
- (xv) a petition is presented for the winding-up or liquidation of our Company or our Company makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of our Company or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of our Company or anything analogous thereto occurs in respect of our Company; or
- (xvi) any other change whether or not ejusdem generis with any of the foregoing:

which in each case, in the sole and absolute opinion of the Lead Manager (for itself and on behalf of the Public Offer Underwriter):

- (aa) is or will be or is likely to be adverse, in any material respect, to the business, financial or trading condition or prospects of our Group taken as a whole or, in the case of sub-paragraph (v) above, on any present or prospective shareholder in his/its capacity as such shareholder of our Company; or
- (bb) has or will have or is likely to have a material adverse effect on the success of the Share Offer as a whole or the level of the Offer Shares being demanded, applied for or accepted, the distribution of the Offer Shares; or
- (cc) for any reason makes it impracticable, inadvisable or inexpedient for the Public Offer Underwriter to proceed with the Share Offer as a whole. For the above purpose, a change in the system under which the value of the Hong Kong currency

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## UNDERWRITING

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is linked to that of the currency of the U.S. or any change of Hong Kong currency under such system shall be taken as an event resulting in a change in currency conditions; and any market fluctuations, whether or not within the normal range therefore, may be considered a change of market conditions.

### Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company, our executive Directors, our Controlling Shareholders, the Sponsor, the Lead Manager and the Placing Underwriter will enter into the Placing Underwriting Agreement and subject to the conditions set out therein, the Placing Underwriter would agree to procure the subscribers to subscribe for, or failing which, to subscribe as principal for, the Placing Shares being offered pursuant to the Placing. It is also expected that the Placing Underwriting Agreement may be terminated upon similar grounds as the Public Offer Underwriting Agreement as described in the section headed “Underwriting — Underwriting arrangements and expenses — Grounds for termination”. **Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed.**

### Undertakings

Each of the Controlling Shareholders has undertaken to our Company, the Sponsor and the Lead Manager (for itself and on behalf of the Public Offer Underwriter) not to (except pursuant to or in connection with the Stock Borrowing Agreement) dispose of his/its interest in our Company during certain period. Details of such non-disposal undertaking are set out in the section headed “Substantial Shareholders — Non-disposal undertaking”.

Our Company has undertaken to and covenanted with the Sponsor, the Lead Manager (for itself and on behalf of the Public Offer Underwriter) that, and each of the Controlling Shareholders and the executive Directors jointly and severally undertakes and covenants with the Sponsor, the Lead Manager (for itself and on behalf of the Public Offer Underwriter) to procure that, without the prior written consent of the Sponsor (for itself and on behalf of the Lead Manager and the Public Offer Underwriter), and subject always to the requirements of the Stock Exchange, (save for the Offer Shares, the over-allotment Shares upon the exercise of the Over-allotment Option by the Lead Manager, the Shares to be issued pursuant to the Capitalisation Issue, the grant of any options under the Share Option Scheme, and any Shares which may fall to be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme, or by way of scrip dividend schemes or similar arrangements in accordance with the Articles), neither our Company nor any of its subsidiaries shall:

- (a) allot and issue or agree to allot and issue any Shares or securities in our Company or any subsidiaries of our Company or grant or agree to grant any options, warrants or other rights carrying any rights to subscribe for or otherwise convert into or exchange for, any securities of our Company or any subsidiaries of our Company within the First Lock-up Period; and
- (b) during the First Lock-up Period purchase any Shares or securities of our Company.

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## UNDERWRITING

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Further, pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to our Company, the Sponsor, and the Lead Manager (for itself and on behalf of the Public Offer Underwriter) that within the First Lock-up Period and the Second Lock-up Period, he/it shall:

- (i) when he/it pledges or charges any of the securities of our Company 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) for a bona fide commercial loan, immediately inform our Company of such pledge or charge together with the number of securities of our Company so pledged or charged; and
- (ii) when he/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform our Company in writing of such indications.

Our Company must inform the Stock Exchange as soon as we have been informed of the above matters by any of our Controlling Shareholders and disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

### **Commission and expenses**

The Underwriters will receive an underwriting commission of 5% of the aggregate Offer Price payable for the Offer Shares, out of which they will (as the case may be) pay any sub-underwriting commissions. Further, the Underwriters will receive, at the sole discretion of our Company, an additional incentive fee of 1% of the aggregate Offer Price payable for the Offer Shares. In addition, the Sponsor will receive advisory and documentation fees for acting as the Sponsor to the Share Offer. Assuming the Over-allotment Option is not exercised and on the basis of an Offer Price of HK\$0.965 per Offer Share (being the mid point of the indicative Offer Price range), such underwriting commission and fees, together with the Stock Exchange listing fee, legal and other professional fees, applicable printing and other expenses relating to the Share Offer are estimated to amount to approximately HK\$22.9 million in total and will be borne by our Company.

### **Underwriters' interests in our Company**

Save for their respective obligations and interests under the Underwriting Agreements as disclosed above, none of the Underwriters has any shareholding interest in our Company or any member of our Group or has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

### **DETERMINING THE OFFER PRICE**

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Lead Manager (for itself and on behalf of the Underwriters), and the Company on or before the Price Determination Date, which is currently scheduled on 10 January 2012 or by no later than 10

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## UNDERWRITING

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January 2012 at 6:00 p.m. (Hong Kong time). **If the Lead Manager (for itself and on behalf of the Underwriters) and the Company are unable to reach an agreement on the Offer Price by 6:00 p.m. (Hong Kong time) on 10 January 2012, the Share Offer will not become unconditional and will lapse.**

**Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range as stated in this prospectus.** The Offer Price will not be more than HK\$1.05 per Offer Share and is expected to be not less than HK\$0.88 per Offer Share.

The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer.

The Lead Manager (for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interests expressed by prospective professional, institutional and other investors interested in subscribing for the Placing Shares in Hong Kong during a book-building process, and with the consent of the Company, reduce the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer, cause to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) notice of such a change. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon with the Company, will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the offering statistics as currently set out in the section headed "Summary — Offering statistics", and any other financial information which may change as a result of such reduction. **If applications for the Public Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Public Offer, then even if the Offer Price range is so reduced such applications cannot be subsequently withdrawn.** In the absence of any notice being published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) of a reduction in the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Public Offer, the Offer Price, if agreed upon with the Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The Company expects to announce the final Offer Price, the level of indication of interests under the Placing and the basis of allotment of the Public Offer Shares under the Public Offer on or before Friday, 13 January 2012 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the Company's website at [www.asr.com.hk](http://www.asr.com.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$1.05 and is expected to be not less than HK\$0.88 per Offer Share.

Based on the maximum Offer Price of HK\$1.05 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.003% SFC transaction levy, one board lot of 2,500 Shares will amount to a total of HK\$2,651.46 payable on application.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum price of HK\$1.05 per Offer Share, appropriate refund payments (including the related 1% brokerage, 0.005% Stock Exchange trading fee and 0.003% SFC transaction levy attributable to the excess applications monies) will be made to applicants, without interest. Further details are set out in the section headed "How to apply for Public Offer Shares" in this prospectus.

### CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares is conditional upon the satisfaction of all of the following conditions:

#### 1. Listing

The Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Share Offer, the Capitalisation Issue and Shares which fall to be allotted and issued upon the exercise of the Over-allotment Option and upon the exercise of any options which may be granted under the Share Option Scheme (and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange).

#### 2. Underwriting agreements

The obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including among other things, (i) the Offer Price be agreed by no later than the Price Determination Date and; (ii) the Price Determination Agreement has been duly entered into, and if relevant, as a result of waiver of any conditions given by the Lead Manager (for itself and on behalf of the Underwriters) and not being terminated in accordance with its terms or otherwise. If for any reason, the Price Determination Agreement is not entered into, the Share Offer will not proceed. Details of the Underwriting Agreements and grounds for termination are set out in the section headed "Underwriting". If these conditions are not fulfilled on or before the time and date specified in the Underwriting Agreements or such later date as the Lead Manager (for itself and on behalf of the Underwriters) may in its absolute discretion determine, the Share Offer will lapse and your application money will be refunded to you, without interest, and by post at your own risk. The terms on which your application money will be returned to you are set out under the paragraph headed "Refund of your money" in the relevant Application Forms.



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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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In the meantime, your application money will be held in one or more separate bank accounts with the receiving banker or other bank(s) licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

### THE SHARE OFFER

The Share Offer comprises the Placing and the Public Offer. A total of 100,000,000 Shares will initially be made available under the Share Offer, of which 90,000,000 Shares, representing 90% of the total number of Shares initially being offered under the Share Offer, will initially be offered for subscription under the Placing. The remaining 10,000,000 Shares, representing 10% of the total number of Shares initially being offered under the Share Offer, will initially be offered for subscription under the Public Offer. The number of Shares offered for subscription under the Placing and the Public Offer will be subject to re-allocation on the basis described below and the number of Shares offered for subscription under the Placing will be subject to the exercise of the Over-allotment Option below. No pre-emption right or right to subscribe for the Offer Shares has been granted.

### THE PLACING

Our Company is initially offering, at the Offer Price, 90,000,000 Shares (subject to re-allocation as mentioned in the section headed “Structure and conditions of the Share Offer — Re-allocation of Offer Shares between the Public Offer and the Placing”), representing 90% of the total number of Shares being initially offered under the Share Offer (before any exercise of the Over-allotment Option), for subscription by way of Placing. The Placing is managed and fully underwritten by the Lead Manager. Pursuant to the Placing, it is expected that the Placing Underwriter or any selling agents which it nominates will, on behalf of our Company, conditionally place the Placing Shares at the Offer Price plus 1% brokerage, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee with selected professional, institutional and other investors interested in subscribing for the Placing Shares in Hong Kong. Professional and institutional investors generally include brokers, dealers, companies and fund managers, whose ordinary businesses involve dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Allocation of the Placing Shares to professional, institutional and other investors interested in subscribing for the Placing Shares in Hong Kong pursuant to the Placing will be based on a number of factors, including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the investor is likely to purchase further Shares, or hold or sell the Shares placed, after Listing. Such allocation is intended to result in a distribution of the Placing Shares on the basis which would lead to the establishment of a solid broad shareholder base to the benefit of our Company and our Shareholders taken as a whole. Investors to whom Placing Shares are offered are required to undertake not to apply for the Public Offer Shares under the Public Offer. The level of indication of interests in the Placing are expected to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on Friday, 13 January 2012. The Placing is subject to the conditions stated in the section headed “Structure and conditions of the Share Offer — Conditions of the Share Offer”.



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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### OVER-ALLOTMENT OPTION

Our Company has granted the Over-allotment Option, exercisable by the Lead Manager to require our Company at any time prior to 4:00 p.m. on the date falling 30 days after the last day for the lodging of applications under the Public Offer, to allot and issue up to an aggregate of 15,000,000 additional Shares, representing 15% of the Offer Shares initially being offered under the Share Offer, on the same terms as those applicable to the Share Offer, to cover over-allocations in the Placing. The additional Shares allotted and issued pursuant to the exercise of the Over-allotment Option will be allocated to the Placing and/or to satisfy the Lead Manager's obligation to return Shares borrowed under the Stock Borrowing Agreement to be entered into between ASR Victory and the Lead Manager. The Lead Manager may also cover any over-allocations under the Placing through the purchase of Shares in the secondary market or otherwise as may be permitted under applicable laws. Any purchases of Shares in the market to cover the over-allocations will be made at prices not exceeding the Offer Price. The number of Shares that may be over-allocated may not be greater than the number of Shares that may be allotted and issued under the Over-allotment Option. Assuming the Over-allotment Option is not exercised, the Offer Shares will represent 25% of our Company's enlarged issued share capital immediately after completion of the Share Offer and the Capitalisation Issue. If the Over-allotment Option is exercised in full, the Offer Shares (including the Shares allotted and issued pursuant to the exercise of the Over-allotment Option) will represent approximately 27.71% of the enlarged issued share capital of our Company immediately after completion of the Share Offer, the Capitalisation Issue and the exercise of the Over-allotment Option in full.

Based on the maximum Offer Price of HK\$1.05 per Offer Share, the net proceeds of the Share Offer, assuming that the Over-allotment Option is not exercised and after deducting related expenses, are estimated to be approximately HK\$81.7 million. If the Over-allotment Option is exercised in full, our Company will receive additional net proceeds of approximately HK\$15.0 million, after deducting underwriting commissions and any expenses payable by us in relation to the exercise of the Over-allotment Option.

The Public Offer is open to all members of the public and the Placing involves selective marketing of the Placing Shares by the Placing Underwriter to professional, institutional and other investors interested in subscribing for the Placing Shares in Hong Kong. Investors may either apply for the Shares under the Public Offer or indicate interests for the Shares under the Placing, and may only receive an allocation of Shares under the Public Offer or the Placing but not both. The Offer Shares are not available for subscription by our Directors, chief executive of our Company, existing beneficial owners of the Shares or their respective associates.

### DISCLOSURE MADE PURSUANT TO RULE 10.07(3)

In order to facilitate settlement of over-allocations (if any) in connection with the Placing, the Stock Borrowing Agreement is expected to be entered into between ASR Victory and the Lead Manager whereby, if requested by the Lead Manager, ASR Victory will, subject to the terms of the Stock Borrowing Agreement, make available to the Lead Manager up to 15,000,000 Shares held by it by way of stock lending in order to cover over-allocations in connection with the Placing, if any.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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The Stock Borrowing Agreement will be in compliance with Rule 10.07(3) of the Listing Rules. Its terms and conditions are as follows:

- (a) such securities lending arrangement with the Controlling Shareholders will only be effected by the Lead Manager (on behalf of the Placing Underwriter) for the sole purpose of covering any short position, if any, prior to the exercise of the Over-allotment Option in connection with the Placing;
- (b) the maximum number of Shares to be borrowed from the Controlling Shareholders by the Lead Manager (on behalf of the Placing Underwriter) must not exceed the maximum number of Shares which may be issued upon the full exercise of the Over-allotment Option (i.e. 15,000,000 Shares);
- (c) the same number of Shares borrowed must be returned to the Controlling Shareholders or its nominees, (as the case may be), within three Business Days after the last day on which Shares may be issued by the Company pursuant to the exercise of the Over-allotment Option; or if earlier, the date on which the Over-allotment Option is exercised in full;
- (d) the securities lending arrangement will be effected in compliance with applicable listing rules and laws and other regulatory requirements; and
- (e) no payments will be made to the Controlling Shareholders by the Lead Manager or the Placing Underwriter under the securities lending arrangement.

### THE PUBLIC OFFER

Our Company is initially offering, at the Offer Price, 10,000,000 Shares (subject to re-allocation as mentioned in the section headed “Structure and conditions of the Share Offer — Re-allocation of Offer Shares between the Public Offer and the Placing”), representing 10% of the total number of Shares being initially offered under the Share Offer, for subscription under the Public Offer (before any exercise of the Over-allotment Option). The Public Offer is fully underwritten by the Public Offer Underwriter subject to the terms and conditions of the Public Offer Underwriting Agreement. Applicants for the Public Offer Shares are required on application to pay the Offer Price plus 1% brokerage, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee.

The Public Offer is open to all members of the public in Hong Kong. An applicant for Public Offer Shares will be required to give an undertaking and confirmation in the Application Form submitted by him/her that he/she has not applied for nor taken up any Placing Shares nor participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by the applicant is breached and/or is untrue (as the case may be), such applicant’s application under the Public Offer is liable to be rejected.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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The total number of the Offer Shares available under the Public Offer is to be divided into 5,000,000 Public Offer Shares for each of pool A and pool B, respectively, for allocation purposes:

- Pool A: The Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares with an aggregate subscription price of HK\$5,000,000.00 (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable thereon) or less; and
- Pool B: The Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares with an aggregate subscription price of more than HK\$5,000,000.00 (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable thereon) and up to the value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Public Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly.

Applicants can only receive an allocation of Public Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Multiple applications or suspected multiple applications and any application made for more than 50% of the 10,000,000 Shares initially comprised in the Public Offer (i.e. 5,000,000 Public Offer Shares) are liable to be rejected.

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of the Public Offer Shares validly applied for by each applicant. When there is over subscription under the Public Offer, allocation of the Public Offer Shares may involve balloting, which would mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares. The results of the Public Offer and basis of allotment of the Public Offer Shares are expected to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on Friday, 13 January 2012.

Applications under the Public Offer from investors receiving the Placing Shares under the Placing will be identified and rejected and investors receiving the Public Offer Shares under the Public Offer will not be offered the Placing Shares under the Placing.

The Public Offer is subject to the conditions as stated in the section headed “Structure and conditions of the Share Offer — Conditions of the Share Offer”.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, agree to purchase or actually purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, to prevent a decline in the initial public offer prices of the securities. In Hong Kong, the stabilisation price will not exceed the initial public offer price.

In connection with the Share Offer, the Lead Manager, as Stabilising Manager, or any person acting for it, may on behalf of the Placing Underwriter over-allocate Shares or effect transactions with a view to stabilising or maintaining the market price of the Offer Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or any person acting for it, to conduct any such stabilising action. Such stabilising action, if commenced, may be discontinued at any time at the absolute discretion of the Stabilising Manager, or any person acting for it, and may be discontinued at any time, and must be brought to an end after a limited period. The number of Shares that may be over-allocated will not be greater than the maximum number of Shares which may be issued upon exercise of the Over-allotment Option, being 15,000,000 Shares, which is 15% of the Offer Shares initially available under the Share Offer. Stabilisation action cannot be taken to support the price of the Offer Shares for longer than the stabilisation period which begins on the Listing Date and ends on the 30th day after the last day for the lodging of applications under the Public Offer (the “**Stabilisation Period**”). The Stabilisation Period is expected to expire on Wednesday, 8 February 2012, and that after this date, when no further stabilising action may be taken, demand for the Shares, and therefore its price, could fall.

During the Stabilisation Period, the Lead Manager as the Stabilising Manager or any person acting for it, may purchase or agree to purchase, or offer, the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares, which will be effected in compliance with all applicable laws and regulatory requirements, including the Securities and Futures (Price Stabilising) Rules made under the SFO. In connection with any such stabilisation actions as described above, the Lead Manager as the Stabilising Manager, or any person acting for it, may allocate a greater number of Shares than the number that is initially offered, or sell or agree to sell Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares. It may close out any such short position by exercising the Over-allotment Option, as described above. It may also agree to sell or sell any Shares acquired by it in the course of any stabilisation transactions in order to liquidate any position that has been established by such action.

The Lead Manager may, in connection with the stabilising action, maintain a long position in the Shares. The size of the long position, and the time period for which the Lead Manager will maintain such a position during the Stabilisation Period, are at the sole discretion of the Lead Manager and is uncertain. In the event that the Lead Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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Investors should be aware that the price of the Shares cannot be assured to stay at or above its Offer Price by the taking of any stabilising action. Stabilisation bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price the investor has paid for the Offer Shares.

### RE-ALLOCATION OF OFFER SHARES BETWEEN THE PUBLIC OFFER AND THE PLACING

The allocation of Offer Shares between the Placing and the Public Offer is subject to re-allocation. If the number of Shares validly applied for under the Public Offer:

- (a) represents 15 times or more but less than 50 times of the number of Shares initially available for subscription under the Public Offer, then 20,000,000 Shares will be re-allocated to the Public Offer from the Placing, so that an aggregate of 30,000,000 Shares will be available for subscription under the Public Offer, representing 30% of the Offer Shares initially available under the Share Offer (assuming the Over-allotment Option is not exercised);
- (b) represents 50 times or more but less than 100 times of the number of Shares initially available for subscription under the Public Offer, then 30,000,000 Shares will be re-allocated to the Public Offer from the Placing, so that an aggregate of 40,000,000 Shares will be available for subscription under the Public Offer, representing 40% of the Offer Shares initially available under the Share Offer (assuming the Over-allotment Option is not exercised);
- (c) represents 100 times or more of the number of Shares initially available for subscription under the Public Offer, then 40,000,000 Shares will be re-allocated to the Public Offer from the Placing, so that an aggregate of 50,000,000 Shares will be available for subscription under the Public Offer, representing 50% of the Offer Shares initially available under the Share Offer (assuming the Over-allotment Option is not exercised); and
- (d) in each of the above cases, the additional Shares re-allocated to the Public Offer will be allocated as the Lead Manager shall in its absolute discretion determine, the number of Shares allocated to the Placing will be correspondingly reduced, subject to the exercise of the Over-allotment Option.

If the Public Offer is not fully subscribed, the Lead Manager (for itself and on behalf of the Underwriters) has the absolute discretion to re-allocate all or any of the unsubscribed Public Offer Shares originally included in the Public Offer to the Placing in such number as it deems appropriate provided that there is sufficient demand under the Placing. If the Placing is not fully subscribed, the Lead Manager, for itself and on behalf of the Underwriters, may, in its absolute discretion, re-allocate all or any unsubscribed Placing Shares originally included in the Placing to the Public Offer, in such number as it deems appropriate provided that there is sufficient demand under the Public Offer to take up such unsubscribed Placing Shares. Details of any re-allocation of Offer Shares between the Public Offer and the Placing will be disclosed in the results announcement, which is expected to be made on Friday, 13 January 2012.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### LISTING ON ANY OTHER STOCK EXCHANGE

Our Directors are not considering listing our Company's securities on any other overseas stock exchange. Our Company has not submitted any application nor obtained any approval for the listing of the Shares on any other overseas stock exchange.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### 1. METHODS TO APPLY FOR THE PUBLIC OFFER SHARES

You may apply for the Public Offer Shares by using one of the following methods:

- using a **WHITE** or **YELLOW** Application Form;
- applying online through the designated website of the **HK eIPO White Form** Service Provider, referred to in this prospectus as the **HK eIPO White Form** service ([www.hkeipo.hk](http://www.hkeipo.hk)); or
- electronically instructing HKSCC to cause HKSCC Nominees to apply for Public Offer Shares on your behalf.

Except where you are a nominee and provide the required information in your application, you or your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or applying online through **HK eIPO White Form** service or by giving **electronic application instructions** to HKSCC via CCASS.

### 2. WHO CAN APPLY FOR THE PUBLIC OFFER SHARES

You can apply for the Public Offer Shares available for subscription by the public on a **WHITE** or **YELLOW** Application Form if you, or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are not inside the United States (as defined in Regulation S under the U.S. Securities Act) when completing and submitting the Application Form and are not either (a) a person described in paragraph (h)(3) of Rule 902 of Regulation S under the U.S. Securities Act or (b) a qualified institutional buyer; and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you wish to apply for the Public Offer Shares online through the **HK eIPO White Form** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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You may only apply by means of the **HK eIPO White Form** service by submitting an electronic application instruction through the designated website at **www.hkeipo.hk** if you are an individual applicant. Corporations or joint applicants may not apply by means of the **HK eIPO White Form** service.

If the applicant is a firm, the application must be in the names of the individual members, not in the name of the firm. If the applicant is a body corporate, the application must be stamped with the company chop (bearing the company name) and signed by a duly authorised officer, who must state his or her representative capacity.

If an application is made by a person duly authorised under a valid power of attorney, the Lead Manager (as agent of the Company, for itself and on behalf of the Public Offer Underwriter), or their respective agents or nominees, may accept it at their discretion, and subject to any conditions as they think fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

We, the Lead Manager or the **HK eIPO White Form** Service Provider (where applicable) in its capacity as our agent, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

The Public Offer Shares are not available to existing beneficial owners of Shares or shares in any of our subsidiaries, the Directors or chief executive of our Company or any of our subsidiaries or their respective associates or any other Connected Persons of our Company or persons who will become our Connected Persons immediately upon completion of the Share Offer.

You may apply for Public Offer Shares under the Hong Kong Public Offer or indicate an interest for Placing Shares under the Placing, but may not do both.

### **3. WHICH APPLICATION METHOD YOU SHOULD USE**

#### **(a) WHITE Application Forms**

Use a **WHITE** Application Form if you want the Public Offer Shares to be registered in your own name.

#### **(b) Use HK eIPO White Form service**

Instead of using a **WHITE** Application Form, you may apply for the Public Offer Shares by means of **HK eIPO White Form** service by submitting applications online through the designated website at **www.hkeipo.hk**. Use **HK eIPO White Form** service if you want the Public Offer Shares to be registered in your own name.



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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### (c) **YELLOW Application Forms**

Use a **YELLOW** Application Form if you want the Public Offer Shares to be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

### (d) **Instruct HKSCC to make an electronic application on your behalf**

Instead of using a **YELLOW** Application Form, you may electronically instruct HKSCC to cause HKSCC Nominees to apply for the Public Offer Shares on your behalf via CCASS. Any Public Offer Shares allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

## 4. **WHERE TO COLLECT THE APPLICATION FORMS**

You can collect a **WHITE** Application Form and this prospectus during normal business hours from 9:00 a.m. on Friday, 30 December 2011 until 12:00 noon on Monday, 9 January 2012 from:

- The following office of either the Sole Sponsor or the Sole Bookrunner and Lead Manager:

**Shenyin Wanguo Capital (H.K.) Limited**

28th Floor, Citibank Tower  
Citibank Plaza  
3 Garden Road  
Central  
Hong Kong

**Oriental Patron Securities Limited**

27/F, Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

- Any one of the following branches of Hang Seng Bank Limited:

<b>Hong Kong Island</b>	Head Office	83 Des Voeux Road Central
	Causeway Bay Branch	28 Yee Wo Street, Causeway Bay
	Des Voeux Road West Branch	52 Des Voeux Road West
	Wanchai Branch	200 Hennessy Road, Wanchai
<b>Kowloon</b>	Tsimshatsui Branch	18 Carnarvon Road, Tsimshatsui
	Yaumati Branch	363 Nathan Road, Yaumati
	Kowloon Main Branch	618 Nathan Road, Mongkok
	Hung Hom Branch	21 Ma Tau Wai Road, Hunghom

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### **New Territories**

Tsuen Wan Branch  
Shatin Branch

289 Sha Tsui Road, Tsuen Wan  
Shop 18, Lucky Plaza, Wang Pok  
Street, Shatin

You can collect a **YELLOW** Application Form and this prospectus during normal business hours from 9:00 a.m. on Friday, 30 December 2011 until 12:00 noon on Monday, 9 January 2012 from:

- (i) the **depository counter of HKSCC** at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong; or
- (ii) your stockbroker, who may have such Application Forms and this prospectus available.

## **5. WHEN TO APPLY FOR THE PUBLIC OFFER SHARES**

### **(a) WHITE or YELLOW Application Forms**

Completed **WHITE** or **YELLOW** Application Form, with a cheque or banker's cashier order attached, must be lodged by 12:00 noon on Monday, 9 January 2012, or, if the application lists are not open on that day, by the time and date stated in the section headed "How to apply for Public Offer Shares — When to apply for Public Offer Shares — Effect of bad weather conditions on the opening of the application lists".

Your completed **WHITE** or **YELLOW** Application Form, with payment attached, should be deposited in the special collection boxes provided at any of the branches of Hang Seng Bank Limited listed in the section headed "How to apply for Public Offer Shares — Where to collect the Application Forms" at the following times:

**Friday, 30 December 2011 — 9:00 a.m. to 5:00 p.m.**  
**Saturday, 31 December 2011 — 9:00 a.m. to 1:00 p.m.**  
**Tuesday, 3 January 2012 — 9:00 a.m. to 5:00 p.m.**  
**Wednesday, 4 January 2012 — 9:00 a.m. to 5:00 p.m.**  
**Thursday, 5 January 2012 — 9:00 a.m. to 5:00 p.m.**  
**Friday, 6 January 2012 — 9:00 a.m. to 5:00 p.m.**  
**Saturday, 7 January 2012 — 9:00 a.m. to 1:00 p.m.**  
**Monday, 9 January 2012 — 9:00 a.m. to 12:00 noon**

### **(b) HK eIPO White Form**

You may submit your application to the designated **HK eIPO White Form** Service Provider through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) from 9:00 a.m. on Friday, 30 December 2011 until 11:30 a.m. on Monday, 9 January 2012 or such later time as described under the paragraph below headed "How to apply through the **HK eIPO White Form** service — Effect of bad weather conditions on the last application day" (24 hours daily, except on the last application day) in this section. The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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Monday, 9 January 2012, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the section headed “How to apply for Public Offer Shares — How to apply through the **HK eIPO White Form** service — Effect of bad weather conditions on the last application day”.

You will not be permitted to submit your application to the designated **HK eIPO White Form** Service Provider through the designated website at [www.hkeipo.hk](http://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 website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

### (c) Electronic applications instructions to HKSCC

CCASS Clearing Participants and CCASS Custodian Participants should input **electronic application instructions** via CCASS at the following times:

<b>Friday, 30 December 2011</b>	<b>— 9:00 a.m. to 8:30 p.m.</b>	<sup>(1)</sup>
<b>Saturday, 31 December 2011</b>	<b>— 8:00 a.m. to 1:00 p.m.</b>	<sup>(1)</sup>
<b>Tuesday, 3 January 2012</b>	<b>— 8:00 a.m. to 8:30 p.m.</b>	<sup>(1)</sup>
<b>Wednesday, 4 January 2012</b>	<b>— 8:00 a.m. to 8:30 p.m.</b>	<sup>(1)</sup>
<b>Thursday, 5 January 2012</b>	<b>— 8:00 a.m. to 8:30 p.m.</b>	<sup>(1)</sup>
<b>Friday, 6 January 2012</b>	<b>— 8:00 a.m. to 8:30 p.m.</b>	<sup>(1)</sup>
<b>Saturday, 7 January 2012</b>	<b>— 8:00 a.m. to 1:00 p.m.</b>	<sup>(1)</sup>
<b>Monday, 9 January 2012</b>	<b>— 8:00 a.m.<sup>(1)</sup> to 12:00 noon</b>	

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*Note (1):* These times are subject to such changes 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 Friday, 30 December 2011 until 12:00 noon on Monday, 9 January 2012 (24 hours daily, except the last application day).

The latest time for inputting your **electronic application instructions** via CCASS (if you are a CCASS Participant) is 12:00 noon on Monday, 9 January 2012 or if the application lists are not opened on that day, by the time and date stated in the section headed “How to apply for Public Offer Shares — When to apply for Public Offer Shares — Effect of bad weather conditions on the opening of the application lists”.

### (d) Application lists

The application lists will be opened from 11:45 a.m. to 12:00 noon on Monday, 9 January 2012, except as provided in the section headed “How to apply for Public Offer Shares — When to apply for Public Offer Shares — Effect of bad weather conditions on the opening of the application lists”. No proceedings will be taken on applications for the Public Offer Shares and no allocation of any such Shares will be made until after the closing of the application lists.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### (e) Effect of bad weather conditions on the opening of the application lists

The application lists will be opened between 11:45 a.m. and 12:00 noon on Monday, 9 January 2012, subject to weather conditions. The application lists will not be opened in relation to the Public Offer if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning signal,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 9 January 2012, or if there are similar extraneous factors as are acceptable to the Stock Exchange. Instead, they will be opened between 11:45 a.m. and 12:00 noon on the next Business Day which does not fall within the above circumstances at any time between 9:00 a.m. and 12:00 noon in Hong Kong.

### 6. HOW TO APPLY USING A WHITE OR YELLOW APPLICATION FORM

- (a) Obtain a **WHITE** or **YELLOW** Application Form.
- (b) You should read the instructions in this prospectus and the relevant Application Form carefully. If you do not follow the instructions, your application is liable to be rejected and returned by ordinary post together with the accompanying cheque or banker’s cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated on your Application Form.
- (c) Decide how many Public Offer Shares you want to purchase. Calculate the amount you must pay on the basis of the maximum Offer Price of HK\$1.05 per Share, plus brokerage fee of 1%, the Stock Exchange trading fee of 0.005%, and the SFC transaction levy of 0.003%. The table in the Application Forms sets out the total amount payable for the specified number of the Public Offer Shares.

Your application must be for a minimum of 2,500 Public Offer Shares. Application for more than 2,500 Public Offer Shares must be in one of the number of Public Offer Shares set out in the table in the respective Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

- (d) Complete the Application Form in English (save as otherwise indicated) and sign it. Only written signatures will be accepted. Applications made by corporations, whether on their own behalf, or on behalf of other persons, must be stamped with the company chop (bearing the company name) and signed by a duly authorised officer, whose representative capacity must be stated. If you are applying for the benefit of someone else, you, rather than that person, must sign the Application Form. If it is a joint application, all applicants must sign it. If your application is made through a duly authorised attorney, the Company and the Sponsor (or their respective agents or nominees) may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of your attorney.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- (e) Each Application Form must be accompanied by either one cheque or one banker's cashier order, which must be stapled to the top left-hand corner of the Application Form.

If you pay by cheque, the cheque must:

- be in Hong Kong dollars;
- not be post-dated;
- be drawn on your Hong Kong dollar bank account in Hong Kong;
- show your account name, which must either be pre-printed on the cheque, or be endorsed on the back by a person authorised by the bank. This account name must be the same as the name on the Application Form. If it is a joint application, the account name must be the same as the name of the first-named applicant;
- be made payable to "Hang Seng (Nominee) Limited — ASR Holdings Public Offer"; and
- be crossed "Account Payee Only".

Your application may be rejected if your cheque does not meet all these requirements or is dishonoured on its first presentation.

If you pay by banker's cashier order, the banker's cashier order must:

- be in Hong Kong dollars;
- not be post-dated;
- be issued by a licensed bank in Hong Kong and have your name certified on the back by a person authorised by the bank. The name on the back of the banker's cashier order and the name on the Application Form must be the same. If it is a joint application, the name on the back of the banker's cashier order must be the same as the name of the first-named joint applicant;
- be made payable to "Hang Seng (Nominee) Limited — ASR Holdings Public Offer"; and
- be crossed "Account Payee Only".

Your application is liable to be rejected if your banker's cashier order does not meet all these requirements.

- (f) If you are applying for Public Offer Shares using a **WHITE** or **YELLOW** Application Form, you should lodge your Application Form in one of the collection boxes provided at any of the branches of Hang Seng Bank Limited listed under the section headed "How to apply for Public Offer Shares — Where to collect the Application Forms" above by the time referred to in paragraph 5(a) above.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- (g) Multiple or suspected multiple applications are liable to be rejected. Further information in this regard is set forth in the section headed “How to apply for Public Offer Shares — How many applications you may make for the Public Offer Shares”.
- (h) In order for the **YELLOW** Application Forms to be valid:
- If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):
    - the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its CCASS Participant I.D. in the appropriate box.
  - If you are applying as an individual CCASS Investor Participant:
    - you must fill in your full name and your Hong Kong Identity Card number; and
    - you must insert your CCASS Participant I.D. in the appropriate box.
  - If you are applying as a joint individual CCASS Investor Participant:
    - you must insert all joint CCASS Investor Participants’ names and the Hong Kong Identity Card numbers of all joint CCASS Investor Participants; and
    - you must insert your CCASS Participant I.D. in the appropriate box.
  - If you are applying as a corporate CCASS Investor Participant:
    - you must insert your company name and your company’s Hong Kong business registration number; and
    - you must fill in your CCASS Participant I.D. and stamp your company chop (bearing your company’s name) in the appropriate box.
- Incorrect or incomplete details of the CCASS Participant or CCASS Participant I.D. or other similar matters may render the application invalid.
- (i) Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked “For nominees” an identification number for each beneficial owner.
- (j) You should note that by completing and submitting an Application Form, among other things:
- (a) you agree with our Company and each of the Shareholders, and our Company agrees with each of the Shareholders, to observe and comply with the Cayman Islands Companies Law, the Companies Ordinance, the Memorandum and Articles;

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- (b) you confirm that you 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 save as set out in any supplement to this prospectus;
- (c) you agree that none of our Company, the Lead Manager, the Public Offer Underwriter, 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 thereto);
- (d) you undertake and confirm that you (if the application is made for your benefit) or the person(s) or whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for, take up, or indicate an interest for, any Placing Shares nor otherwise participated in the Placing; and
- (e) you agree to disclose to our Company, and/or the share registrars, receiving bankers, the Lead Manager, the Public Offer Underwriter and their respective advisers and agents any personal data which they require about you and the person(s) for whose benefit you have made the application.

### 7. HOW TO APPLY THROUGH THE HK eIPO WHITE FORM SERVICE

- (a) If you are an individual and meet the criteria set out above in relation to applying for Public Offer Shares through the **HK eIPO White Form** service in the paragraph above headed “Who can apply for the Public Offer Shares”, you may apply through the **HK eIPO White Form** service by submitting an application through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk). If you apply through the **HK eIPO White Form** service, the Shares will be issued in your own name.
- (b) Detailed instructions for application through the **HK eIPO White Form** service are set out on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk). You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated **HK eIPO White Form** Service Provider and may not be submitted to the Company.
- (c) In addition to the terms and conditions set out in this prospectus, the designated **HK eIPO White Form** Service Provider may impose additional terms and conditions upon you for the use of the **HK eIPO White Form** service. Such terms and conditions are set out on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk). You will be required to read, understand and agree to such terms and conditions in full prior to making any application.
- (d) By submitting an application to the designated **HK eIPO White Form** Service Provider through the **HK eIPO White Form** service ([www.hkeipo.hk](http://www.hkeipo.hk)), you are deemed to have authorised the designated **HK eIPO White Form** Service Provider to transfer the details of your application to the Company and the Company’s registrars.
- (e) You may submit an application through the **HK eIPO White Form** service in respect of a minimum of 2,500 Public Offer Shares. Each **electronic application instruction** in respect of more than 2,500 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).



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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- (f) You may submit your application to the designated **HK eIPO White Form** Service Provider through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) from 9:00 a.m. on Friday, 30 December 2011 until 11:30 a.m. on Monday, 9 January 2012 or such later time as described under the paragraph below headed “Effect of bad weather conditions on the last application day” (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, 9 January 2012, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the paragraph below headed “Effect of bad weather conditions on the last application day”.
- (g) You will not be permitted to submit your application to the designated **HK eIPO White Form** Service Provider through the designated website at [www.hkeipo.hk](http://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 website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close. You should make payment for your application made through the **HK eIPO White Form** service in accordance with the methods and instructions set out in the designated website at [www.hkeipo.hk](http://www.hkeipo.hk). If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Monday, 9 January 2012 or such later time as described under the paragraph below headed “Effect of bad weather conditions on the last application day” in this prospectus, the designated **HK eIPO White Form** Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

### **Effect of bad weather conditions on the last application day**

The latest time for submitting an application to the designated **HK eIPO White Form** Service Provider through the **HK eIPO White Form** service will be 11:30 a.m., and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, 9 January 2012, the last application day. 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, 9 January 2012, the last application day will be postponed to the next Business Day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on such day.



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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### Conditions of the HK eIPO White Form service

In using the **HK eIPO White Form** service to apply for the Public Offer Shares, the applicant shall be deemed to have accepted the following conditions:

That the applicant:

- **applies** for the desired number of Public Offer Shares on the terms and conditions of this prospectus and **HK eIPO White Form** Application Form subject to the Articles;
- **undertakes** and agrees to accept the Public Offer Shares applied for, or any lesser number allotted to the applicant on such application;
- **declares** that such application is the only application made and the only application intended by the applicant to be made whether on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the **HK eIPO White Form** Service Provider under the **HK eIPO White Form** service, to benefit the applicant or the person for whose benefit the applicant is applying;
- **undertakes** and **confirms** that the applicant or the person for whose benefit the applicant is applying has not applied for or taken up, or indicated interests for, or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up, or indicate interests for, any Placing Shares, nor otherwise participate in the Placing;
- **understands** that this declaration and representation will be relied upon by the Company in deciding whether or not to make any allotment of Public Offer Shares in response to such application;
- **authorises** the Company to place the applicant's name on the register of members of the Company as the holder of any Public Offer Shares to be allotted to the applicant, and (subject to the terms and conditions set out in this prospectus) to send any Share certificates by ordinary post at the applicant's own risk to the address in the electronic application instruction given by the applicant to the **HK eIPO White Form** Service Provider through the **HK eIPO White Form** service (except where the applicant has applied for 1,000,000 or more Public Offer Shares and collects any Share certificate(s) in person in accordance with the procedures prescribed in the designated website of the **HK eIPO White Form** Service ([www.hkeipo.hk](http://www.hkeipo.hk)) and this prospectus);
- **requests** that any e-Auto Refund payment instruction(s)/refund cheque(s) be made payable to the applicant, and (subject to the terms and conditions set out in this prospectus) authorises the Company to send any refund cheques by ordinary post and at the applicant's own risk to the address given in the electronic application instruction given by the applicant to the **HK eIPO White Form** Service Provider through the **HK eIPO White Form** service (except where the applicant has applied for 1,000,000 or more Public Offer Shares and collects any refund cheque(s) in person in accordance with the procedures prescribed in the designated website of the **HK eIPO White Form** Service ([www.hkeipo.hk](http://www.hkeipo.hk)) and this prospectus);

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- **has read** the terms and conditions and application procedures set out in the designated website of the **HK eIPO White Form** Service Provider ([www.hkeipo.hk](http://www.hkeipo.hk)) and this prospectus and **agrees** to be bound by them;
- **represents, warrants and undertakes** that (i) the applicant or any persons for whose benefit the applicant is applying is outside the United States when completing and submitting the electronic application instructions through the **HK eIPO White Form** service and is not a U.S. person (as defined in Regulation S under the U.S. Securities Act, as amended), or is a person described in paragraph (h)(3) of Rule 902 of Regulation S under the U.S. Securities Act as amended, and (ii) the allotment of or application for the Public Offer Shares to or by the applicant or the persons for whose benefit the application is made would not require the Company, the Sponsor, the Lead Manager or the Public Offer Underwriter to comply with any requirements under any law or regulation (whether or not having the force of law) of any territory outside Hong Kong; and
- **agrees** that such application, any acceptance of it and the resulting contract, will be governed by and construed in accordance with the laws of Hong Kong.

### Effect of completing and submitting an application through the HK eIPO White Form service

By completing and submitting an application through the **HK eIPO White Form** service, you for yourself or as agent or nominee for and on behalf of any person for whom you act as agent or nominee shall be deemed to:

- **instruct** and **authorise** the Company, the Lead Manager (or their respective agents or nominees) as agent for the Company to do on your behalf all things necessary to register any Public Offer Shares allotted to you in your name as required by the Articles and otherwise to give effect to the arrangements described in this prospectus and the **HK eIPO White Form** Application Form;
- **confirm** that you have only relied on the information and representations in this prospectus in making your application and will not rely on any other information and representations save as set out in any supplement to this prospectus;
- **agree** that the Company and the Directors are liable only for the information and representations contained in this prospectus and any supplement thereto;
- **agree** (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (if the application is made for your own benefit) **warrant** that such application is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the **HK eIPO White Form** Service Provider via the **HK eIPO White Form** service;

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- (if you are an agent or nominee for another person) **warrant** reasonable enquiries have been made of that other person that such application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the **HK eIPO White Form** Service Provider via the **HK eIPO White Form** service, and that you are duly authorised to submit such application as that other person's agent or nominee;
- **undertake** and **confirm** that, you (if the application is made for your benefit) 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, take up or indicate an interest for, any Placing Shares;
- **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- **agree** to disclose to the Company, and/or its registrars, receiving banker, the Sponsor, the Lead Manager and their respective advisers and agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application;
- **agree** with the Company and each Shareholder, and the Company agrees with each of its Shareholders, to observe and comply with the Companies Ordinance, the Memorandum and Articles;
- **agree** with the Company and each Shareholder that the Shares are freely transferable by the holders thereof;
- **authorise** the Company to enter into a contract on your behalf with each Director and officer of the Company whereby each such Director and officer undertakes to observe and comply with his or her obligations to the Shareholders as stipulated in the Memorandum and Articles;
- **represent, warrant** and **undertake** that you are not, and none of the other person(s) (if any) for whose benefit you are applying, are a U.S. person (as defined in Regulation S);
- **represent** and **warrant** that you understand that the Shares have not been and will not be registered under the U.S. Securities Act and you are outside the United States (as defined in Regulation S) when completing the Application Form or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- **confirm** that you have read the terms and conditions and application procedures set out in this prospectus, the **HK eIPO White Form** Application Form and the designated website of the **HK eIPO White Form** Service Provider ([www.hkeipo.hk](http://www.hkeipo.hk)) and agree to be bound by them;
- **undertake** and **agree** to accept the Shares applied for, or any lesser number allocated to you under your application; and

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- if the laws of any place outside Hong Kong are applicable to your application, **agree** and **warrant** that you have complied with all such laws and none of our Company, the Sponsor, the Lead Manager and the Public Offer Underwriter nor any of their respective officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus, the **HK eIPO White Form** Application Form and the designated website of the **HK eIPO White Form** Service Provider ([www.hkeipo.hk](http://www.hkeipo.hk)).

The Company, the Sponsor, the Lead Manager, the Public Offer Underwriter and their respective directors, officers, employees, partners, agents, advisers, and any other parties involved in the Share Offer are entitled to rely on any warranty, representation or declaration made by you in such application.

### Additional information

For the purposes of allocating Public Offer Shares, each applicant giving **electronic application instructions** through the **HK eIPO White Form** service to the **HK eIPO White Form** Service Provider through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Public Offer Shares for which you have applied, or if your application is otherwise rejected by the designated **HK eIPO White Form** Service Provider, the designated **HK eIPO White Form** Service Provider may adopt alternative arrangements for the refund of application monies to you. Please refer to the additional information provided by the designated **HK eIPO White Form** Service Provider on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

Please note that internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **HK eIPO White Form** service ([www.hkeipo.hk](http://www.hkeipo.hk)), you are advised not to wait until the last day for submitting applications in the Public Offer to submit your **electronic application instructions**. In the event that you have problems connecting to the designated website for the **HK eIPO White Form** service ([www.hkeipo.hk](http://www.hkeipo.hk)), you should submit a **WHITE** Application Form. However, once you have submitted **electronic application instructions** and completed payment in full using the payment reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** Application Form. Further information in this regard is set forth in the section headed “How to apply for Public Offer Shares — How many applications you may make for the Public Offer Shares”.

### Warning

The application for Public Offer Shares through the **HK eIPO White Form** service ([www.hkeipo.hk](http://www.hkeipo.hk)) is only a facility provided by the designated **HK eIPO White Form** Service Provider to public investors. The Company, the Directors, the Sponsor, the Lead Manager and the Public Offer Underwriter take no responsibility for such applications, and provide no assurance that applications through the **HK eIPO White Form** service ([www.hkeipo.hk](http://www.hkeipo.hk)) will be submitted to the Company or that you will be allotted any Public Offer Shares.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### 8. HOW TO APPLY BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

#### General

CCASS Participants may give electronic application instructions to HKSCC to apply for the Public Offer Shares and to arrange payment of the application monies due on application and payment of refunds. This will be in accordance with 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 electronic application instructions through the CCASS Phone System by calling 2979 7888 or CCASS Internet System at <https://ip.ccass.com> (according to the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input electronic application instructions for you if you go to:

**Hong Kong Securities Clearing Company Limited**

Customer Service Centre  
2nd Floor, Infinitus Plaza  
199 Des Voeux Road Central  
Hong Kong

and complete an input request form.

Copies of this prospectus are available for collection from the above address. If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for Public Offer Shares on your behalf.

You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application whether submitted by you or through your broker or custodian to our Company and the Hong Kong Share Registrar.

#### Application for the Public Offer Shares by HKSCC Nominees on your behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given electronic application instructions to apply for the Public Offer Shares:

- (i) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees does the following things on behalf of each such person:
  - **agrees** 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 that person's CCASS Investor Participant stock account or the stock account of the CCASS Participant who has inputted electronic application instructions on that person's behalf;

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- **undertakes** and **agrees** to accept the Public Offer Shares in respect of which that person has given electronic application instructions or any lesser number;
- **undertakes** and **confirms** that that person has not applied for or taken up any Offer Shares under the Placing nor otherwise participated in the Placing;
- (if the electronic application instructions are given for that person's own benefit) **declares** that only one set of electronic application instructions has been given for that person's benefit;
- (if that person is an agent for another person) **declares** that that person has only given one set of electronic application instructions for the benefit of that other person and that that person is duly authorised to give those instructions as that other person's agent;
- **understands** that the above declaration will be relied upon by our Company, the Directors and the Lead Manager in deciding whether or not to make any allotment of the Public Offer Shares in respect of the electronic application instructions given by that person and that that person may be prosecuted if he makes a false declaration;
- **authorises** our Company to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Public Offer Shares allotted in respect of that person's electronic application instructions and to send share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between our Company and HKSCC;
- **confirms** that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;
- **confirms** that that person has only relied on the information and representations in this prospectus (and any supplement thereto) in giving that person's electronic application instructions or instructing that person's broker or custodian to give electronic application instructions on that person's behalf;
- **agrees** that our Company, the Lead Manager, the Public Offer Underwriter, their respective directors, officers, employees, advisers and any other parties involved in the Share Offer are not liable for the information and representations not so contained in this prospectus and any supplement thereto;
- **agrees** to disclose that person's personal data to our Company, its registrars, receiving banker, adviser and agents and any information which they may require about that person;
- **agrees** (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees is accepted, the application cannot be rescinded for innocent misrepresentations;

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- **agrees** that any application made by HKSCC Nominees on behalf of that person pursuant to electronic application instructions given by that person is irrevocable before the expiration of the fifth Business Day after the opening of the application lists or such later date as the application lists may open as described under the section headed “How to apply for Public Offer Shares — When to apply for Public Offer Shares — Effect of bad weather conditions on the opening of the application lists”, such agreement to take effect as a collateral contract with our Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the expiration of the fifth Business Day after the opening of the application lists except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the end of the fifth Business Day after the time of the opening of the application lists if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;
- **agrees** that once the application of HKSCC Nominees is accepted, neither that application nor that person’s electronic application instruction can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Public Offer published by our Company;
- **agrees** to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of electronic application instructions relating to the Public Offer Shares;
- **agrees** with our Company, for itself and for the benefit of each of the Shareholders (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 our Company and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Cayman Islands Companies Law, the Memorandum and Articles;
- **agrees** with our Company (for itself and for the benefit of each of the Shareholders) that the Shares are freely transferable by the holders thereof;
- **agrees** that that person’s application, any acceptance of it and the resulting contract will be governed by and constructed in accordance with the laws of Hong Kong; and
- **agrees** that any application made by HKSCC Nominees on behalf of that person pursuant to electronic application instructions given by that person is irrevocable, save as provided for in this prospectus.



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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### Effect of giving Electronic Application Instructions to HKSCC

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 and neither HKSCC nor HKSCC Nominees will 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 CCASS Participants) to apply for Public Offer Shares on your behalf;
- **instructed** and **authorised** HKSCC to arrange payment of the Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of wholly or partly unsuccessful applications, refund of the application monies, in each case including brokerage, SFC transaction levy and 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 which it is stated to do on your behalf in the **WHITE** Application Form.

### Minimum subscription amount and permitted multiples

You may give or cause your broker or a custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions in respect of a minimum of 2,500 Public Offer Shares. Such instructions in respect of more than 2,500 Public Offer Shares must be in one of the numbers or multiples set out in the table in the Application Forms. No application for any number of the Public Offer Shares will be considered and any such application is liable to be rejected.

### 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 in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any electronic application instructions to make an application for 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. Further information in this regard is set forth in the section headed “How to apply for Public Offer Shares — How many applications you may make for the Public Offer Shares”.

### Allocation of the Public Offer Shares

For the purposes of allocating the 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 each such instruction is given will be treated as an applicant.



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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company and the registrars about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

### Section 40 of the Companies 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 Ordinance.

### Warning

The subscription of Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Our Company, the Directors, the Sponsor, the Lead Manager and the Public Offer Underwriter take no responsibility for the application and provide no assurance that any CCASS Participants will be allotted any Public Offer Shares. To ensure that CCASS Investor Participants can give their electronic application instructions to HKSCC through the CCASS Phone System or CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their electronic application instructions to the systems. In the event that CCASS Investor Participants have problems connecting to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit the **WHITE** or **YELLOW** Application Form (as appropriate), or (ii) go to HKSCC’s Customer Service Centre to complete an application instruction input request form before 12:00 noon on Monday, 9 January 2012 or such later time as described under the section headed “How to apply for Public Offer Shares — When to apply for Public Offer Shares — Effect of bad weather conditions on the opening of the application lists”.

## 9. HOW MANY APPLICATIONS YOU MAY MAKE FOR THE PUBLIC OFFER SHARES

- (a) There is only one situation where you may make more than one application for the Public Offer Shares. You may make more than one application for the Public Offer Shares if you are a nominee, in which case you may make an application by using a **WHITE** or **YELLOW** Application Form or by way of giving electronic application instructions to HKSCC via CCASS (if you are CCASS participant), and lodge more than one Application Form in your own name on behalf of different beneficial owners. In the box on the relevant Application Form marked “For nominee(s)” 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 such joint beneficial owner. If you do not include this information, the application will be treated as being for your own benefit.

**Otherwise, multiple applications are not allowed.**

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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It will be a term and condition of all applications that by completing and delivering an Application Form or by giving electronic application instructions to HKSCC via CCASS (if you are CCASS participant) or to the designated **HK eIPO White Form** Service Provider, you:

- if the application is made for your own benefit, warrant that this is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or through giving electronic application instructions to HKSCC via CCASS (if you are CCASS participant) or to the designated **HK eIPO White Form** Service Provider;
  - if you are an agent for another person, warrant that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or through giving electronic application instructions to HKSCC via CCASS (if you are CCASS participant) or to the designated **HK eIPO White Form** Service Provider, and that you are duly authorised to sign the relevant Application Form or give electronic application instructions as that other person's agent.
- (b) Multiple applications or suspected multiple applications are liable to be rejected. Save as referred to (a) above, all of your applications are liable to be rejected as multiple applications if you, or you and your joint applicant(s) together:
- make more than one application (whether individually or jointly with others) on a **WHITE** or **YELLOW** Application Form or by way of giving electronic application instructions to HKSCC via CCASS (if you are CCASS participant) or to the designated **HK eIPO White Form** Service Provider;
  - apply (whether individually or jointly with others) on one **WHITE** Application Form and one **YELLOW** Application Form or one **WHITE** or **YELLOW** Application Form and by way of giving electronic application instructions to HKSCC via CCASS (if you are CCASS participant) or to the designated **HK eIPO White Form** Service Provider;
  - apply (whether individually or jointly with others) on one **WHITE** or **YELLOW** Application Form or by way of giving electronic application instructions to HKSCC via CCASS (if you are CCASS participant) or to the designated **HK eIPO White Form** Service Provider for more than 50% of the 10,000,000 Shares initially comprised in the Public Offer (i.e. 5,000,000 Public Offer Shares); or
  - have applied for or taken up, or indicated interests for or have been or will be placed Offer Shares under the Placing and make application on **WHITE** or **YELLOW** Application Form or by way of giving electronic application instructions to HKSCC via CCASS (if you are CCASS participant) or to the designated **HK eIPO White Form** Service Provider.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- (c) All of your applications will also be rejected as multiple applications if more than one application is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions) or you have applied for or taken up or otherwise indicated interests for Offer Shares under the Placing. 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.

**An 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 that company; and/or
  - control more than half of the voting power of that company; and/or
  - hold more than one-half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).
- (d) If you apply by means of **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit to the designated **HK eIPO White Form** Service Provider 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** service 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 by giving **electronic application instructions** through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) and completing payment in respect of such **electronic application instructions**, or of submitting one application through the **HK eIPO White Form** service and one or more applications by any other means, all of your applications are liable to be rejected.

### 10. HOW MUCH ARE THE PUBLIC OFFER SHARES

The maximum Offer Price is HK\$1.05 per Offer Share. You must also pay brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%. This means that for every 2,500 Public Offer Shares, you will pay HK\$2,651.46. Each Application Form has a table showing the exact amount payable for certain multiples of the Public Offer Shares. You must pay the Offer Price, the brokerage of 1%, the Stock Exchange trading fee of 0.005% and the SFC transaction levy of 0.003% in full when you apply for the Public Offer Shares.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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Your payment must be made by one cheque or one banker's cashier order and must comply with the terms of the related Application Forms (if you apply by an Application Form). Your cheque or banker's cashier order will not be presented for payment before 12:00 noon on Monday, 9 January 2012. If your application is successful, the brokerage of 1% will be paid to participants of the Stock Exchange, the SFC transaction levy of 0.003% will be paid to the Stock Exchange collecting on behalf of the SFC, and the Stock Exchange trading fee of 0.005% will be paid to the Stock Exchange. If the Offer Price as finally determined is less than HK\$1.05 per Offer Share, appropriate refund payments (including the related 1% brokerage, 0.005% Stock Exchange trading fee and 0.003% SFC transaction levy attributable to the surplus application monies will be made to applicants, without interest). Details of the procedures for refund are contained below in the section headed "How to apply for Public Offer Shares — Despatch/collection of share certificates and refund cheques/e-Auto Refund payment instructions".

Our Company will not issue temporary documents of title, evidence of title or receipt for payment.

### 11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED THE PUBLIC OFFER SHARES

Full details of the circumstances in which you will not be allocated the Public Offer Shares are set out in the notes attached to the related Application Forms, and you should read them carefully. You should note, in particular, the following situations in which the Public Offer Shares will not be allocated to you:

#### **If your application is revoked**

By depositing the **WHITE** or **YELLOW** Application Form or submitting electronic application instructions to HKSCC via CCASS (if you are CCASS participant) or to the designated **HK eIPO White Form** Service Provider, you agree that you cannot revoke your application or the application made by HKSCC Nominees on your behalf on or before the expiration of the fifth Business Day after the time of the opening of the application lists.

This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your Application Form or submit your electronic application instructions to HKSCC via CCASS (if you are CCASS participant) or to the designated **HK eIPO White Form** Service Provider and an application has been made by HKSCC Nominees or the **HK eIPO White Form** Service Provider on your behalf accordingly. This collateral contract will be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the end of the fifth Business Day after the time of opening of the application lists except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth Business Day after time of the closing of the application lists, if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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If any supplement to this prospectus is issued, applicants who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicants have not been so notified, or if applicants have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted will remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. Acceptance of application which are not rejected will be constituted by notification in the announcement of the results of allocation and, where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to satisfaction of such conditions or the results of such ballot, respectively.

### **Full discretion of our Company or its agents to reject or accept you application**

Our Company and its agents have full discretion to reject or accept any application, or to accept only part of an application, and do not have to give any reason for any rejection or acceptance.

### **If your application is rejected**

Your application will be rejected if:

- it is a multiple application or a suspected multiple application; or
- you or the person for whose benefit you are applying have applied for or taken up, or indicated interests for, or have been or will be placed or allocated (including conditionally and/or provisionally) the Placing Shares.

Reasonable steps will be taken to identify and reject applications in the Public Offer from investors who have received the Placing Shares; and to identify and reject indications of interests in the Placing from investors who have received Public Offer Shares in the Public Offer; or

- your Application Form is not completed correctly in accordance with the instructions printed thereon (if you apply by an Application Form); or
- your payment is not made correctly; or
- you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation; or
- our Company or any of its agents believes that by accepting your application, our Company would violate the applicable laws, rules or regulations of the jurisdiction in which your application is, or is suspected to have been, completed and/or signed or of any other jurisdiction; or

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- your application is for more than 50% of the 10,000,000 Shares initially comprised in the Public Offer (i.e. 5,000,000 Public Offer Shares).

### **If your application is not accepted**

Your application (including the part of an application made by HKSCC Nominees acting upon Electronic Application Instructions) will not be accepted if either:

- the Public Offer Underwriting Agreement does not become unconditional; or
- the Public Offer Underwriting Agreement is terminated in accordance with its terms and conditions; or
- no agreement has been reached on the Offer Price on or before the Price Determination Date.

### **If the allotment of Public Offer Shares is void**

Any allotment of the Public Offer Shares to you or to HKSCC Nominees (if you give electronic application instructions to HKSCC via CCASS or apply by a **YELLOW** Application Form) will be void if the Listing Committee does not grant the approval of the listing of, and permission to deal in, the Shares either:

- within three weeks from the closing of the application lists; or
- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies our Company of that longer period within three weeks of the closing of the application lists.

## **12. RESULTS OF ALLOCATIONS**

Our Company expects to announce the level of indication of interests under the Placing and the basis of allotment of the Public Offer Shares under the Public Offer on or before Friday, 13 January 2012 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on our Company's website at [www.asr.com.hk](http://www.asr.com.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

Results of allocations in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where supplied) and the number of Public Offer Shares successfully applied for under **WHITE** or **YELLOW** Application Forms or by giving electronic application instructions to HKSCC via CCASS (if you are CCASS participant) or to the designated **HK eIPO White Form** Service Provider will be made available at the times and dates and in the manner specified below:

- on our Company's website at [www.asr.com.hk](http://www.asr.com.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) on Friday, 13 January 2012 onwards;

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- on the Public Offer results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) on a 24-hour basis from 8:00 a.m. on Friday, 13 January 2012 to 12:00 midnight on Thursday, 19 January, 2012. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its Application Form to search for his/her/its own allocation result;
- from our Company's Public Offer allocation results telephone enquiry hotline. Applicants may find out whether or not their applications have been successful and the number of Public Offer Shares allocated to them, if any, by calling 852-3691 8488 between 9:00 a.m. and 6:00 p.m. from Friday, 13 January 2012 to Wednesday, 18 January 2012 (excluding Saturday and Sunday); and
- from special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of designated branches of the receiving bank of the Public Offer from Friday, 13 January 2012 to Monday, 16 January, 2012 at the addresses set out in the section headed "How to apply for Public Offer Shares — Where to collect the Application Forms".

### 13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND CHEQUES/E-AUTO REFUND PAYMENT INSTRUCTIONS

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the Offer Price of HK\$1.05 per Public Offer Share (excluding brokerage of 1%, SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005% thereon) initially paid on application, or if the conditions of the Public Offer are not fulfilled in accordance with the section headed "Structure and conditions of the Share Offer — Conditions of the Share Offer" or if any application is revoked or any allotment pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage of 1%, SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

You will receive one share certificate for all the Public Offer Shares issued 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 documents of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application but, subject to personal collection as mentioned below, in due course there 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 Forms:

- (a) for applications on **WHITE** Application Forms or through **HK eIPO White Form** service:
  - (i) share certificate(s) for all the Public Offer Shares applied for, if the application is wholly successful; or



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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- (ii) share certificate(s) for the number of Public Offer Shares successfully applied for, if the application is partially successful (for wholly successful and partially successful applications on **YELLOW** Application Forms, share certificates for the Shares successfully applied for will be deposited into CCASS as described below); and/or
  
- (b) for applications on **WHITE** or **YELLOW** Application Forms or applications made to the designated **HK eIPO White Form** Service Provider where payment of relevant application monies are made through multiple bank accounts, 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) the surplus application monies for the Public Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; and/or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the final Offer Price and the maximum Offer Price paid on application in the event that the final Offer Price is less than the Offer Price per Share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%, attributable to such refund/surplus monies but without interest. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of, or may invalidate, your refund cheque; or
  
- (c) for applications made to the designated **HK eIPO White Form** Service Provider where payment of relevant application monies are made through a single bank account, e-Auto Refund payment instructions for (i) the surplus application monies for the Public Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; and/or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the final Offer Price and the maximum Offer Price paid on application in the event that the final Offer Price is less than the Offer Price per Share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%, attributable to such refund/surplus monies but without interest.

Subject to personal collection as mentioned below, refund cheques/e-Auto Refund payment instructions for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and the difference between the Offer Price and the Offer Price per Share initially paid on application (if any) under **WHITE** or **YELLOW** Application Forms or **HK eIPO White Form** service; and share certificates for wholly and partially successful applicants under **WHITE** Application Form or **HK eIPO White Form** service are expected to be posted on or around Friday, 13 January 2012. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s).

Share certificates will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that the Public Offer has become unconditional in all respects and the right of termination described in the section headed "Underwriting — Grounds for termination" has not been exercised.



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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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**(a) if you apply using a WHITE Application Form:**

If you apply for 1,000,000 or more Public Offer Shares and have indicated your intention in your **WHITE** Application Form to collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) in person and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) and share certificate(s) (where applicable) from the Hong Kong Share Registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 13 January 2012 or such other date as notified by us in the newspapers as the date of despatch/collection of share certificates/refund cheques/e-Auto Refund payment instructions. If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Tricor Investor Services Limited. If you do not collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified in your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Public Offer Shares or you apply for 1,000,000 Public Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) in person, your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) will be sent to the address on your Application Form on Friday, 13 January 2012, by ordinary post and at your own risk.

**(b) If you apply using a YELLOW Application Form:**

If you apply for 1,000,000 Public Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque(s) (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above.

If you have applied for 1,000,000 Public Offer Shares or above and have not indicated on your Application Form that you will collect your refund cheque(s) (if any) in person, or if you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) (if any) will be sent to the address on your Application Form on the date of despatch, which is expected to be on Friday, 13 January 2012, by ordinary post and at your own risk.

If you apply for Public Offer Shares 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 CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form on Friday, 13 January 2012, (or in the event of contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees).

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):

- for Public Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Public Offer Shares allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant:

- the Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner as described in the section headed "How to apply for Public Offer Shares — Results of allocations" on Friday, 13 January 2012. You should check the results made available by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 13 January 2012 or such other date as shall be 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 the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your stock account.

### (c) If you apply by giving 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 each such instructions is given will be treated as an applicant.

#### *Deposit of share certificates into CCASS and Refund of application monies*

- No temporary evidence of title will be issued. No receipt will be issued for application monies received.
- 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 the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account on Friday, 13 January 2012, or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.
- It is expected to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, information relating to the relevant beneficial owner will be included, if supplied), your Hong Kong identity card number/passport number or other identification number (Hong Kong business registration number for corporations) and the

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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basis of allotment of the Public Offer in the newspapers on Friday, 13 January 2012. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 13 January 2012 or such other date as shall be 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 cheques (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 (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, 13 January 2012. Immediately after the credit of the Public Offer Shares to your CCASS Investor Participant stock account and the credit of refund to your designated 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 (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications, in each case including brokerage of 1%, SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, 13 January 2012. No interest will be paid thereon.

### (d) If you apply through HK eIPO White Form service

If you apply for 1,000,000 Public Offer Shares or more through the **HK eIPO White Form** service by submitting an electronic application to the designated **HK eIPO White Form** Service Provider through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) and your application is wholly or partially successful, you may collect your share certificate(s) and/or refund cheque(s) (where applicable) in person from Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 13 January 2012, or such other date as notified by the Company in the newspapers as the date of despatch/collection of share certificates/refund cheques/e-Auto Refund payment instructions.

If you do not collect your share certificate(s) and/or refund cheque(s) (where applicable) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider promptly thereafter, by ordinary post and at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your share certificate(s) and/or refund cheque(s) (where applicable) will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) on Friday, 13 January 2012 by ordinary post and at your own risk.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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If you apply through **HK eIPO White Form** service by paying the application monies through a single bank account and your application is wholly or partially unsuccessful and/or the final Offer Price is less than the Offer Price initially paid by you, e-Auto Refund payment instructions (if any) will be despatched to your application payment bank account on or around Friday, 13 January 2012.

If you apply through **HK eIPO White Form** service by paying the application monies through multiple bank accounts and your application is wholly or partially unsuccessful and/or the final Offer Price is less than the Offer Price initially paid by you, refund cheque(s) (if any) will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider on or around Friday, 13 January 2012, by ordinary post and at your own risk.

Please also note the additional information relating to the refund of application monies overpaid, application money underpaid or applications rejected by the designated **HK eIPO White Form** Service Provider set forth above in the section headed “How to apply for Public Offer Shares — How to apply through the **HK eIPO White Form** Service — Additional Information”.

### 14. COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Monday, 16 January 2012. Shares will be traded in board lots of 2,500 Shares. The stock code of the Shares is 1803.

### 15. SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

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

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day 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. All necessary arrangements have been made for the Shares to be admitted into CCASS.

Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangements, as such arrangements will affect their rights and interests.

*The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.*



羅兵咸永道

30 December 2011

The Directors  
ASR Holdings Limited

Shenyin Wanguo Capital (H.K.) Limited

Dear Sirs,

We report on the financial information of ASR Holdings Limited (the "Company") and its subsidiaries (together, the "Group") which comprises the combined balance sheets as at 31 December 2008, 2009 and 2010 and 30 June 2011, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 31 December 2008, 2009 and 2010, and the six months ended 30 June 2011 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated 30 December 2011 (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 Company was incorporated in the Cayman Islands on 28 June 2011 as an exempted company under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation as described in Note 1(b) of Section I headed "Reorganisation" below, which was completed on 3 December 2011, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation").

As at the date of this report, the Company has direct or indirect interests in the subsidiaries as set out in Note 1(b) of Section I below. All of these companies are private companies.

No audited financial statements have been prepared by the Company as it is newly incorporated and has not been involved in any significant business transactions since its date of incorporation other than the Reorganisation. The audited financial statements of other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in Note 1(b) of Section I.

The directors of the Company have prepared the combined financial statements of the Company and its subsidiaries now comprising the Group for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("the HKICPA") (the "Underlying Financial Statements"). We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the "HKSA") issued by the HKICPA pursuant to separate terms of engagement with the Company.

The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with HKFRSs.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon, and on the basis set out in Note 2 of Section I below.

#### **Directors' Responsibility for the Financial Information**

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with the basis of presentation set out in Note 2 of Section I below and in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

#### **Reporting Accountant's Responsibility**

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

#### **Opinion**

In our opinion, the financial information gives, for the purposes of this report and presented on the basis set out in Note 2 of Section I below, a true and fair view of the combined state of affairs of the Group as at 31 December 2008, 2009 and 2010, and 30 June 2011 and of its combined results and cash flows for the Relevant Periods then ended.

#### **Review of Stub Period Comparative Financial Information**

We have reviewed the stub period comparative financial information set out in Sections I to III below included in Appendix I to the Prospectus which comprises the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for the six months ended 30 June 2010 and a summary of significant accounting policies 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 set out in Note 2 of Section I below and the accounting policies set out in Note 3 of Section I below.

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 of the Stub Period Comparative Financial Information 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 HKSA 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 purpose of this report and presented on the basis set out in Note 2 of Section I below, has not been prepared, in all material respects, in accordance with the accounting policies set out in Note 3 of Section I below.

## I. FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as at 31 December 2008, 2009 and 2010, and 30 June 2011 and for each of the years ended 31 December 2008, 2009 and 2010, and the six months ended 30 June 2010 and 2011 (the "Financial Information"), presented on the basis set out in Note 2 below:

## (a) Combined balance sheets

	Note	As at 31 December			As at
		2008	2009	2010	30 June
		HKD'000	HKD'000	HKD'000	2011
				HKD'000	
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment . . . . .	6	1,436	1,215	4,432	5,473
Available-for-sale financial assets . . . . .	7	—	987	7,257	7,347
Long-term deposits . . . . .	10	—	204	360	545
Deferred tax assets . . . . .	8	474	738	314	214
		<u>1,910</u>	<u>3,144</u>	<u>12,363</u>	<u>13,579</u>
<b>Current assets</b>					
Trade receivables . . . . .	9	39,138	49,530	71,463	88,040
Prepayments, deposits and other receivables . . . . .	10	11,483	6,161	9,049	11,161
Financial assets at fair value through profit or loss . . . . .	7	2,730	3,845	1,042	1,029
Pledged deposits . . . . .	11	1,451	1,451	7,366	17,021
Cash and cash equivalents (excluding bank overdraft) . . . . .	11	<u>35,021</u>	<u>80,210</u>	<u>125,917</u>	<u>120,148</u>
		<u>89,823</u>	<u>141,197</u>	<u>214,837</u>	<u>237,399</u>
<b>Total assets</b> . . . . .		<u>91,733</u>	<u>144,341</u>	<u>227,200</u>	<u>250,978</u>
<b>EQUITY</b>					
Combined capital . . . . .	12	5,751	5,751	6,460	6,261
Reserves . . . . .	12	786	779	1,465	2,321
Retained earnings . . . . .	12	<u>32,325</u>	<u>48,666</u>	<u>107,922</u>	<u>66,390</u>
		<u>38,862</u>	<u>55,196</u>	<u>115,847</u>	<u>74,972</u>
Non-controlling interests . . . . .		<u>412</u>	<u>935</u>	<u>1,029</u>	<u>2,144</u>
<b>Total equity</b> . . . . .		<u>39,274</u>	<u>56,131</u>	<u>116,876</u>	<u>77,116</u>



	Note	As at 31 December			As at
		2008	2009	2010	30 June
		HKD'000	HKD'000	HKD'000	2011
				HKD'000	
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Finance lease liabilities . . . . .	16	257	—	19	18
Deferred tax liabilities . . . . .	8	—	—	114	270
		<u>257</u>	<u>—</u>	<u>133</u>	<u>288</u>
<b>Current liabilities</b>					
Trade payables . . . . .	13	25,422	50,673	68,628	80,883
Other payables and accruals . . . . .	14	4,172	20,475	6,645	67,464
Bank loans and overdrafts . . . . .	15	19,195	7,431	15,916	—
Finance lease liabilities . . . . .	16	168	257	5	6
Income tax payable . . . . .		<u>3,245</u>	<u>9,374</u>	<u>18,997</u>	<u>25,221</u>
		<u>52,202</u>	<u>88,210</u>	<u>110,191</u>	<u>173,574</u>
<b>Total liabilities . . . . .</b>		<u>52,459</u>	<u>88,210</u>	<u>110,324</u>	<u>173,862</u>
<b>Total equity and liabilities . . . . .</b>		<u>91,733</u>	<u>144,341</u>	<u>227,200</u>	<u>250,978</u>
<b>Net current assets . . . . .</b>		<u>37,621</u>	<u>52,987</u>	<u>104,646</u>	<u>63,825</u>
<b>Total assets less current liabilities . . . . .</b>		<u>39,531</u>	<u>56,131</u>	<u>117,009</u>	<u>77,404</u>

## (b) Combined statements of comprehensive income

	Note	Year ended 31 December			Six months ended 30 June	
		2008	2009	2010	2010	2011
		HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
						(unaudited)
Revenue . . . . .	17	293,820	297,066	489,853	226,590	294,943
Cost of sales . . . . .	19	(249,409)	(222,532)	(344,869)	(157,983)	(198,566)
Gross profit . . . . .		44,411	74,534	144,984	68,607	96,377
Other (losses)/gains, net . . . . .	18	(133)	77	2,511	(48)	1,959
Other income . . . . .	18	—	1,301	349	160	119
Administrative expenses . . . . .	19	(20,587)	(26,319)	(40,244)	(20,001)	(27,950)
Operating profit . . . . .		23,691	49,593	107,600	48,718	70,505
Finance income . . . . .	22	181	38	179	58	155
Finance costs . . . . .	22	(1,098)	(476)	(676)	(264)	(140)
Finance (costs)/income, net . . . . .	22	(917)	(438)	(497)	(206)	15
Profit before income tax . . . . .		22,774	49,155	107,103	48,512	70,520
Income tax expense . . . . .	23	(2,002)	(6,304)	(13,897)	(6,240)	(10,117)
Profit for the year/period . . . . .		20,772	42,851	93,206	42,272	60,403
<b>Other comprehensive income</b>						
(Decrease)/increase in fair value of available-for-sale financial assets . . . . .		—	(13)	116	32	71
Currency translation differences . . . . .		422	6	302	(7)	438
Total comprehensive income for the year/period . . . . .		<u>21,194</u>	<u>42,844</u>	<u>93,624</u>	<u>42,297</u>	<u>60,912</u>
Profit attributable to:						
- Equity holders of the Company.		20,744	42,778	92,150	41,759	59,351
- Non-controlling interests . . . . .		28	73	1,056	513	1,052
		<u>20,772</u>	<u>42,851</u>	<u>93,206</u>	<u>42,272</u>	<u>60,403</u>
Total comprehensive income attributable to:						
- Equity holders of the Company.		21,166	42,771	92,568	41,784	59,860
- Non-controlling interests . . . . .		28	73	1,056	513	1,052
		<u>21,194</u>	<u>42,844</u>	<u>93,624</u>	<u>42,297</u>	<u>60,912</u>
Dividends . . . . .	25	—	26,437	32,786	13,369	100,536

## (c) Combined statements of changes in equity

	Attributable to equity holders of the Company									
	Combined capital		Statutory and legal reserves		Available-for-sale financial assets		Retained earnings		Non-controlling interests	
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Balance at 1 January 2008 . . . . .	2,241	315	49	—	2,605	11,581	14,186	184	14,370	
<b>Comprehensive income</b>										
Profit for the year . . . . .	—	—	—	—	—	20,744	20,744	28	20,772	
<b>Other comprehensive income</b>										
Currency translation differences . . . . .	—	422	—	—	422	—	422	—	422	
Total comprehensive income . . . . .	—	422	—	—	422	20,744	21,166	28	21,194	
<b>Transactions with owners</b>										
Capital contribution . . . . .	3,510	—	—	—	3,510	—	3,510	—	3,510	
Acquisition of additional interests in a subsidiary from non-controlling interests . . . . .	—	—	—	—	—	—	—	(200)	(200)	
Capital injection from non-controlling interests . . . . .	—	—	—	—	—	—	—	400	400	
Total transactions with owners . . . . .	3,510	—	—	—	3,510	—	3,510	200	3,710	
Balance at 31 December 2008 . . . . .	5,751	737	49	—	6,537	32,325	38,862	412	39,274	
<b>Comprehensive income</b>										
Profit for the year . . . . .	—	—	—	—	—	42,778	42,778	73	42,851	
<b>Other comprehensive income</b>										
Currency translation differences . . . . .	—	6	—	—	6	—	6	—	6	
Revaluation of available-for-sale financial assets . . . . .	—	—	—	(13)	(13)	—	(13)	—	(13)	
Total comprehensive income . . . . .	—	6	—	(13)	(7)	42,778	42,771	73	42,844	
<b>Transactions with owners</b>										
Dividend . . . . .	—	—	—	—	—	(26,437)	(26,437)	—	(26,437)	
Capital injection from non-controlling interests . . . . .	—	—	—	—	—	—	—	450	450	
Total transactions with owners . . . . .	—	—	—	—	—	(26,437)	(26,437)	450	(25,987)	
Balance at 31 December 2009 . . . . .	5,751	743	49	(13)	6,530	48,666	55,196	935	56,131	

Attributable to equity holders of the Company									
	Combined capital	Exchange reserves	Statutory and legal reserves	Available-for-sale financial assets revaluation reserve	Sub-total	Retained earnings	Total	Non-controlling interests	Total equity
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
<b>Comprehensive income</b>									
Profit for the year . . . . .	—	—	—	—	—	92,150	92,150	1,056	93,206
<b>Other comprehensive income</b>									
Currency translation differences . . . . .	—	302	—	—	302	—	302	—	302
Revaluation of available-for-sale financial assets . . . . .	—	—	—	116	116	—	116	—	116
Total comprehensive income . . . . .	—	302	—	116	418	92,150	92,568	1,056	93,624
<b>Transactions with owners</b>									
Capital contribution . . . . .	709	—	—	—	709	—	709	—	709
Capital injection from non-controlling interests . . . . .	—	—	—	—	—	—	—	400	400
Acquisition of additional interests in a subsidiary from non-controlling interests . . . . .	—	—	—	—	—	—	—	(1,202)	(1,202)
Transfer to statutory reserve . . . . .	—	—	268	—	268	(268)	—	—	—
Dividend . . . . .	—	—	—	—	—	(32,626)	(32,626)	(160)	(32,786)
Total transactions with owners . . . . .	709	—	268	—	977	(32,894)	(31,917)	(962)	(32,879)
Balance at 31 December 2010 . . . . .	6,460	1,045	317	103	7,925	107,922	115,847	1,029	116,876
<b>Comprehensive income</b>									
Profit for the period . . . . .	—	—	—	—	—	59,351	59,351	1,052	60,403
<b>Other comprehensive income</b>									
Currency translation differences . . . . .	—	438	—	—	438	—	438	—	438
Released upon disposal of available-for-sale financial assets . . . . .	—	—	—	19	19	—	19	—	19
Revaluation of available-for-sale financial assets . . . . .	—	—	—	52	52	—	52	—	52
Total comprehensive income . . . . .	—	438	—	71	509	59,351	59,860	1,052	60,912

## Attributable to equity holders of the Company

	Combined capital		Exchange reserves		Statutory and legal reserves		Available-for-sale financial assets revaluation reserve		Sub-total		Retained earnings		Total equity	
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
<b>Transactions with owners</b>														
Capital contribution . . . . .	1	—	—	—	—	—	—	—	1	—	—	—	—	1
Disposal of subsidiaries . . . . .	(200)	—	—	—	—	—	—	(200)	(200)	—	—	—	63	(137)
Transfer to statutory reserve . . . . .	—	—	347	—	—	—	—	347	347	(347)	—	—	—	—
Dividend . . . . .	—	—	—	—	—	—	—	—	—	(100,536)	(100,536)	—	—	(100,536)
Total transactions with owners . . . . .	(199)	—	347	—	—	—	—	148	148	(100,883)	(100,735)	63	63	(100,672)
Balance at 30 June 2011 . . . . .	6,261	1,483	664	—	174	—	—	8,582	8,582	66,390	74,972	2,144	2,144	77,116
Balance at 31 December 2009 . . . . .	5,751	743	49	—	(13)	—	—	6,530	6,530	48,666	55,196	935	935	56,131
<b>Comprehensive income</b>														
Profit for the period (unaudited) . . . . .	—	—	—	—	—	—	—	—	—	—	41,759	41,759	513	42,272
<b>Other comprehensive income</b>														
Currency translation differences (unaudited) . . . . .	—	(7)	—	—	—	—	—	(7)	(7)	—	(7)	—	—	(7)
Revaluation of available-for-sale financial asset (unaudited) . . . . .	—	—	—	—	—	—	32	32	32	—	32	—	—	32
Total comprehensive income (unaudited) . . . . .	—	(7)	—	—	—	—	32	25	25	41,759	41,784	513	513	42,297
<b>Transactions with owners</b>														
Capital contribution (unaudited) . . . . .	709	—	—	—	—	—	—	709	709	—	709	—	—	709
Dividend (unaudited) . . . . .	—	—	—	—	—	—	—	—	—	(13,209)	(13,209)	(160)	(160)	(13,369)
Total transactions with owners (unaudited) . . . . .	709	—	—	—	—	—	—	709	709	(13,209)	(12,500)	(160)	(160)	(12,660)
Balance at 30 June 2010 (unaudited) . . . . .	6,460	736	49	—	19	—	—	7,264	7,264	77,216	84,480	1,288	1,288	85,768

## (d) Combined statements of cash flows

	Note	Year ended 31 December			Six months ended 30 June	
		2008	2009	2010	2010	2011
		HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
						(unaudited)
<b>Operating activities:</b>						
Cash generated from operations . . . . .	26(a)	21,717	58,893	111,388	18,240	55,828
Income tax paid . . . . .		(222)	(439)	(3,736)	(1,278)	(3,637)
Net cash generated from operating activities . . . . .		<u>21,495</u>	<u>58,454</u>	<u>107,652</u>	<u>16,962</u>	<u>52,191</u>
<b>Investing activities:</b>						
Dividend received . . . . .		—	36	102	—	98
Interest received . . . . .		181	38	179	58	155
Purchase of property, plant and equipment . . . . .		(306)	(381)	(4,440)	(2,358)	(1,707)
Proceeds from disposal of property, plant and equipment . . . . .		—	—	297	—	—
Purchase of available-for-sale financial assets . . . . .		—	(1,000)	(6,154)	(2,531)	(1,560)
Proceed from disposal of available-for-sale financial assets . . . . .		—	—	—	—	1,525
Acquisition of additional interests in a subsidiary . . . . .		(200)	—	(1,202)	—	—
Net cash outflow on disposal of subsidiaries . . . . .	26(d)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(386)</u>
Net cash used in investing activities . . . . .		<u>(325)</u>	<u>(1,307)</u>	<u>(11,218)</u>	<u>(4,831)</u>	<u>(1,875)</u>
<b>Financing activities:</b>						
Proceeds from bank borrowings . . . . .		78,862	40,737	59,547	25,469	—
Repayments of bank borrowings . . . . .		(72,675)	(51,872)	(50,834)	(22,982)	(15,916)
Repayment of obligations under finance lease . . . . .		(512)	(168)	(233)	(79)	—
Capital contribution . . . . .		3,510	—	709	709	1
Capital injections by non-controlling interests . . . . .		400	450	400	—	—
Interest paid . . . . .		(1,098)	(476)	(676)	(264)	(140)
Dividend paid . . . . .		—	—	(59,417)	(11,608)	(40,031)
Net cash generated from/(used in) financing activities . . . . .		<u>8,487</u>	<u>(11,329)</u>	<u>(50,504)</u>	<u>(8,755)</u>	<u>(56,086)</u>
<b>Increase/(decrease) in cash and cash equivalents . . . . .</b>		<b>29,657</b>	<b>45,818</b>	<b>45,930</b>	<b>3,376</b>	<b>(5,770)</b>
Cash and cash equivalents at beginning of the year/period . . . . .		4,506	34,164	79,982	79,982	125,917
Exchange gains on cash and cash equivalents . . . . .		1	—	5	—	1
Cash and cash equivalents at end of the year/period . . . . .	11	<u>34,164</u>	<u>79,982</u>	<u>125,917</u>	<u>83,358</u>	<u>120,148</u>

**NOTES TO THE FINANCIAL INFORMATION****1 General information of the Group and group reorganisation****(a) General information of the Group**

The Company was incorporated in the Cayman Islands on 28 June 2011 as an exempted company under the Companies Law Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is 3rd Floor, Queensgate House, 113 South Church Street, P.O. Box 10240, Grand Cayman, KY1-1002.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of air freight service in the wholesale market (the "Listing Business").

The Financial Information is presented in Hong Kong Dollar (HKD) unless otherwise stated.

**(b) Reorganisation**

In preparing for the listing, the following reorganisation activities were carried out:

Prior to the incorporation of the Company and the completion of the reorganisation as described below (the "Reorganisation"), the Listing Business was carried out by companies now comprising the Group (collectively the "Operating Companies"). The Operating Companies were collectively controlled by Mr. Sunny Yu, Mr. Richard Mak and Mr. Niki Law (the "Controlling Shareholders") throughout the Relevant Periods.

- (i) On 31 December 2010, ASR Limited, a company directly wholly owned by the Controlling Shareholders, acquired 45% equity interests of ASRCO Logistics Limited ("ASRCO") from a third party at the consideration of HKD 1,237,500. Thereafter, ASRCO has become a wholly owned subsidiary of ASR Limited.
- (ii) On 3 June 2011, ASR Victory Limited ("ASR Victory") was incorporated in the British Virgin Islands and owned by Mr. Sunny Yu and Mr. Richard Mak.
- (iii) On 3 June 2011, ASR Champion Limited ("ASR Champion") was incorporated in the British Virgin Islands and wholly owned by ASR Victory.
- (iv) On 6 October 2011, the Controlling Shareholders transferred their entire equity interests in ASR Limited to ASR Champion by way of a share swap in consideration of ASR Champion issuing one consideration share to ASR Victory credited as fully paid.

- (v) On 28 October 2011, ASR Limited acquired 100%, 100%, 100% and 31% equity interests in Pacific Empire International Limited, OA Cargo Limited, Star Cargo (Thailand) Limited and Star Pacific Logistics Limited from the Controlling Shareholders, respectively. In settlement of which, ASR Victory issued and allotted 200 shares to the Controlling Shareholders.
- (vi) On 3 December 2011, the Company and the Controlling Shareholders entered into a share swap agreement ("Share Swap Agreement"). Pursuant to the Share Swap Agreement, the Company acquired the entire issued share capital of ASR Champion from the Controlling Shareholders in consideration of the Company (i) crediting as fully paid, the subscriber share transferred to ASR Victory; and (ii) issuing, credited as fully paid 9,999,999 shares to ASR Victory.

Upon completion of the Reorganisation and as at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Company name	Country/Place and date of incorporation	Type of legal entity	Paid up capital	Attributable equity interest to the Company				Principal activities and place of operation	Note	
				31 December		30 June	2011			
				2008	2009	2010	2011			
AOE Freight (HK) Limited	Hong Kong ("HK")	30/04/1991	Limited liability company	HKD3,000,000	100%	100%	100%	100%	Air freight solution provider, in Hong Kong	(a)
ASR Champion Limited	British Virgin Islands ("BVI")	03/06/2011	Limited liability company	USD1	—	—	—	100%	Investment holding	(b)
ASR Infrastructure Limited	HK	25/03/2011	Limited liability company	HKD10,000	—	—	—	100%	Inactive	(b)
ASR Limited (formerly known as "ASR Holdings Limited")	HK	24/05/2005	Limited liability company	HKD2,000,000	100%	100%	100%	100%	Investment holding	(c)
ASR Logistics Limited	HK	24/01/2007	Limited liability company	HKD1,000,000	100%	100%	100%	100%	Air freight solution provider, in Hong Kong	(a)
ASR Europe Logistics Limited	HK	15/09/2010	Limited liability company	HKD1,000,000	—	—	60%	60%	Air freight solution provider, in Hong Kong	(r)
ASR Worldwide Logistics Limited	HK	03/04/2008	Limited liability company	HKD1,000,000	60%	60%	60%	60%	Air freight solution provider, in Hong Kong	(d)



Company name	Country/Place and date of incorporation	Type of legal entity	Paid up capital	Attributable equity interest to the Company				Principal activities and place of operation	Note	
				31 December		30 June				
				2008	2009	2010	2011			
ASRCO Logistics Limited	HK	03/11/2009	Limited liability company	HKD1,000,000	—	55%	100%	100%	Air freight solution provider, in Hong Kong	(n)
Star Pac Logistics Sdn. Bhd.	Malaysia	19/05/2009	Limited liability company	RM2	—	100%	100%	100%	Air freight solution provider, in Malaysia	(e)
Star Pacific Logistics Limited	HK	11/01/2008	Limited liability company	HKD1,000,000	100%	100%	100%	100%	Air freight solution provider, in Hong Kong	(f)
Starlite Express International Limited	HK	31/10/2003	Limited liability company	HKD1,000,000	100%	100%	100%	100%	Investment holdings	(g)
AOE Freight (Shenzhen)	People's Republic of China ("PRC")	18/11/2004	Limited liability company	RMB5,500,000	100%	100%	100%	100%	Air freight solution provider, in the PRC	(h)
Pacific Empire International Limited (Shenzhen)	PRC	08/08/2008	Limited liability company	RMB5,000,000	100%	100%	100%	100%	Air freight solution provider, in the PRC	(s)
Bluestream Aviation Limited	HK	11/03/2008	Limited liability company	HKD1	100%	100%	100%	100%	Inactive	(q)
OA Cargo Limited	HK	22/01/2007	Limited liability company	HKD1,000,000	100%	100%	100%	100%	Air freight solution provider, in Hong Kong	(j)
OA Cargo (HK) Limited	HK	04/10/2010	Limited liability company	HKD10,000	—	—	100%	100%	Air freight solution provider, in Hong Kong	(b)
Pacific Empire (HK) Limited	HK	01/12/2010	Limited liability company	HKD10,000	—	—	100%	100%	Air freight solution provider, in Hong Kong	(b)
Pacific Empire Cargo Limited	HK	18/08/2009	Limited liability company	HKD10	—	100%	100%	100%	Air freight solution provider, in Hong Kong	(i)
Pacific Empire International Limited	Macau	22/09/2005	Limited liability company	MOP100,000	100%	100%	100%	100%	Air freight solution provider, in Macau	(k)

Company name	Country/Place and date of incorporation	Type of legal entity	Paid up capital	Attributable equity interest to the Company				Principal activities and place of operation	Note	
				31 December			30 June			
				2008	2009	2010	2011			
Integrated Cargo Solutions (China) Limited	HK	07/12/2006	Limited liability company	HKD100	75%	75%	75%	—	Air freight solution provider, in Hong Kong	(o)
Star Cargo (Taiwan) Limited	Taiwan	30/06/2009	Limited liability company	NTD500,000	—	100%	100%	100%	Air freight solution provider, in Taiwan	(l)
Star Cargo (Thailand) Limited	Thailand	25/01/2010	Limited liability company	BAHT3,000,000	—	—	100%	100%	Inactive	(p)
Star Cargo Japan Limited	Japan	06/07/2009	Limited liability company	JPY350,000	—	100%	100%	100%	Air freight solution provider, in Japan	(b)
Precise China Investments Limited	BVI	18/09/2003	Limited liability company	USD2	100%	100%	100%	100%	Investment holding, in BVI	(b)
Pacific Empire International Limited	BVI	08/04/2002	Limited liability company	USD2	100%	100%	100%	100%	Investment holding, in BVI	(b)
China Pacific Logistics (H.K.) Limited	HK	23/01/2002	Limited liability company	HKD1,000,000	100%	100%	100%	—	Air freight solution provider, in Hong Kong	(m)
Jiangxi Chengbei Airline Cargo Limited	PRC	10/01/2008	Limited liability company	RMB16,000,000	100%	100%	100%	—	Inactive	(r)

During the Relevant Periods, the Group disposed of the following subsidiaries to independent third parties:

- China Pacific Logistics (H.K.) Limited and its wholly-owned subsidiary, Jiangxi Chengbei Airline Cargo Limited, at a total consideration of HKD800,000; and
- Integrated Cargo Solutions (China) Limited at a consideration of HKD75.

*Notes:*

- (a) Audited by Gerhard W.H. Fung & Co for the years ended 31 March 2008 and 2009, and PricewaterhouseCoopers for the year ended 31 March 2010 and for the period from 1 April 2010 to 31 December 2010.
- (b) No audited financial statements were issued for these companies as they are either newly incorporated or not required to issue audited financial statements under the statutory requirements of their respective places of incorporation.
- (c) Audited by PricewaterhouseCoopers for the years ended 31 December 2008, 2009 and 2010.

- (d) Audited by Gerhard W.H. Fung & Co for the period from 3 April 2008 (date of incorporation) to 31 March 2009 and PricewaterhouseCoopers for the year ended 31 March 2010 and for the period from 1 April 2010 to 31 December 2010.
- (e) Audited by Messrs GEP Associates for the period from 19 May 2009 (date of incorporation) to 31 March 2010 and for the year ended 31 March 2011.
- (f) Audited by Mingding (HK) Certified Public Accountants Limited (銘鼎(香港)會計師有限公司) for the period from 11 January 2008 (date of incorporation) to 31 March 2009 and PricewaterhouseCoopers for the year ended 31 March 2010 and for the period from 1 April 2010 to 31 December 2010.
- (g) Audited by MDI (HK) Certified Public Accountants Limited for the years ended 31 March 2008 and 2009 and PricewaterhouseCoopers for the year ended 31 March 2010 and for the period from 1 April 2010 to 31 December 2010.
- (h) Audited by Shenzhen He Cheng Certified Public Accountants (深圳和誠會計師事務所) for the years ended 31 December 2008, 2009 and 2010.
- (i) Audited by PricewaterhouseCoopers for the period from 18 August 2009 (date of incorporation) to 31 December 2010.
- (j) Audited by Mingding (HK) Certified Public Accountants Limited (銘鼎(香港)會計師有限公司) for the period from 22 January 2007 (date of incorporation) to 31 March 2008 and for the year ended 31 March 2009 and PricewaterhouseCoopers for the year ended 31 March 2010 and for the period from 1 April 2010 to 31 December 2010.
- (k) Audited by MDI (HK) Certified Public Accountants Limited for the years ended 31 December 2008 and 2009, and PricewaterhouseCoopers for the year ended 31 December 2010.
- (l) Audited by 正風聯合會計師事務所 for the period from 30 June 2009 (date of incorporation) to 31 December 2009, and for the year ended 31 December 2010.
- (m) Audited by Mingding (HK) Certified Public Accountants Limited (銘鼎(香港)會計師有限公司) for the year ended 31 March 2008. No audited financial statements have been issued for the years ended 31 March 2009, 2010 and 2011.
- (n) Audited by PricewaterhouseCoopers for the period from 3 November 2009 (date of incorporation) to 31 December 2010.
- (o) Audited by Mingding (HK) Certified Public Accountants Limited (銘鼎(香港)會計師有限公司) for the year ended 31 March 2008. No audited financial statements have been issued for the years ended 31 March 2009, 2010 and 2011.
- (p) Audited by TPE Audit for the period from 25 January 2010 (date of incorporation) to 31 December 2010.
- (q) Audited by PricewaterhouseCoopers for the period from 11 March 2008 (date of incorporation) to 31 December 2010.
- (r) No audited financial statements were issued since its incorporation.
- (s) Audited by Shenzhen He Cheng Certified Public Accountants (深圳和誠會計師事務所) for the period from 8 August 2008 (date of incorporation) to 31 December 2008 and for the years ended 31 December 2009 and 2010.

The English names of certain subsidiaries and auditors represent the best effort by the management of the Group in translating their Chinese names as they do not have official English names.

Pursuant to board resolutions of AOE Freight (HK) Limited, ASR Logistics Limited, ASR Worldwide Logistics Limited, Star Pacific Logistics Limited, Starlite Express International Limited and OA Cargo Limited dated 21 March 2011, in order to conform with the financial year-end date of the majority of the entities that comprise the Group and that of the Company, the financial year-end date of these companies were changed from 31 March to 31 December. The audited statutory financial statements of AOE Freight (HK) Limited, ASR Logistics Limited, ASR Worldwide Logistics Limited, Star Pacific Logistics Limited, Starlite Express International Limited and OA Cargo Limited reported herein are for the years ended 31 March 2008, 2009 and 2010. Audited statutory financial statements of these companies for the nine months ended 31 December 2010 were audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.

Other than Star Pac Logistics Sdn. Bhd., Integrated Cargo Solutions (China) Limited, Star Cargo Japan Limited and China Pacific Logistics (H.K.) Limited, all other companies comprising the Group have adopted 31 December as their financial year-end date.

## **2 Basis of presentation**

For the purpose of this report, the combined financial statements of the Group have been prepared on a basis in accordance with the principles of the Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" issued by the HKICPA. The combined statements of comprehensive income, combined statements of changes in equity and combined cash flow statements of the Group for each of the years ended 31 December 2008, 2009 and 2010, and the six months ended 30 June 2010 and 2011 have been prepared using the financial information of the companies engaged in the Listing Business, under the collective common control of the Controlling Shareholders and now comprising the Group as if the current group structure had been in existence throughout each of the years ended 31 December 2008, 2009 and 2010, and the six months ended 30 June 2010 and 2011, or since the respective dates of incorporation/establishment of the combining companies, or since the date when the combining companies first came under the control of the Controlling Shareholders, whichever is a shorter period. The combined balance sheets of the Group as at 31 December 2008, 2009 and 2010, and 30 June 2011 have been prepared to present the assets and liabilities of the companies now comprising the Group at these dates, as if the current group structure had been in existence as at these dates. The net assets and results of the Group were combined using the existing book values from the Controlling Shareholders' perspective.

For companies acquired from or disposed to third parties during each of the years ended 31 December 2008, 2009 and 2010, and the six months ended 30 June 2010 and 2011, they are included in or excluded from the financial statements of the Group from the date of the acquisition or disposal.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on combination.

## **3 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied during the Relevant Periods.

### **3.1 Basis of preparation**

The principal accounting policies applied in the preparation of the Financial Information which are in accordance with the Hong Kong Financial Reporting Standards issued by the HKICPA are set out below. The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss.

The preparation of the Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 5 of this section.

### 3.2 *Standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group*

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning after 1 July 2011 or later periods, and the Group has not early adopted them. Below standards and amendments are not expected to have a material effect on the Group's operating results and financial position.

	Effective date — 'periods beginning on or after'
HKAS 1 Amendment . . . Presentation of Financial Statements	1 July 2012
HKAS 12 Amendment . . . Income Taxes	1 January 2012
HKAs 19 Amendment . . . Employee Benefits	1 January 2013
HKAS 27 (2011) . . . . . Separate Financial Statements	1 January 2013
HKAS 28 (2011) . . . . . Investments in Associates and Joint Ventures	1 January 2013
HKFRS 9 . . . . . Financial Instruments	1 January 2013
HKFRS 10 . . . . . Consolidated Financial Statements	1 January 2013
HKFRS 11 . . . . . Joint Arrangements	1 January 2013
HKFRS 12 . . . . . Disclosure of Interests in Other Entities	1 January 2013
HKFRS 13 . . . . . Fair Value Measurement	1 January 2013

The Group will apply these new standards and amendments in the period of initial application. It is expected that the adoption of these new standards and amendments will not have a significant impact on the Group's results of operations and its financial position.

### 3.3 *Consolidation*

#### (i) *Subsidiaries*

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another 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.

The Group uses the acquisition method of accounting to account for business combinations except for the business combination under common control or the Reorganisation as described in note 1(b) which are accounted for using the principles of merger accounting. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred 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. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's 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 this 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 combined statements of comprehensive income.

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.

(ii) *Non-controlling interests*

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(iii) *Business combinations under common control*

The Financial Information incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in consideration for goodwill or any excess of an acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over its cost at the time of common control combination, to the extent of the contribution of the controlling party's interest. All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities are recorded have been recognised directly in equity as part of the merger reserve.

The combined statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the Financial Information are presented as if the entities or businesses had been combined at the earliest date presented or when they first came under common control, whichever is the later.

Intra-group transactions, balances and unrealised gains on transactions between the combining entities or businesses are eliminated. Unrealised losses are also eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of combining entities or businesses have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the period in which it is incurred.

### **3.4 *Segment reporting***

Operating segments are reported in a manner consistent with the internal reporting provided 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 Executive Directors that makes strategic decisions.

### **3.5 *Foreign currency translation***

#### **(a) *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 Financial Information are presented in HKD, which is the Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

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

Foreign exchange gains and losses are presented in the combined statements of comprehensive income within "other (losses)/gains, net".

(c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of comprehensive income are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and of borrowings are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the profit or loss as part of the gain or loss on sale.

### **3.6 *Property, plant and equipment***

Property, plant and equipment are stated at historical cost less depreciation. 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 are charged to the profit or loss during the Relevant Periods in which they are incurred.



Depreciation is calculated using the straight-line method to allocate their costs to their residual value over their estimated useful life. The annual rates are as follows:

Leasehold improvements . . . . .	25%
Furniture and fixtures . . . . .	20%
Office equipment . . . . .	20%
Computer equipment . . . . .	20%
Motor vehicles . . . . .	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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 proceeds with the carrying amount and are recognised within "other (losses)/gains, net", in the combined statements of comprehensive income.

### **3.7 Impairment of non-financial assets**

Assets that have an indefinite useful life are tested annually for impairment. Assets 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 to sell 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 impairment are reviewed for possible reversal of the impairment at each reporting date.

### **3.8 Financial assets**

#### **3.8.1 Classification**

The Group classifies its financial assets into the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

##### **(a) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

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 maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade receivables, deposits and other receivables, amounts due from shareholders, non-controlling interests and related companies and, cash and cash equivalents in the combined balance sheets.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

*3.8.2 Recognition and measurement*

Regular way of purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the combined statements of comprehensive income within 'other (losses)/gains, net', in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit or loss as part of revenue when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in the profit or loss whilst translation differences on non-monetary securities are recognised in other comprehensive income. Other changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included within other (losses)/gains, net in the combined statements of comprehensive income.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the combined statements of comprehensive income as part of 'other (losses)/gains, net'. Dividends on available-for-sale equity instruments are recognised in the combined statements of comprehensive income as part of 'other income' when the Group's right to receive payments is established.

### 3.8.3 Impairment of financial assets

#### (a) Assets carried at amortised cost

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 assets 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.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including: (i) adverse changes in the payment status of borrowers in the portfolio; (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists. For loan and receivables, 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 the combined statements of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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 the profit or loss.

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

### **3.9 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.

### **3.10 Cash and cash equivalents**

Cash and cash equivalents includes cash in hand and deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, net of bank overdrafts and pledged deposits. Bank overdrafts are shown within current liabilities in the balance sheets.

### **3.11 Share capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

### **3.12 Trade and other payables**

Trade and other payables are obligations to pay for services that have been acquired in the ordinary course of business from suppliers. Trade 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.

### 3.13 *Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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.

### 3.14 *Borrowing costs*

Borrowing costs that are directly attributable to the acquisition, construction or production of any qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sales are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the profit or loss in the period in which they are incurred.

### 3.15 *Current and deferred income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

### 3.16 *Employee benefits*

#### (a) *Pension obligations*

The Group participates in a number of defined contribution plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and by the relevant group companies. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contribution if the fund does not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior periods. The Group has no further payment obligations once the contributions have been paid.

The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### (b) *Profit-sharing and bonus plans*

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

#### (c) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

### 3.17 *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 amount has been reliably estimated.

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 obligation. The increase in the provision due to passage of time is recognised as interest expense.

### 3.18 *Revenue recognition*

Revenue comprises the fair value of the consideration received or receivable from provision of services in the ordinary course of the Group's activities. Revenue is shown, net of returns, rebates and discounts and is recognised as follows:

(a) *Air freight service fee income*

Air freight service fee income is recognised when the air freight services are provided, the timing of which usually coincides with the departure date. This service fee income will be either recognised at gross or net depending on the arrangement with airlines, integrated carriers and freight forwarders.

(b) *Rental income*

Rental income under operating lease is recognised on a straight-line basis over the lease periods.

(c) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method.

(d) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

### 3.19 *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 profit or loss 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 so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current or non-current liabilities. The interest element of the finance cost is charged to the combined statements of 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. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

### 3.20 *Dividend distribution*

Dividend distribution to the then shareholders of the entities now comprising the Group is recognised as a liability in the Group's Financial Information in the period in which the dividends are approved by the then shareholders.

## **4 Financial risk management**

### 4.1 *Financial risk factors*

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow 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.

Risk management is carried out under policies approved by the Directors. The Directors provide principles for overall risk management, as well as policies covering specific areas.

(a) *Market risk*

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi ("RMB") and United States dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

During the Relevant Periods, the Group had not hedged its foreign exchange risk because the exposure, after netting off the assets and liabilities subject to foreign exchange risk, is not very significant.

As at 31 December 2008 and 2009, if RMB had strengthened/weakened by 5% against the HKD with all other variables held constant, profit before income tax for the years ended 31 December 2008 and 2009 would have been approximately HKD36,000 and HKD109,000 higher/lower respectively, mainly as a result of foreign exchange gains/losses on translation of RMB-denominated trade and other receivables, cash and cash equivalents and trade and other payables.

As at 31 December 2010 and 30 June 2011, if RMB had strengthened/weakened by 5% against the HKD with all other variables held constant, profit before income tax for the year/period would have been approximately HKD606,000 and HKD104,000 lower/higher, mainly as a result of foreign exchange losses/gains on translation of RMB-denominated trade and other receivables, cash and cash equivalents and trade and other payables.



(ii) Cash flow interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's exposures to changes in interest rates are mainly attributable to the bank loans and overdrafts. Borrowings obtained at variable rates expose the Group to cash flow interest-rate risk. The Group has not hedged its cash flow interest rate risk.

As at 31 December 2008, 2009, 2010, if the interest rates on bank loans and overdrafts had been 100 basis-points higher/lower with all other variables held constant, post-tax profit for the years would be HKD160,000, HKD62,000 and HKD133,000 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

As at 30 June 2011, there were no bank loans or overdrafts.

(b) *Credit risk*

Credit risk mainly arises from deposits and financial instruments placed with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Group has no significant concentration of credit risk.

For banks and financial institutions, only independent parties with high credit rating are accepted.

Air freight services are mainly settled with bank facilities. The Group has policies in place to ensure that credit terms are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The existing debtors have no significant defaults in the past. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the Directors are of the opinion that adequate provision for uncollectible receivables has been made.

The carrying amounts of trade receivables, deposits and other receivables, amounts due from shareholders, non-controlling interests and related companies, financial instruments placed with banks and financial institutions represent the Group's maximum exposure to credit risk in relation to financial assets.

Management makes periodic assessments on the recoverability of those receivables and deposits, and is of the opinion that adequate provision for receivables with significant credit risk has been made.

(c) *Liquidity risk*

The liquidity risk of the Group is controlled by maintaining sufficient cash and cash equivalents, which is generated from the operating cash flow and adequate banking facilities. As at 31 December 2008, 2009 and 2010, and 30 June 2011, trade and other payables, amounts due to shareholders, bank loans and overdrafts had contractual maturity within twelve months from the balance sheet date. Obligations under a finance lease due after 12 months are not significant.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	At 30 June 2011			
	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years	Total
	HKD'000	HKD'000	HKD'000	HKD'000
Trade payables. . . . .	80,883	—	—	80,883
Other payables and accruals. . . . .	66,840	—	—	66,840
Finance lease liabilities. . . . .	9	9	12	30
	<u>147,732</u>	<u>9</u>	<u>12</u>	<u>147,753</u>
	At 31 December 2010			
	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years	Total
	HKD'000	HKD'000	HKD'000	HKD'000
Trade payables. . . . .	68,628	—	—	68,628
Other payables and accruals. . . . .	6,018	—	—	6,018
Bank loans and overdrafts . . . . .	16,073	—	—	16,073
Finance lease liabilities. . . . .	8	8	16	32
	<u>90,727</u>	<u>8</u>	<u>16</u>	<u>90,751</u>
	At 31 December 2009			
	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years	Total
	HKD'000	HKD'000	HKD'000	HKD'000
Trade payables. . . . .	50,673	—	—	50,673
Other payables and accruals. . . . .	20,079	—	—	20,079
Bank loans and overdrafts . . . . .	7,529	—	—	7,529
Finance lease liabilities. . . . .	284	—	—	284
	<u>78,565</u>	<u>—</u>	<u>—</u>	<u>78,565</u>

	At 31 December 2008			
	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years	Total
	HKD'000	HKD'000	HKD'000	HKD'000
Trade payables. . . . .	25,422	—	—	25,422
Other payables and accruals. . . . .	3,797	—	—	3,797
Bank loans and overdrafts . . . . .	19,455	—	—	19,455
Finance lease liabilities. . . . .	205	284	—	489
	<u>48,879</u>	<u>284</u>	<u>—</u>	<u>49,163</u>

#### 4.2 Fair value estimation

The carrying value less impairment provision of receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Level 1	Level 2	Total
	HKD'000	HKD'000	HKD'000
<b>As at 31 December 2008</b>			
Assets			
Financial assets at fair value through profit or loss			
- Equity linked note . . . . .	—	2,730	2,730
<b>As at 31 December 2009</b>			
Assets			
Available-for-sale financial assets			
- Investment funds, unlisted. . . . .	—	987	987
Financial assets at fair value through profit or loss			
- Equity linked note . . . . .	—	3,845	3,845
Total. . . . .	<u>—</u>	<u>4,832</u>	<u>4,832</u>

	Level 1	Level 2	Total
	HKD'000	HKD'000	HKD'000
<b>As at 31 December 2010</b>			
Assets			
Available-for-sale financial assets			
- Investment funds, unlisted . . . . .	—	6,461	6,461
- Corporate bond, listed . . . . .	796	—	796
Financial assets at fair value through profit or loss			
- Equity linked note . . . . .	—	1,042	1,042
Total . . . . .	<u>796</u>	<u>7,503</u>	<u>8,299</u>
<b>As at 30 June 2011</b>			
Assets			
Available-for-sale financial assets			
- Investment funds, unlisted . . . . .	—	6,556	6,556
- Corporate bond, listed . . . . .	791	—	791
Financial assets at fair value through profit or loss			
- Equity linked note . . . . .	—	1,029	1,029
Total . . . . .	<u>791</u>	<u>7,585</u>	<u>8,376</u>

#### 4.3 *Capital risk management*

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure 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, or sell assets to reduce debt.

The Group monitors capital on the basis of the total liabilities-to-total assets ratio. The total liabilities-to-total assets ratio as at 31 December 2008, 2009 and 2010, and 30 June 2011 are as follows:

	As at 31 December			As at
	2008	2009	2010	30 June
	HKD'000	HKD'000	HKD'000	HKD'000
Total liabilities . . . . .	52,459	88,210	110,324	173,862
Total assets . . . . .	91,733	144,341	227,200	250,978
Ratio . . . . .	<u>57%</u>	<u>61%</u>	<u>49%</u>	<u>69%</u>

**5 Critical accounting estimates and assumptions**

The preparation of Financial Information often requires the use of judgment to select specific accounting methods and policies from several acceptable alternatives.

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. 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 discussed below.

**(a) Impairment of receivables**

The Group makes provision for impairment of receivables based on an assessment of the recoverability of the receivables. Provisions are applied to receivables where events or changes in circumstances indicate that the balances may not be collectable. The identification of impairment of receivables requires the use of judgment and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying value of receivables and loss for the impairment of receivable is recognised in the years in which such estimates have been changed.

**(b) Income taxes**

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences would impact the current income tax and deferred income tax provisions in the period in which such determination is made.

**(c) Fair values of available-for-sale financial assets and financial assets at fair value through profit or loss**

For the fair value of financial assets not traded in an active market, the Group uses the quoted prices provided by counterparties to estimate the fair values. The methodology, models and assumptions used in valuing these financial assets require judgement.

## 6 Property, plant and equipment

	Leasehold improvements	Furniture and fixtures	Office equipment	Computer equipment	Motor vehicles	Total
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
<b>At 1 January 2008</b>						
Cost . . . . .	474	136	371	944	1,170	3,095
Accumulated depreciation . . . . .	(268)	(61)	(209)	(565)	(239)	(1,342)
Net book amount . . . . .	<u>206</u>	<u>75</u>	<u>162</u>	<u>379</u>	<u>931</u>	<u>1,753</u>
<b>Year ended 31 December 2008</b>						
Opening net book amount . . . . .	206	75	162	379	931	1,753
Additions . . . . .	71	42	45	148	—	306
Depreciation (Note 26(a)). . . . .	(128)	(35)	(69)	(167)	(224)	(623)
Closing net book amount . . . . .	<u>149</u>	<u>82</u>	<u>138</u>	<u>360</u>	<u>707</u>	<u>1,436</u>
<b>At 31 December 2008</b>						
Cost . . . . .	545	178	416	1,092	1,170	3,401
Accumulated depreciation . . . . .	(396)	(96)	(278)	(732)	(463)	(1,965)
Net book amount . . . . .	<u>149</u>	<u>82</u>	<u>138</u>	<u>360</u>	<u>707</u>	<u>1,436</u>
<b>Year ended 31 December 2009</b>						
Opening net book amount . . . . .	149	82	138	360	707	1,436
Additions . . . . .	160	76	8	137	—	381
Disposals (Note 26(b)) . . . . .	—	—	—	(3)	—	(3)
Depreciation (Note 26(a)). . . . .	(107)	(43)	(68)	(158)	(223)	(599)
Closing net book amount . . . . .	<u>202</u>	<u>115</u>	<u>78</u>	<u>336</u>	<u>484</u>	<u>1,215</u>
<b>At 31 December 2009</b>						
Cost . . . . .	691	254	377	1,088	1,170	3,580
Accumulated depreciation . . . . .	(489)	(139)	(299)	(752)	(686)	(2,365)
Net book amount . . . . .	<u>202</u>	<u>115</u>	<u>78</u>	<u>336</u>	<u>484</u>	<u>1,215</u>
<b>Year ended 31 December 2010</b>						
Opening net book amount . . . . .	202	115	78	336	484	1,215
Additions . . . . .	231	104	185	214	3,706	4,440
Disposals (Note 26(b)) . . . . .	—	—	—	—	(260)	(260)
Exchange difference . . . . .	—	—	2	2	3	7
Depreciation (Note 26(a)). . . . .	(102)	(45)	(52)	(162)	(609)	(970)
Closing net book amount . . . . .	<u>331</u>	<u>174</u>	<u>213</u>	<u>390</u>	<u>3,324</u>	<u>4,432</u>
<b>At 31 December 2010</b>						
Cost . . . . .	922	358	565	1,307	4,240	7,392
Accumulated depreciation . . . . .	(591)	(184)	(352)	(917)	(916)	(2,960)
Net book amount . . . . .	<u>331</u>	<u>174</u>	<u>213</u>	<u>390</u>	<u>3,324</u>	<u>4,432</u>
<b>Period ended 30 June 2011</b>						
Opening net book amount . . . . .	331	174	213	390	3,324	4,432
Additions . . . . .	829	179	336	363	—	1,707
Disposal of subsidiaries (Note 26(d)) . . . . .	—	—	—	(3)	—	(3)
Exchange difference . . . . .	—	—	4	2	1	7
Depreciation (Note 26(a)). . . . .	(124)	(34)	(51)	(85)	(376)	(670)
Closing net book amount . . . . .	<u>1,036</u>	<u>319</u>	<u>502</u>	<u>667</u>	<u>2,949</u>	<u>5,473</u>
<b>At 30 June 2011</b>						
Cost . . . . .	1,751	537	905	1,666	4,252	9,111
Accumulated depreciation . . . . .	(715)	(218)	(403)	(999)	(1,303)	(3,638)
Net book amount . . . . .	<u>1,036</u>	<u>319</u>	<u>502</u>	<u>667</u>	<u>2,949</u>	<u>5,473</u>

All depreciation expenses during the Relevant Periods have been charged in administrative expenses.

The Group leases various motor vehicles and office equipment under non-cancellable finance lease agreements. The lease terms are between two and five years.

Motor vehicles and office equipment include the following amounts where the Group is a lessee under finance leases:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HKD'000	HKD'000	HKD'000	HKD'000
Cost — capitalised finance leases . . . . .	779	779	25	25
Accumulated depreciation . . . . .	(257)	(412)	(1)	(3)
Exchange difference . . . . .	—	—	—	2
Net book amount . . . . .	<u>522</u>	<u>367</u>	<u>24</u>	<u>24</u>

## 7 Other financial assets

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HKD'000	HKD'000	HKD'000	HKD'000
<b>Non-current assets</b>				
Available-for-sale financial assets (note (a)) . . . . .	<u>—</u>	<u>987</u>	<u>7,257</u>	<u>7,347</u>
<b>Current assets</b>				
Financial assets at fair value through profit or loss (note (b)) . . . . .	<u>2,730</u>	<u>3,845</u>	<u>1,042</u>	<u>1,029</u>

Notes:

### (a) Available-for-sale financial assets

	For the year ended 31 December			For the period ended 30 June
	2008	2009	2010	2011
	HKD'000	HKD'000	HKD'000	HKD'000
At 1 January . . . . .	—	—	987	7,257
Additions . . . . .	—	1,000	6,154	1,560
Redemptions . . . . .	—	—	—	(1,522)
Net (losses)/gains transferred to equity . . . . .	—	(13)	116	52
At 31 December . . . . .	<u>—</u>	<u>987</u>	<u>7,257</u>	<u>7,347</u>

Available-for-sale financial assets include the following:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HKD'000	HKD'000	HKD'000	HKD'000
Unlisted securities - Investment fund . . . . .	—	987	6,461	6,556
Listed securities - Corporate bond . . . . .	—	—	796	791
	<u>—</u>	<u>987</u>	<u>7,257</u>	<u>7,347</u>
Market value of listed securities . . . . .	<u>—</u>	<u>—</u>	<u>796</u>	<u>791</u>

Available-for-sale financial assets were denominated in the following currencies:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HKD'000	HKD'000	HKD'000	HKD'000
Hong Kong dollar . . . . .	—	987	3,060	3,115
United States dollar . . . . .	—	—	4,197	4,232
	<u>—</u>	<u>987</u>	<u>7,257</u>	<u>7,347</u>

(b) **Financial assets at fair value through profit or loss**

	For the year ended 31 December			For the period ended 30 June
	2008	2009	2010	2011
	HKD'000	HKD'000	HKD'000	HKD'000
At 1 January . . . . .	1,014	2,730	3,845	1,042
Additions . . . . .	2,000	1,053	—	—
Disposals . . . . .	—	—	(3,015)	—
Net (losses)/gains (charged)/credited to profit or loss . . . . .	<u>(284)</u>	<u>62</u>	<u>212</u>	<u>(13)</u>
At 31 December . . . . .	<u>2,730</u>	<u>3,845</u>	<u>1,042</u>	<u>1,029</u>

Financial assets at fair value through profit or loss include the following:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HKD'000	HKD'000	HKD'000	HKD'000
Unlisted securities:				
- Equity linked note . . . . .	<u>2,730</u>	<u>3,845</u>	<u>1,042</u>	<u>1,029</u>



The Directors consider the financial assets at fair value through profit or loss are held for short-term profit making purpose. Financial assets at fair value through profit or loss were denominated in the following currencies:

	As at 31 December			As at
	2008	2009	2010	30 June
	HKD'000	HKD'000	HKD'000	2011
Hong Kong dollar . . . . .	1,788	1,861	—	—
United States dollar . . . . .	942	1,984	1,042	1,029
	<u>2,730</u>	<u>3,845</u>	<u>1,042</u>	<u>1,029</u>

As at 31 December 2008, 2009 and 2010, and 30 June 2011, the Group's financial assets at fair value through profit or loss were pledged to a bank to secure certain loans and overdraft facilities of certain subsidiaries.

Changes in fair values of financial assets at fair value through profit or loss are recorded in 'other (losses)/gains, net' in the combined statement of comprehensive income (note 18).

## 8 Deferred income tax

The analysis of deferred tax assets and deferred tax liabilities are as follows:

	As at 31 December			As at
	2008	2009	2010	30 June
	HKD'000	HKD'000	HKD'000	2011
Deferred tax assets:				
Deferred tax assets to be recovered after more than 12 months . . . . .	474	738	314	214
Deferred tax liabilities:				
Deferred tax liabilities to be recovered after more than 12 months . . . . .	—	—	(114)	(270)
	<u>474</u>	<u>738</u>	<u>200</u>	<u>(56)</u>

Deferred income taxes of the Group represent temporary differences under the liability method using taxation rates enacted or substantively enacted by the balance sheet date in the respective jurisdictions. The movements in deferred income tax assets/(liabilities) during the Relevant Periods are as follows:

	Withholding tax relating to unremitted earnings	Accelerated tax depreciation	Tax losses	Total
	HKD'000	HKD'000	HKD'000	HKD'000
At 1 January 2008 . . . . .	—	(38)	—	(38)
Recognised in the combined statement of comprehensive income (note 23) . . . . .	—	4	508	512
At 31 December 2008 . . . . .	—	(34)	508	474
Recognised in the combined statement of comprehensive income (note 23) . . . . .	—	28	236	264
At 31 December 2009 . . . . .	—	(6)	744	738
Recognised in the combined statement of comprehensive income (note 23) . . . . .	(114)	(208)	(216)	(538)
At 31 December 2010 . . . . .	(114)	(214)	528	200
Recognised in the combined statement of comprehensive income (note 23) . . . . .	(156)	(160)	60	(256)
At 30 June 2011 . . . . .	<u>(270)</u>	<u>(374)</u>	<u>588</u>	<u>(56)</u>

Withholding tax is levied on dividends declared to foreign investors from foreign investment enterprises established in Mainland China, in respect of earnings generated after 31 December 2008. The Group's subsidiaries in Mainland China are held by companies incorporated in Hong Kong and are subject to 5% withholding tax.

As at 31 December 2008, 2009 and 2010, and 30 June 2011, the Group had not recognised deferred income tax assets in respect of tax losses of approximately HKD220,000, HKD686,000, HKD1,024,000 and HKD2,320,000, respectively, that can be carried forward to offset against future taxable income.

## 9 Trade receivables

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HKD'000	HKD'000	HKD'000	HKD'000
Trade receivables . . . . .	<u>39,138</u>	<u>49,530</u>	<u>71,463</u>	<u>88,040</u>

The Group's sales are mainly made on (i) cash on delivery; and (ii) credit terms of 30-60 days.

As at 31 December 2008, 2009 and 2010, and 30 June 2011, the carrying amounts of trade receivables approximated their fair values.

As at 31 December 2008, 2009 and 2010, and 30 June 2011, the ageing analysis of trade receivables based on invoice date was as follows:

	As at 31 December			As at
	2008	2009	2010	30 June
	HKD'000	HKD'000	HKD'000	2011
	HKD'000	HKD'000	HKD'000	HKD'000
- 0 to 30 days . . . . .	16,373	27,083	42,389	53,655
- 31 to 60 days . . . . .	15,082	16,483	22,526	18,384
- 61 to 90 days . . . . .	4,958	4,751	5,301	7,521
- Over 90 days . . . . .	2,725	1,213	1,247	8,480
	<u>39,138</u>	<u>49,530</u>	<u>71,463</u>	<u>88,040</u>

As at 31 December 2008, 2009 and 2010, and 30 June 2011, trade receivables of approximately HKD22,765,000, HKD22,379,000, HKD29,071,000 and HKD34,386,000, respectively were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables was as follows:

	As at 31 December			As at
	2008	2009	2010	30 June
	HKD'000	HKD'000	HKD'000	2011
	HKD'000	HKD'000	HKD'000	HKD'000
- 0 to 30 days . . . . .	12,944	13,896	21,396	16,733
- 31 to 60 days . . . . .	4,428	5,125	5,164	6,884
- 61 to 90 days . . . . .	4,797	2,592	1,888	4,627
- Over 90 days . . . . .	596	766	623	6,142
	<u>22,765</u>	<u>22,379</u>	<u>29,071</u>	<u>34,386</u>

The carrying amounts of the Group's trade receivables were denominated in the following currencies:

	As at 31 December			As at
	2008	2009	2010	30 June
	HKD'000	HKD'000	HKD'000	2011
	HKD'000	HKD'000	HKD'000	HKD'000
- Hong Kong dollar . . . . .	34,942	33,611	47,392	45,925
- Renminbi . . . . .	2,967	12,654	13,691	17,782
- United States dollar . . . . .	441	1,393	7,308	18,798
- Macau Patacas . . . . .	788	1,148	662	713
- New Taiwan Dollar . . . . .	—	724	2,387	3,333
- Other currencies . . . . .	—	—	23	1,489
	<u>39,138</u>	<u>49,530</u>	<u>71,463</u>	<u>88,040</u>

The maximum exposure to credit risk as at the balance sheet dates is the fair values of the trade receivables. The Group did not hold any collateral as security.

## 10 Prepayments, deposits and other receivables

The nature of prepayments, deposits and other receivables as at 31 December 2008, 2009 and 2010, and 30 June 2011 was as follows:

	As at 31 December			As at
				30 June
	2008	2009	2010	2011
	HKD'000	HKD'000	HKD'000	HKD'000
Prepayments . . . . .	417	664	765	7,580
Deposits . . . . .	441	849	3,283	1,887
Other receivables . . . . .	4,311	2,967	802	1,879
	5,169	4,480	4,850	11,346
Amounts due from shareholders (note (b)). . . . .	5,030	—	4,199	—
Amounts due from non-controlling interests (note (b)) . . . . .	400	850	360	360
Amounts due from related companies (note (b)) . . . . .	884	1,035	—	—
	11,483	6,365	9,409	11,706
Less: non-current portion: deposits . . . . .	—	(204)	(360)	(545)
	<u>11,483</u>	<u>6,161</u>	<u>9,049</u>	<u>11,161</u>

*Notes:*

- (a) As at 31 December 2008, 2009 and 2010, and 30 June 2011, the carrying amounts of deposits and other receivables approximated their fair values.
- (b) The amounts are unsecured, interest free and repayable on demand.

Deposits and other receivables, amounts due from shareholders, non-controlling interests and related companies were denominated in the following currencies:

	As at 31 December			As at
	2008	2009	2010	30 June
	HKD'000	HKD'000	HKD'000	HKD'000
- Hong Kong dollar . . . . .	7,645	2,959	7,235	2,699
- Renminbi . . . . .	2,061	2,091	842	1,157
- United States dollar . . . . .	54	235	294	—
- Macau Patacas . . . . .	1,306	414	272	—
- Japanese Yen . . . . .	—	—	—	181
- Other currencies. . . . .	—	2	1	89
	<u>11,066</u>	<u>5,701</u>	<u>8,644</u>	<u>4,126</u>

#### 11 Pledged deposits, cash and cash equivalents

	As at 31 December			As at
	2008	2009	2010	30 June
	HKD'000	HKD'000	HKD'000	HKD'000
Cash at bank and on hand . . . . .	35,021	80,210	125,917	120,148
Pledged cash at bank (note a) . . . . .	—	—	5,914	15,569
Pledged short-term bank deposits (note a) . . . . .	1,451	1,451	1,452	1,452
Pledged deposits . . . . .	<u>1,451</u>	<u>1,451</u>	<u>7,366</u>	<u>17,021</u>
Total cash and bank balances . . . . .	<u>36,472</u>	<u>81,661</u>	<u>133,283</u>	<u>137,169</u>

*Notes:*

- (a) As at 31 December 2008, 2009 and 2010, and 30 June 2011, the amounts were pledged to a bank to secure certain loans and overdraft facilities of certain subsidiaries and guarantees provided to airline suppliers (note 29).

Total cash and bank balances were denominated in the following currencies:

	As at 31 December			As at
	2008	2009	2010	30 June
	HKD'000	HKD'000	HKD'000	HKD'000
- Hong Kong dollar . . . . .	24,247	37,583	55,422	51,412
- Renminbi . . . . .	2,326	28,359	54,427	62,511
- United States dollar . . . . .	8,101	4,852	7,382	14,516
- New Taiwan dollar . . . . .	—	2,664	5,155	3,125
- Macau Patacas . . . . .	1,779	8,183	10,802	4,033
- Japanese Yen . . . . .	—	—	75	1,555
- Other currencies. . . . .	19	20	20	17
	<u>36,472</u>	<u>81,661</u>	<u>133,283</u>	<u>137,169</u>

Cash in bank earned interest at floating rates based on daily bank deposits rate. As at 31 December 2008, 2009 and 2010, and 30 June 2011, the carrying amounts of cash and cash equivalents approximated their fair values.

As at 31 December 2008, 2009 and 2010, and 30 June 2011, the effective interest rates on pledged short-term bank deposits were 0.1%, 0.02%, 0.09% and 0.07% per annum respectively, and these deposits have an approximate average maturity period of 30 days.

The Group's RMB balances are placed with banks in the PRC. RMB is not a freely convertible currency. The conversion of these RMB denominated balances into foreign currencies in the PRC is subject to rules and regulations of foreign exchange control promulgated by the PRC government.

Cash and cash equivalents include the following for the purposes of the statements of cash flows:

	As at 31 December			As at
	2008	2009	2010	30 June
	HKD'000	HKD'000	HKD'000	HKD'000
Cash and bank balances . . . . .	36,472	81,661	133,283	137,169
Less:				
- Pledged deposits . . . . .	(1,451)	(1,451)	(7,366)	(17,021)
- Bank overdrafts (note 15) . . . . .	(857)	(228)	—	—
	<u>34,164</u>	<u>79,982</u>	<u>125,917</u>	<u>120,148</u>

## 12 Reserves

	Combined capital	Exchange reserves	Statutory and legal reserves	Available- for-sale financial assets revaluation reserve	Subtotal	Retained earnings	Total
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
At 1 January 2008 . . . . .	2,241	315	49	—	2,605	11,581	14,186
Profit for the year . . . . .	—	—	—	—	—	20,744	20,744
Currency translation differences . .	—	422	—	—	422	—	422
Capital contribution . . . . .	3,510	—	—	—	3,510	—	3,510
At 31 December 2008 . . . . .	5,751	737	49	—	6,537	32,325	38,862
Profit for the year . . . . .	—	—	—	—	—	42,778	42,778
Currency translation differences . .	—	6	—	—	6	—	6
Revaluation of available-for-sale financial assets . . . . .	—	—	—	(13)	(13)	—	(13)
Dividend . . . . .	—	—	—	—	—	(26,437)	(26,437)
At 31 December 2009 . . . . .	5,751	743	49	(13)	6,530	48,666	55,196
Profit for the year . . . . .	—	—	—	—	—	92,150	92,150
Transfer to statutory reserve . . . .	—	—	268	—	268	(268)	—
Currency translation differences . .	—	302	—	—	302	—	302
Revaluation of available-for-sale financial assets . . . . .	—	—	—	116	116	—	116
Capital contribution . . . . .	709	—	—	—	709	—	709
Dividend . . . . .	—	—	—	—	—	(32,626)	(32,626)
At 31 December 2010 . . . . .	6,460	1,045	317	103	7,925	107,922	115,847
Profit for the period . . . . .	—	—	—	—	—	59,351	59,351
Currency translation differences . .	—	438	—	—	438	—	438
Reserve released upon disposal of available-for-sale financial assets . . . . .	—	—	—	19	19	—	19
Revaluation of available-for-sale financial assets . . . . .	—	—	—	52	52	—	52
Capital contribution . . . . .	1	—	—	—	1	—	1
Transfer to statutory reserve . . . .	—	—	347	—	347	(347)	—
Dividend . . . . .	—	—	—	—	—	(100,536)	(100,536)
Disposal of subsidiaries . . . . .	(200)	—	—	—	(200)	—	(200)
At 30 June 2011 . . . . .	6,261	1,483	664	174	8,582	66,390	74,972
At 31 December 2009 . . . . .	5,751	743	49	(13)	6,530	48,666	55,196
Profit for the year (unaudited) . . .	—	—	—	—	—	41,759	41,759
Currency translation differences (unaudited) . . . . .	—	(7)	—	—	(7)	—	(7)
Revaluation of available-for-sale financial assets (unaudited) . . . .	—	—	—	32	32	—	32
Capital contribution (unaudited) . .	709	—	—	—	709	—	709
Dividend (unaudited) . . . . .	—	—	—	—	—	(13,209)	(13,209)
At 30 June 2010 (unaudited) . . . .	6,460	736	49	19	7,264	77,216	84,480

(a) ***Combined capital***

As mentioned in Note 2 above, the Financial Information has been prepared as if the current group structure had been in existence throughout each of the years ended 31 December 2008, 2009 and 2010, and 30 June 2010 and 2011 or since the date when the combining companies first came under the control of the Controlling Shareholders, where there is a shorter period. The combined capital during the Relevant Periods represents the combined share capital of the companies comprising the Group after elimination of investments in subsidiaries.

(b) ***Statutory and legal reserves***

Subsidiaries incorporated in Mainland China are required to make appropriations to certain statutory reserves namely, statutory reserve fund and discretionary reserve fund from their statutory profits for the year after offsetting accumulated losses as determined under the PRC accounting regulations from prior years and before profit distribution to equity holders. The percentages to be appropriated to such statutory reserves are determined according to the relevant regulations in Mainland China at rates of not less than 10%, or at the discretion of the boards of directors of the respective companies until the fund aggregates to 50% of the subsidiaries' registered capital. The transfer of these reserves must be made before distribution of dividends to shareholders.

Subsidiary incorporated in Republic of China ("ROC") are required to make appropriations to a legal reserve. According to the ROC Company Law and the subsidiary's Articles of Incorporation, any annual earnings, after paying income tax and offsetting accumulated deficit, if any, shall be appropriated in the following order:

- a. 10% thereof as legal reserve;
- b. Any remaining balance should then be appropriated in accordance with the resolution of the stockholders in their regular annual meetings; and
- c. No more than 1% of the dividend declared as bonuses to employees (payable only upon declaration of dividends).

In addition, in accordance with the ROC Company Law, the aforementioned appropriation to legal reserve shall be made annually until the reserve amount equals the subsidiary's capital stock. Legal reserve may be used to offset deficit, if any, and when the reserve amount exceeds or equals 50% of the capital stock, an amount up to 50% of such reserve may be transferred to capital stock.

Subsidiary incorporated in Macao is required to set aside a minimum of 25% of the subsidiary's profit after taxation to the legal reserve until the balance of the reserve reaches a level equivalent to 50% of the subsidiary's capital in accordance with the Macao Commercial Code #377.



## 13 Trade payables

	As at 31 December			As at
	2008	2009	2010	30 June
	HKD'000	HKD'000	HKD'000	2011
Trade payables . . . . .	<u>25,422</u>	<u>50,673</u>	<u>68,628</u>	<u>80,883</u>

As at 31 December 2008, 2009 and 2010, and 30 June 2011, the ageing analysis of trade payables based on invoice date was as follows:

	As at 31 December			As at
	2008	2009	2010	30 June
	HKD'000	HKD'000	HKD'000	2011
0 to 30 days . . . . .	11,902	20,463	30,975	45,753
31 to 60 days . . . . .	7,242	16,743	13,993	5,924
61 to 90 days . . . . .	2,827	5,529	4,941	4,643
91 to 120 days . . . . .	1,012	1,863	2,769	4,572
Over 120 days . . . . .	<u>2,439</u>	<u>6,075</u>	<u>15,950</u>	<u>19,991</u>
	<u>25,422</u>	<u>50,673</u>	<u>68,628</u>	<u>80,883</u>

The carrying amounts of the Group's trade payables were denominated in the following currencies:

	As at 31 December			As at
	2008	2009	2010	30 June
	HKD'000	HKD'000	HKD'000	2011
- Hong Kong dollar . . . . .	17,408	22,800	23,891	25,092
- Renminbi . . . . .	862	999	1,162	2,329
- United States dollar . . . . .	4,218	25,117	42,136	50,526
- Malaysia Ringgit . . . . .	2,544	772	440	1,153
- Macau Patacas . . . . .	35	851	328	456
- Japanese Yen . . . . .	—	—	—	120
- Others . . . . .	<u>355</u>	<u>134</u>	<u>671</u>	<u>1,207</u>
	<u>25,422</u>	<u>50,673</u>	<u>68,628</u>	<u>80,883</u>

As at 31 December 2008, 2009 and 2010, and 30 June 2011, the carrying amounts of trade payables approximated their fair values.

## 14 Other payables and accruals

	As at 31 December			As at
	2008	2009	2010	30 June
	HKD'000	HKD'000	HKD'000	2011
Accruals . . . . .	2,490	4,880	5,524	4,693
Deposits received . . . . .	200	314	917	1,101
Other payables . . . . .	1,482	297	204	1,066
	4,172	5,491	6,645	6,860
Amounts due to shareholders (note (b)) . . . . .	—	14,984	—	60,505
Amount due to a director (note (b)) . . . . .	—	—	—	99
	<u>4,172</u>	<u>20,475</u>	<u>6,645</u>	<u>67,464</u>

*Notes:*

- (a) As at 31 December 2008, 2009 and 2010, and 30 June 2011, the carrying amounts of accruals and other current liabilities approximated their fair values.
- (b) The amounts are unsecured, interest free and repayable on demand.

Deposits received, other payables and amounts due to shareholders and a director were denominated in the following currencies:

	As at 31 December			As at
	2008	2009	2010	30 June
	HKD'000	HKD'000	HKD'000	2011
- Hong Kong dollar . . . . .	1,334	3,810	205	1,190
- Renminbi . . . . .	348	519	583	1,053
- United States dollar . . . . .	—	34	—	—
- Macau Patacas . . . . .	—	11,232	333	60,505
- Others . . . . .	—	—	—	23
	<u>1,682</u>	<u>15,595</u>	<u>1,121</u>	<u>62,771</u>

## 15 Bank loans and Overdrafts

	As at 31 December			As at
	2008	2009	2010	30 June
	HKD'000	HKD'000	HKD'000	2011
Bank overdraft (note (a)) . . . . .	857	228	—	—
Trust receipt loans (note (a)) . . . . .	18,338	7,203	15,916	—
	<u>19,195</u>	<u>7,431</u>	<u>15,916</u>	<u>—</u>

## Notes:

- (a) The above bank borrowings were secured by personal guarantees given by the Company's directors, corporate guarantees given by certain subsidiaries and the Group's financial assets at fair value through profit or loss and certain bank deposits of the Group.
- (b) The Group has the following undrawn borrowing facilities:

	As at 31 December			As at
	2008	2009	2010	30 June
	HKD'000	HKD'000	HKD'000	2011
Expiring within one year . . . . .	<u>14,278</u>	<u>26,453</u>	<u>29,685</u>	<u>55,855</u>

- (c) As at 31 December 2008, 2009 and 2010, the Group's bank loans and bank overdraft were carried at floating rates and the weighted average effective rates were 4.83%, 4.91% and 3.99%, respectively.
- (d) As at 31 December 2008, 2009 and 2010, the carrying amounts of the bank loans and bank overdraft approximated their fair values and were denominated in HKD.

**16 Finance lease liabilities**

Lease liabilities are effectively secured as the rights to the leased assets would revert to the lessor in the event of default.

	As at 31 December			As at
	2008	2009	2010	30 June
	HKD'000	HKD'000	HKD'000	2011
Gross finance lease liabilities — minimum lease payments				
No later than 1 year . . . . .	205	284	8	9
Later than 1 year and no later than 5 years . .	<u>284</u>	<u>—</u>	<u>24</u>	<u>21</u>
	489	284	32	30
Future finance charges . . . . .	<u>(64)</u>	<u>(27)</u>	<u>(8)</u>	<u>(6)</u>
Present value of finance lease liabilities. . . . .	<u>425</u>	<u>257</u>	<u>24</u>	<u>24</u>
The present value of finance lease liabilities is as follows:				
No later than 1 year . . . . .	168	257	5	6
Later than 1 year and no later than 5 years. . . .	<u>257</u>	<u>—</u>	<u>19</u>	<u>18</u>
	<u>425</u>	<u>257</u>	<u>24</u>	<u>24</u>

**17 Sales and segment information**

The Group is an investment holding company and its subsidiaries are principally engaged in the provision of air freight service in the wholesale market.

The chief operating decision-maker has been identified as the Executive Directors. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Executive Directors assess the performance of the business from a geographical perspective, i.e. by destinations of air freight services.

The segment information provided to the Executive Directors for the reportable segments for the year ended 31 December 2010 is as follows:

**Year ended 31 December 2010**

	<u>Europe</u>	<u>America</u>	<u>Asia-Pacific</u>	<u>Others</u>	<u>Total</u>
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Sales to external customers . . . . .	125,108	91,222	241,239	32,284	489,853
Cost of sales . . . . .	<u>(103,006)</u>	<u>(85,618)</u>	<u>(126,224)</u>	<u>(30,021)</u>	<u>(344,869)</u>
Gross profit . . . . .	<u>22,102</u>	<u>5,604</u>	<u>115,015</u>	<u>2,263</u>	<u>144,984</u>
Segment results . . . . .	<u>16,348</u>	<u>4,145</u>	<u>85,068</u>	<u>1,672</u>	107,233
Unallocated income, net . . . . .					1,337
Depreciation . . . . .					<u>(970)</u>
Operating profit . . . . .					107,600
Finance costs, net . . . . .					<u>(497)</u>
Profit before income tax . . . . .					107,103
Income tax expense . . . . .					<u>(13,897)</u>
Profit for the year . . . . .					<u><u>93,206</u></u>

Revenue of approximately HKD481,919,000 and HKD7,934,000 were derived from air freight and sea freight, respectively.

The segment information provided to the Executive Directors for the reportable segments for the year ended 31 December 2009 is as follows:

**Year ended 31 December 2009**

	<u>Europe</u>	<u>America</u>	<u>Asia-Pacific</u>	<u>Others</u>	<u>Total</u>
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Sales to external customers . . . . .	67,685	84,671	131,939	12,771	297,066
Cost of sales . . . . .	<u>(54,685)</u>	<u>(79,169)</u>	<u>(78,431)</u>	<u>(10,247)</u>	<u>(222,532)</u>
Gross profit . . . . .	<u>13,000</u>	<u>5,502</u>	<u>53,508</u>	<u>2,524</u>	<u>74,534</u>
Segment results . . . . .	<u>8,893</u>	<u>3,763</u>	<u>36,601</u>	<u>1,727</u>	50,984
Unallocated expense, net . . . . .					(792)
Depreciation . . . . .					<u>(599)</u>
Operating profit . . . . .					49,593
Finance costs, net . . . . .					<u>(438)</u>
Profit before income tax . . . . .					49,155
Income tax expense . . . . .					<u>(6,304)</u>
Profit for the year . . . . .					<u><u>42,851</u></u>

Revenue of approximately HKD281,604,000 and HKD15,462,000 were derived from air freight and sea freight, respectively.

The segment information provided to the Executive Directors for the reportable segments for the year ended 31 December 2008 is as follows:

**Year ended 31 December 2008**

	<u>Europe</u>	<u>America</u>	<u>Asia-Pacific</u>	<u>Others</u>	<u>Total</u>
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Sales to external customers . . . . .	66,055	140,159	82,879	4,727	293,820
Cost of sales . . . . .	<u>(59,674)</u>	<u>(129,179)</u>	<u>(57,780)</u>	<u>(2,776)</u>	<u>(249,409)</u>
Gross profit . . . . .	<u>6,381</u>	<u>10,980</u>	<u>25,099</u>	<u>1,951</u>	<u>44,411</u>
Segment results . . . . .	<u>3,584</u>	<u>6,168</u>	<u>14,101</u>	<u>1,094</u>	24,947
Unallocated expense, net . . . . .					(633)
Depreciation . . . . .					<u>(623)</u>
Operating profit . . . . .					23,691
Finance costs, net . . . . .					<u>(917)</u>
Profit before income tax . . . . .					22,774
Income tax expense . . . . .					<u>(2,002)</u>
Profit for the year . . . . .					<u><u>20,772</u></u>

Revenue of approximately HKD274,721,000 and HKD19,099,000 were derived from air freight and sea freight, respectively.

The segment information provided to the Executive Directors for the reportable segments for the period ended 30 June 2010 is as follows:

**Six months ended 30 June 2010**

	Europe	America	Asia-Pacific	Others	Total
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales to external customers . . . . .	53,599	54,761	103,511	14,719	226,590
Cost of sales . . . . .	(42,930)	(50,442)	(51,564)	(13,047)	(157,983)
Gross profit . . . . .	<u>10,669</u>	<u>4,319</u>	<u>51,947</u>	<u>1,672</u>	<u>68,607</u>
Segment results . . . . .	<u>7,712</u>	<u>3,122</u>	<u>37,553</u>	<u>1,209</u>	49,596
Unallocated expense, net . . . . .					(460)
Depreciation . . . . .					<u>(418)</u>
Operating profit . . . . .					48,718
Finance costs, net . . . . .					<u>(206)</u>
Profit before income tax . . . . .					48,512
Income tax expense . . . . .					<u>(6,240)</u>
Profit for the period . . . . .					<u><u>42,272</u></u>

Revenue of approximately HKD221,980,000 and HKD4,610,000 were derived from air freight and sea freight, respectively.

The segment information provided to the Executive Directors for the reportable segments for the period ended 30 June 2011 is as follows:

**Six months ended 30 June 2011**

	Europe	America	Asia-Pacific	Others	Total
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Sales to external customers . . . . .	66,944	22,732	173,534	31,733	294,943
Cost of sales . . . . .	(59,423)	(20,750)	(89,671)	(28,722)	(198,566)
Gross profit . . . . .	<u>7,521</u>	<u>1,982</u>	<u>83,863</u>	<u>3,011</u>	<u>96,377</u>
Segment results . . . . .	<u>5,743</u>	<u>1,514</u>	<u>64,036</u>	<u>2,297</u>	73,590
Unallocated expense, net . . . . .					(2,415)
Depreciation . . . . .					<u>(670)</u>
Operating profit . . . . .					70,505
Finance income, net . . . . .					15
Profit before income tax . . . . .					70,520
Income tax expense . . . . .					<u>(10,117)</u>
Profit for the period . . . . .					<u><u>60,403</u></u>

Revenue of approximately HKD294,255,000 and HKD688,000 were derived from air freight and sea freight, respectively.

### 18 Other (losses)/gains, net and other income

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HKD'000	HKD'000	HKD'000	HKD'000 (unaudited)	HKD'000
<b>Other (losses)/gains, net</b>					
(Decrease)/increase in fair value of financial assets at fair value through profit or loss . . . . .	(284)	62	212	114	(13)
(Losses)/gains on disposal of property, plant and equipment . . .	—	(3)	37	—	—
Net foreign exchange gains/ (losses). . . . .	151	18	2,262	(162)	1,793
Gains on disposal of subsidiaries . .	—	—	—	—	195
Losses on disposal of available-for- sale financial assets . . . . .	—	—	—	—	(16)
	<u>(133)</u>	<u>77</u>	<u>2,511</u>	<u>(48)</u>	<u>1,959</u>
<b>Other income</b>					
Rental income . . . . .	—	146	57	34	—
Dividend income from investment . .	—	36	102	—	98
Reversal of long outstanding payables. . . . .	—	1,119	—	—	—
Others . . . . .	—	—	190	126	21
	<u>—</u>	<u>1,301</u>	<u>349</u>	<u>160</u>	<u>119</u>

**19 Expenses by nature**

Expenses included in cost of sales and administrative expenses are analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(unaudited)	
Cost of sales . . . . .	249,409	222,532	344,869	157,983	198,566
Employee benefit expenses, including directors' emoluments (Note 20) . . . . .	10,520	15,061	25,477	13,507	14,254
Depreciation (Note 6) . . . . .	623	599	970	418	670
Operating lease rentals for buildings . . . . .	1,174	1,452	2,056	984	1,838
Auditor's remuneration . . . . .	116	666	702	323	429
Bad debt written-off . . . . .	268	1,321	198	—	—
Marketing and promotion . . . . .	2,662	1,682	3,076	1,548	2,197
Professional service expenses . . . . .	116	183	623	249	4,065
Travelling . . . . .	1,469	2,191	3,027	1,143	1,947
Communication . . . . .	917	905	1,088	469	643
Others . . . . .	2,722	2,259	3,027	1,360	1,907
Total cost of sales and administrative expenses . . . . .	<u>269,996</u>	<u>248,851</u>	<u>385,113</u>	<u>177,984</u>	<u>226,516</u>

Cost of sales recognised as expenses mainly included flight charges from airlines and other freight forwarders.

**20 Employee benefit expenses**

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(unaudited)	
Salaries, bonus and other welfares . . . . .	10,097	14,602	24,723	13,142	13,403
Pension - defined contribution plans (a) . . . . .	423	459	754	365	851
	<u>10,520</u>	<u>15,061</u>	<u>25,477</u>	<u>13,507</u>	<u>14,254</u>



(a) *Pensions — defined contribution plans*

The Group participates in a Mandatory Provident Fund Scheme (the “MPF Scheme”) in accordance with the Mandatory Provident Fund Scheme Ordinance of Hong Kong. Under the rules of the MPF scheme, the employer and its employees in Hong Kong are each required to contribute 5% of the employees’ gross earnings with a ceiling of HK\$1,000 per month for each employee to the MPF scheme. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in future year.

The Group’s subsidiaries in the PRC also participate in defined contribution retirement schemes covering its full time PRC employees. The schemes are administered by the relevant government authorities in the PRC. The Group and the PRC eligible employees are required to make contributions based on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC and the relevant government authorities undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group’s subsidiaries in the PRC. No forfeited contribution is available to reduce the contribution payable in future years.

The Group has no other obligations for the payment of retirement and other post-retirement benefits of employees or retirees other than the defined contribution payments as disclosed above.

## 21 Directors and senior management's emoluments

## (a) Directors' emoluments

The emoluments of individual director of the Company during the Relevant Periods which were included in the employee benefit expenses as disclosed in Note 20 are set out below:

Name of Director	Fees	Salaries and allowances	Discretionary bonus	Pension - defined contribution plans	Total
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
<b>Year ended 31 December 2008</b>					
Executive Director					
- Yu Ho Yuen, Sunny . . . . .	—	960	—	12	972
- Mak Chi Hung, Richard . . .	—	960	—	12	972
- Law Kai Lo, Niki . . . . .	—	404	31	12	447
Independent Non-Executive Director					
- Zhang Xianlin . . . . .	—	—	—	—	—
- Tyen Kan Hee, Anthony . . .	—	—	—	—	—
- Wei Jin Cai . . . . .	—	—	—	—	—
	—	2,324	31	36	2,391
<b>Year ended 31 December 2009</b>					
Director					
- Yu Ho Yuen, Sunny . . . . .	—	1,488	190	12	1,690
- Mak Chi Hung, Richard . . .	—	1,245	130	12	1,387
- Law Kai Lo, Niki . . . . .	—	402	35	12	449
Independent Non-Executive Director					
- Zhang Xianlin . . . . .	—	—	—	—	—
- Tyen Kan Hee, Anthony . . .	—	—	—	—	—
- Wei Jin Cai . . . . .	—	—	—	—	—
	—	3,135	355	36	3,526

Name of Director	Fees	Salaries and allowances	Discretionary bonus	Pension - defined contribution plans	Total
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
<b>Year ended 31 December 2010</b>					
Director					
- Yu Ho Yuen, Sunny . . . . .	—	1,800	—	12	1,812
- Mak Chi Hung, Richard . . .	—	1,440	—	12	1,452
- Law Kai Lo, Niki . . . . .	—	510	2,250	12	2,772
Independent Non-Executive Director					
- Zhang Xianlin . . . . .	—	—	—	—	—
- Tyen Kan Hee, Anthony . . .	—	—	—	—	—
- Wei Jin Cai . . . . .	—	—	—	—	—
	—	3,750	2,250	36	6,036
	—	3,750	2,250	36	6,036

Name of Director	Fees	Salaries and allowances	Discretionary bonus	Pension - defined contribution plans	Total
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
<b>Six months ended 30 June 2010</b>					
Director					
- Yu Ho Yuen, Sunny . . . . .	—	900	—	6	906
- Mak Chi Hung, Richard . . .	—	720	—	6	726
- Law Kai Lo, Niki . . . . .	—	240	—	6	246
Independent Non-Executive Director					
- Zhang Xianlin . . . . .	—	—	—	—	—
- Tyen Kan Hee, Anthony . . .	—	—	—	—	—
- Wei Jin Cai . . . . .	—	—	—	—	—
	—	1,860	—	18	1,878
	—	1,860	—	18	1,878

Name of Director	Fees	Salaries and allowances	Discretionary bonus	Pension - defined	Total
				contribution plans	
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
<b>Six months ended 30 June 2011</b>					
Director					
- Yu Ho Yuen, Sunny . . . . .	—	790	—	6	796
- Mak Chi Hung, Richard . . .	—	610	—	6	616
- Law Kai Lo, Niki . . . . .	—	720	—	6	726
Independent Non-Executive Director					
- Zhang Xianlin . . . . .	—	—	—	—	—
- Tyen Kan Hee, Anthony . . .	—	—	—	—	—
- Wei Jin Cai . . . . .	—	—	—	—	—
	—	2,120	—	18	2,138

The remuneration shown above represents remuneration received from the Group by these directors in their capacity as employees to the Group and/or in their capacity as directors of the companies comprising the Group during the Relevant Periods.

No director of the Company waived any emolument during the Relevant Periods.

(b) **Five highest paid individuals**

For the years ended 31 December 2008, 2009 and 2010, and the six months ended 30 June 2010 and 2011, the five individuals whose emoluments were the highest in the Group include 3, 2, 3, 3, 3, directors, respectively, whose emoluments are reflected in the analysis presented above. The emoluments paid to the remaining 2, 3, 2, 2, 2 individuals are as follows:

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Salaries and allowances . . . . .	749	2,679	3,017	1,471	1,764
Discretionary bonus . . . . .	97	2,116	1,904	—	—
Pension-defined contribution plans .	24	35	24	12	12
	870	4,830	4,945	1,483	1,776

The emoluments of the remaining 2 individuals for the years ended 31 December 2008 and 2010, and the six months ended 30 June 2010 and 2011, and the remaining 3 individuals for the year ended 31 December 2009 fell within the following bands:

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
				(unaudited)	
Emolument bands (in HKD)					
HKD0 — HKD1,000,000 . . . . .	2	2	1	1	1
HKD1,000,001 — HKD2,000,000 . .	—	—	—	1	1
HKD3,000,001 — HKD4,000,000 . .	—	1	—	—	—
HKD4,000,001 — HKD5,000,000 . .	—	—	1	—	—

During the Relevant Periods, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## 22 Finance (costs)/income, net

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(unaudited)	
<b>Finance income</b>					
Interest income on short-term bank deposits . . . . .	53	38	179	58	155
Interest income from non-controlling interests . . . . .	128	—	—	—	—
	<u>181</u>	<u>38</u>	<u>179</u>	<u>58</u>	<u>155</u>
<b>Finance costs</b>					
Interest expense on bank borrowings . . . . .	(1,056)	(440)	(649)	(246)	(138)
Interest expense on finance lease liabilities . . . . .	(42)	(36)	(27)	(18)	(2)
	<u>(1,098)</u>	<u>(476)</u>	<u>(676)</u>	<u>(264)</u>	<u>(140)</u>
Finance (costs)/income, net . . . . .	<u>(917)</u>	<u>(438)</u>	<u>(497)</u>	<u>(206)</u>	<u>15</u>

### 23 Income tax expense

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits during the Relevant Periods.

Macao complementary tax is levied at progressive rates ranging from 3% to 9% on the taxable income above MOP32,000 (equivalent to approximately HKD31,000) but below MOP300,000 (equivalent to approximately HKD291,000), and thereafter at a fixed rate of 12%. For the year ended 31 December 2010, a special complementary tax incentive was provided to effect that tax free income threshold was increased from MOP32,000 to MOP200,000 (equivalent to approximately HKD31,000 to HKD194,000) with the next MOP100,000 (equivalent to approximately HKD97,000) of profit being taxed at a fixed rate of 9% and thereafter at a fixed rate of 12%.

The Group's operations in Mainland China are subject to PRC corporate income tax. The standard PRC corporate income tax rate is 25%. Preferential rate of 5% withholding income tax is also imposed on dividends relating to any profits earned commencing from 1 January 2008 to foreign investors incorporated in Hong Kong.

Taxation outside Hong Kong and Mainland China has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

	Year ended 31 December			Six months ended	
	2008	2009	2010	2010	2011
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(unaudited)	
Current taxation					
- Hong Kong profits tax . . . . .	554	1,534	1,093	740	1,725
- Taxation outside Hong Kong					
- Macau . . . . .	2,389	5,006	11,392	5,214	6,635
- Mainland China . . . . .	—	—	762	—	1,251
- Taiwan . . . . .	—	28	112	—	250
	<u>2,389</u>	<u>5,034</u>	<u>12,266</u>	<u>5,214</u>	<u>8,136</u>
Over-provision in prior years					
Hong Kong profits tax . . . . .	(64)	—	—	—	—
Taxation outside Hong Kong . . . . .	(365)	—	—	—	—
Deferred taxation (note 8) . . . . .	<u>(512)</u>	<u>(264)</u>	<u>538</u>	<u>286</u>	<u>256</u>
	<u>2,002</u>	<u>6,304</u>	<u>13,897</u>	<u>6,240</u>	<u>10,117</u>

The taxation on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the companies comprising the Group as follows:

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HKD'000	HKD'000	HKD'000	HKD'000 (unaudited)	HKD'000
Profit before income tax . . . . .	22,774	49,155	107,103	48,512	70,520
Tax calculated at tax rates applicable to profits of the respective subsidiaries . . . . .	2,610	5,809	13,321	5,953	9,330
Tax losses for which no deferred income tax asset was recognised . . . . .	37	112	167	364	645
Income not subject to tax . . . . .	(20)	(4)	(107)	(77)	(1)
Expenses not deductible for tax purpose . . . . .	271	387	470	—	78
Utilisation of previously unrecognised tax losses . . . . .	—	—	(68)	—	(91)
Recognition of previously unrecognised temporary difference . . . . .	(467)	—	—	—	—
Over-provision in prior years . . . . .	(429)	—	—	—	—
Withholding tax on unremitted earnings of subsidiaries in Mainland China . . . . .	—	—	114	—	156
Income tax expense . . . . .	<u>2,002</u>	<u>6,304</u>	<u>13,897</u>	<u>6,240</u>	<u>10,117</u>
Weighted average applicable tax rate . . . . .	<u>8.8%</u>	<u>12.8%</u>	<u>13.0%</u>	<u>12.9%</u>	<u>14.3%</u>

The changes in the weighted average applicable tax rate were mainly due to the changes in the proportion of the taxable profit/(loss) of the respective companies attributable to the Group which were subject to different applicable tax rates.

## 24 Earnings per share

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the group reorganisation and the preparation of the results for the Relevant Periods on a combined basis as disclosed in Note 2 above.

## 25 Dividends

Dividends disclosed during the Relevant Periods represented dividends declared by the companies now comprising the Group to the then shareholders. The rates of dividends and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

## 26 Notes to combined statements of cash flows

(a) *Reconciliation of profit for the Relevant Periods to net cash generated from operations*

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
<b>Profit for the year/period</b> . . . . .	20,772	42,851	93,206	42,272	60,403
Adjustments for:					
Income tax expense . . . . .	2,002	6,304	13,897	6,240	10,117
Interest income . . . . .	(181)	(38)	(179)	(58)	(155)
Interest expense . . . . .	1,098	476	676	264	140
Depreciation . . . . .	623	599	970	418	670
Losses/(gains) on disposal of property, plant and equipment . . . . .	—	3	(37)	—	—
Gains on disposal of subsidiaries . . . . .	—	—	—	—	(195)
Losses on disposal of available-for-sale financial assets . . . . .	—	—	—	—	16
Bad debt written-off . . . . .	268	1,321	198	—	—
Dividend income . . . . .	—	(36)	(102)	—	(98)
Decrease/(increase) in fair value of financial assets at fair value through profit or loss . . . . .	284	(62)	(212)	(114)	13
Reversal of long outstanding payables . . . . .	—	(1,119)	—	—	—
Exchange differences . . . . .	421	6	290	(7)	430
	<u>25,287</u>	<u>50,305</u>	<u>108,707</u>	<u>49,015</u>	<u>71,341</u>
Changes in working capital:					
Trade receivables . . . . .	29,839	(11,713)	(22,131)	(13,115)	(16,577)
Prepayments, deposits and other receivables . . . . .	(4,764)	5,118	(3,044)	(3,719)	(2,116)
Financial assets at fair value through profit or loss . . . . .	(2,000)	(1,053)	3,015	—	—
Pledged deposits . . . . .	(17)	—	(5,915)	(1,500)	(9,655)
Trade payables . . . . .	(24,006)	26,370	17,955	1,274	12,265
Other payables and accruals . . . . .	(2,622)	(10,134)	12,801	(13,715)	570
Cash generated from operations . . . . .	<u>21,717</u>	<u>58,893</u>	<u>111,388</u>	<u>18,240</u>	<u>55,828</u>



- (b) *In the combined statements of cash flows, proceeds from disposal of property, plant and equipment comprise:*

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Net book amount (Note 6). . . . .	—	3	260	—	—
(Losses)/gains on disposal of property, plant and equipment (Note 18) . . . . .	—	(3)	37	—	—
Proceeds from disposal of property, plant and equipment . . . . .	—	—	297	—	—

- (c) *Non-cash transactions*

Dividends of approximately HKD26,437,000 for the year ended 2009 and HKD60,505,000 for the six months ended 30 June 2011 were settled through current accounts with shareholders.

- (d) *Disposal of subsidiaries*

During the six months ended 30 June 2011, the Group disposed of its entire interests in two subsidiaries, China Pacific Logistics (H.K.) Limited and Integrated Cargo Solutions (China) Limited to an independent third party at a total consideration of HK\$800,075.

The total assets and liabilities of the subsidiaries at the respective disposal dates are as follows:

	Six months ended 30 June 2011		
	China Pacific	Integrated	Total
	Logistics (H.K.)	Cargo	
	Limited	Solutions (China) Limited	Total
HK\$'000	HK\$'000	HK\$'000	
Property, plant and equipment. . . . .	—	3	3
Prepayments, deposits and other receivables . . . . .	619	—	619
Cash and cash equivalents. . . . .	383	3	386
Trade payables. . . . .	—	(10)	(10)
Other payables and accruals. . . . .	(2)	(254)	(256)
Net assets/(liabilities) . . . . .	1,000	(258)	742
Percentage of equity interest owned by the Group . .	80%	75%	
Share of net assets/(liabilities). . . . .	800	(195)	605
Gain on disposal of subsidiaries . . . . .	—	195	195
Consideration. . . . .	800	—	800
Net outflow of cash and cash equivalents on disposal of:			
Proceed already received . . . . .	—	—	—
Cash and cash equivalents in subsidiaries disposed of . . . . .	(383)	(3)	(386)
	<u>(383)</u>	<u>(3)</u>	<u>(386)</u>

## 27 Commitments

### *Operating lease commitments*

The Group leases certain office premises under non-cancellable operating lease agreements.

The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December			As at
	2008	2009	2010	30 June
	HKD'000	HKD'000	HKD'000	2011
Not later than 1 year. . . . .	218	1,113	2,172	2,638
Later than 1 year and not later than 5 years . . .	—	122	2,082	1,254
	<u>218</u>	<u>1,235</u>	<u>4,254</u>	<u>3,892</u>

**28 Related party transactions**

Related parties refer to entities in which the Company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or directors or officers of the Company and its subsidiaries.

Same as disclosed elsewhere, during the Relevant Periods, the following transactions were carried out with related parties at terms mutually agreed by both parties:

a) *Transactions*

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(unaudited)	
Cost of services paid to related companies:					
Winbase Warehousing and Transportation Company Limited .	4,548	2,811	—	—	—

b) *Balances*

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HKD'000	HKD'000	HKD'000	HKD'000
Included in trade payables:				
Winbase Warehousing and Transportation Company Limited . . . . .	1,115	1,019	—	—

The balance was unsecured, interest-free and repayable according to the trading terms.

Winbase Warehousing and Transportation Company Limited was jointly owned by Mr. Yu Ho Yuen, Sunny and Mr. Mak Chi Hung, Richard prior to 25 May 2010. The directors have confirmed that the above transactions will be discontinued in the future after the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited.

c) *Key management compensation*

Key management includes directors and senior management. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Salaries, bonus and other welfares .	3,294	8,372	11,848	3,594	4,756
Pension - defined contribution plans	68	79	97	44	71
	<u>3,362</u>	<u>8,451</u>	<u>11,945</u>	<u>3,638</u>	<u>4,827</u>

**29 Financial guarantees**

The Company's subsidiaries have issued bank guarantees to certain airline suppliers as securities for purchase of cargo space. At 31 December 2008, 2009 and 2010 and 30 June 2011, the guarantees granted amounted to approximately HKD16,227,000, HKD16,216,000, HKD19,499,000 and HKD31,407,000, respectively.

**30 Subsequent events**

Save as disclosed elsewhere in this report, the following significant event took place subsequent to 30 June 2011:

(a) ***Completion of the Reorganisation***

The Reorganisation was completed on 3 December 2011 and the details are summarised in Note 1(b).

**31 Ultimate holding company**

ASR Victory is the ultimate holding company of the Group. Mr. Yu Ho Yuen, Sunny, Mr. Mak Chi Hung, Richard and Mr. Law Kai Lo, Niki are the ultimate beneficiary owners of the Group.

**II FINANCIAL INFORMATION OF THE COMPANY**

The Company was incorporated on 28 June 2011. As at 30 June 2011, the Company had other receivable of USD1 representing share capital of USD1. Except for this, it had no other assets, liabilities or distributable reserves as at that date.

**III SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2011. No dividend or distribution has been declared, made or paid by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2011.

Yours faithfully,  
**PricewaterhouseCoopers**  
*Certified Public Accountants*  
Hong Kong

The information set forth in this appendix does not form part of the Accountants' Report prepared by PwC, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

For illustrative purpose only, the unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is set forth below to provide the prospective investors with further information about how the financial information of our Group might be affected by the completion of the Share Offer as if the Share Offer had been completed on 30 June 2011.

#### (A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an unaudited pro forma statement of adjusted net tangible assets of ASR Holdings Limited which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Share Offer as if it had taken place on 30 June 2011. This pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of ASR Holdings Limited had the Share Offer been completed as at 30 June 2011 or at any future date.

	Audited combined net tangible assets attributable to equity holders of our Company as at 30 June 2011 <sup>(1)</sup>	Estimated net proceeds from the Share Offer <sup>(2)</sup>	Unaudited pro forma adjusted net tangible assets attributable to equity holders of our Company	Unaudited pro forma adjusted net tangible assets per Share
	HKD'000	HKD'000	HKD'000	HKD
Based on an Offer Price of HKD0.88 per Share . . . . .	74,972	65,500	140,472	0.35
Based on an Offer Price of HKD1.05 per Share . . . . .	74,972	81,700	156,672	0.39

Notes:

- (1) The audited combined net tangible assets of our Group attributable to equity holders of our Company as at 30 June 2011 has been extracted from the Accountant's report of our Company as set out in Appendix I to this Prospectus which is based on the audited combined net assets of our Group attributable to equity holders of our Company as at 30 June 2011 of HKD74,972,000.
- (2) The estimated net proceeds from the Share Offer are based on the Offer Price of HKD0.88 per Share and HKD1.05 per Share after deduction of the underwriting fees and other related expenses payable by our Company. No account has been taken into of the Shares that may be allotted and issued upon the exercise of the Over-allotment Option or any options granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the General Mandate and the Repurchase Mandate.
- (3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 400,000,000 Shares were in issue assuming that the Share Offer had been completed on 30 June 2011 but takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the General Mandate and the Repurchase Mandate.
- (4) No adjustment has been made to reflect any trading result or other transaction of our Group entered into subsequent to 30 June 2011.

**(B) ACCOUNTANT'S REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*



羅兵咸永道

**ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF ASR HOLDINGS LIMITED**

We report on the unaudited pro forma financial information of ASR Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on page II-1 under the heading of "Unaudited Pro Forma Statement of Adjusted Net Tangible Assets" (the "Unaudited Pro Forma Financial Information") in Appendix II of the Company's prospectus dated 30 December 2011 (the "Prospectus"), in connection with the proposed initial public offering of the shares of the Company. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the proposed initial public offering might have affected the relevant financial information of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on page II-1 of the Prospectus.

**Respective Responsibilities of Directors of the Company and the Reporting Accountant**

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited of The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form 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.

***Basis of Opinion***

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the

underlying financial information, consisted primarily of comparing the audited combined net assets of the Group as at 30 June 2011 with the accountant's report as set out in Appendix I of the Prospectus, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that 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.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the adjusted net tangible assets of the Group as at 30 June 2011 or any future date.

***Opinion***

In our opinion:

- a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**PricewaterhouseCoopers***Certified Public Accountants*

Hong Kong, 30 December 2011



*The following is the text of a letter, summary of value and valuation certificate, prepared for the purpose of incorporation in this prospectus received from Asset Appraisal Limited, an independent valuer, in connection with its valuation as at 30 September 2011 of the Properties held by the Group.*



## **Asset Appraisal Limited**

### **資產評值顧問有限公司**

Rm 901 9/F On Hong Commercial Building  
No. 145 Hennessy Road Wanchai HK  
香港灣仔軒尼詩道145號  
安康商業大廈9樓901室  
Tel: (852) 2529 9448  
Fax: (852) 3521 9591

30 December 2011

#### **The Board of Directors**

#### **ASR Holdings Limited**

Units 1107-12 on 11th Floor,  
Lu Plaza,  
No. 2 Wing Yip Street,  
Kowloon,  
Hong Kong

Dear Sirs,

#### **Re: Valuation of property interests**

In accordance with the instructions from **ASR Holdings Limited** (the “Company”) to value the property interests (the “Properties”) of the Company and its subsidiaries (hereinafter together referred to as the “Group”) in the People’s Republic of China (the “PRC”), Hong Kong, Macau, Taiwan and Japan, we confirm that we have carried out inspections of the Properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the Properties as at **30 September 2011** (the “date of valuation”).

#### **BASIS OF VALUATION**

Our valuation of the Properties represents the market value which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion”.

**TITLESHIP**

We have been provided with copies of legal documents regarding the Properties. However, we have not verified title to the property interests and the existence of any encumbrances that would affect its ownership.

We have also relied upon the legal opinion provided by the PRC legal adviser, namely Allbright Law Offices (上海市錦天城律師事務所) (the “PRC Legal adviser”), to the Company on the relevant laws and regulations in the PRC, on the nature of the Group’s interests in the Properties situated in the PRC. Its material content has been summarized in the valuation certificate attached herewith.

**VALUATION METHODOLOGY**

We have attributed no commercial value to the property interests, which are properties rented by the Group, due either to the short-term nature of the leases or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rents.

**LIMITING CONDITIONS**

No allowance has been made in our report for any charges, mortgages or amounts owing on the property interests held by the Group nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values (if any).

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, tenancy and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the land areas and floor areas in respect of the Properties but have assumed that the floor areas shown on the legal documents handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

We have inspected the exterior and, where possible, the interior of the buildings and structures of the Properties. However, no structural survey has been made for them. In the course of our inspection, we did not note any apparent defects. We are not, however, able to report whether the buildings and structures inspected by us are free of rot, infestation or any structural defect. No test was carried out on any of the building services and equipment.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

**Remarks**

In valuing the properties, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors effective from 1st January 2005.

Our summary of valuation and valuation certificate are attached herewith.

Yours faithfully,  
**for and on behalf of Asset Appraisal Limited**

**Tse Wai Leung**  
*MFin MRICS MHKIS RPS(GP)*  
*Director*

*TSE Wai Leung a member of the Royal Institute of Chartered Surveyors, Hong Kong Institute of Surveyors and a Registered Professional Surveyor in General Practice. He is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Valuation Forum and has over 10 years' experience in valuation of properties in Hong Kong, in Macau and in the PRC. He has also previous experiences in valuing leasehold interests in Taiwan and in Japan.*

## SUMMARY OF VALUATION

Property	Market value in existing state as at 30 September 2011	Interest Attributable to the Company	Value of property interest attributable to the Company as at 30 September 2011
<b>Property rented by the Group</b>			
1	Units 1106-12 on 11th Floor, Lu Plaza, No. 2 Wing Yip Street, Kowloon, Hong Kong	No commercial value	100% No commercial value
2	Unit 9Q, Taiyangdao Building, Dongmen South Road, Luohu District, Shenzhen City, Guangdong Province, the PRC.	No commercial value	100% No commercial value
3	Unit 2205, Shun Hing Square, Shennan East Road, Luohu District, Shenzhen City, Guangdong Province, the PRC.	No commercial value	100% No commercial value
4	Room 103, Block B, Hopeway Logistics Center, No.102 Xinghua Road, Xingwei Village, Baoan District, Shenzhen City, Guangdong Province, the PRC.	No commercial value	100% No commercial value
5	Unit A on Level 12, Dongjian Building, No. 121 Fenjiang Middle Road, Foshan City, Guangdong Province, the PRC.	No commercial value	100% No commercial value

Property	Market value in existing state as at 30 September 2011	Interest Attributable to the Company	Value of property interest attributable to the Company as at 30 September 2011
<b>Property rented by the Group</b>			
6	Unit 2213, Level 22, Block 1, Lan Tian Jun Hotel Apartment, No. 666 Jinggangshan Avenue, Qingyunpu District, Nanchang City, Jiangxi Province, the PRC.	No commercial value	100% No commercial value
7	Room 1510, Huai Hai China Tower, No. 885 Renmin Road, Huangpu District, Shanghai City, the PRC.	No commercial value	100% No commercial value
8	Room 709, Level 7, Yizhong Building, No.48 Zhongshan Second Road, Shiqi District, Zhongshan City, Guangdong Province, the PRC.	No commercial value	100% No commercial value
9	Units 1009-1011, Holdround Plaza, No. 2 Danan Road, Yuxiu District, Guangzhou City, Guangdong Province, the PRC.	No commercial value	100% No commercial value

Property	Market value in existing state as at 30 September 2011	Interest Attributable to the Company	Value of property interest attributable to the Company as at 30 September 2011
<b>Property rented by the Group</b>			
10 No. 232, Level 2, Tianjin Aviation Cargo Services Co., Ltd. Office Building, Jichang 6th Road, Dongli District, Tianjin City, the PRC.	No commercial value	100%	No commercial value
11 Unit D, Level 20, No.86 Renmin South Road, Qingyang District, Chengdu City, Sichuan Province, the PRC.	No commercial value	100%	No commercial value
12 Room 318, District B, Hangzhou Xiaoshan International Airport - Air Cargo Terminal, Hangzhou City, Zhejiang Province, the PRC.	No commercial value	100%	No commercial value
13 Room 408, Block 2, Hangzhou Xiaoshan Wanfeng Mechanical and Electrical Market, Beigan Jiedao, Hangzhou City Zhejiang Province, the PRC.	No commercial value	100%	No commercial value
14 Unit C 2/F CAM Office Building, Av. Wai Long, Taipa, Macau	No commercial value	100%	No commercial value

Property	Market value in existing state as at 30 September 2011	Interest Attributable to the Company	Value of property interest attributable to the Company as at 30 September 2011
<b>Property rented by the Group</b>			
15 Level 8, No. 82 Jianguo North Road (Section 2), Taipei City, Taiwan	No commercial value	100%	No commercial value
16 Room 5B55, Level 5, No. 8-1 Hangqin North Road, Dayuan Township, Taoyuan County, Taiwan	No commercial value	100%	No commercial value
17 Office on 3rd Floor, Kanou Building, 2-8-9 Hamamatsucho, Minato-ku, Tokyo City, Japan	No commercial value	100%	No commercial value
<b>Grand Total:</b>	<b><u>No commercial value</u></b>		<b><u>No commercial value</u></b>

## VALUATION CERTIFICATE

## Property rented by the Group

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 30 September 2011 HK\$
1. Units 1106-12 on 11th Floor, Lu Plaza, No. 2 Wing Yip Street, Kowloon, Hong Kong	<p>The property comprises seven office units on the 11th Floor of a 21-storey office building completed in about 1997.</p> <p>The property has a total gross floor area of approximately 1,172.44 sq.m. (12,620 sq.ft.)</p> <p>The properties are rented by the Group under five tenancy agreements for terms of 2 to 3 years with the latest expiry date on 30 September 2013 for office use at a total monthly rent of HK\$135,435 exclusive of rates, government rent, management fee and air-conditioning charges.</p>	The property is occupied by the Group as office.	No commercial value

## Notes:

- The registered owner of the property is Chi Kee Investment Company Limited.
- Pursuant to a tenancy agreement dated 31 August 2011 entered into between Chi Kee Investment Company Limited (as Landlord) and AOE Freight (HK) Limited (as Tenant), an indirect wholly-owned subsidiary of the Company, the Tenant rented Unit 1106 of the property from the Landlord for a term of two years commencing on 1 October 2011 and expiring on 30 September 2013 at a monthly rent of HK\$30,551 exclusive of rates, Government rent, management fee and air-conditioning charges.
- Pursuant to a tenancy agreement dated 20 March 2009 and a memorandum of renewal dated 8 July 2010 entered into between Chi Kee Investment Company Limited (as Landlord) and AOE Freight (HK) Limited (as Tenant), an indirect wholly-owned subsidiary of the Company, the Tenant rented Unit 1107-8 of the property from the Landlord for a term of two years and one month commencing on 1 March 2011 and expiring on 31 March 2013 at a monthly rent of HK\$36,373 exclusive of rates, Government rent, management fee and air-conditioning charges.
- Pursuant to another tenancy agreement entered into between Chi Kee Investment Company Limited (as Landlord) and AOE Freight (HK) Limited (as Tenant) on 8 July 2010, the Tenant rented Unit 1109 of the property from the Landlord for a term of two years and one month commencing on 1 March 2011 and expiring on 31 March 2013 at a monthly rent of HK\$13,804 exclusive of rates, Government rent, management fee and air-conditioning charges.
- Pursuant to another tenancy agreement entered into between Chi Kee Investment Company Limited (as Landlord) and AOE Freight (HK) Limited (as Tenant) on 14 April 2010, the Tenant rented Unit 1110 of the property from the Landlord for a term of two years and eleven months commencing on 1 May 2010 and expiring on 31 March 2013 at a monthly rent of HK\$11,758 exclusive of rates, Government rent, management fee and air-conditioning charges.



6. Pursuant to another tenancy agreement entered into between Chi Kee Investment Company Limited (as Landlord) and AOE Freight (HK) Limited (as Tenant) on 18 October 2010, the Tenant rented Unit 1111-12 of the property from the Landlord for a term of two years and three months commencing on 1 January 2011 and expiring on 31 March 2013 at a monthly rent of HK\$42,949 exclusive of rates, Government rent, management fee and air-conditioning charges.
7. The property lies within an area zoned for "Other Specified Uses (Business)" under the Kwun Tong South Outline Zoning Plan No. S/K14S/16.

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 30 September 2011 HK\$
2. Unit 9Q, Taiyangdao Building, Dongmen South Road, Luohu District, Shenzhen City, Guangdong Province, the PRC.  (廣東省深圳市羅湖 區東門南路太陽島大 廈9Q室)	<p>The property comprises one office unit on Level 9 of a 32-storey office building completed in about 2002.</p> <p>The property has a gross floor area of approximately 102.02 sq.m.</p> <p>The property is rented by the Group under a tenancy agreement commencing on 23 March 2010 and expiring on 31 December 2012 for office use at a monthly rent of RMB5,101 exclusive of management fee, water and electricity charges.</p>	<p>The property is occupied by the Group as office.</p>	<p>No commercial value</p>

*Notes:*

1. As stipulated in a Building and Land Ownership Certificate (Ref. Shen Fang Di Zi Di No. 2000247472 (深房地字第2000247472號) dated 29 March 2005, the property is held by Zhang Ye Li (張葉莉).
2. Pursuant to a tenancy agreement entered into between Zhang Ye Li (as Landlord) and AOE Freight (Shenzhen) Limited (瀚洋國際貨運代理(深圳)有限公司) (as Tenant) on 24 March 2010, the Tenant rented the property from the Landlord for a term commencing on 23 March 2010 and expiring on 31 December 2012 for office use at a monthly rent of RMB5,101 exclusive of management fee, water and electricity charges.
3. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal adviser, which contains, inter alia, the followings:
  - i. Pursuant to a tenancy agreement dated 24 March 2010, AOE Freight (Shenzhen) Limited has leased the property with a gross floor area of approximately 102.02 square metres for a term commencing on 23 March 2010 and expiring on 31 December 2012 at a monthly rent of RMB5,101;
  - ii. Pursuant to a Building and Land Ownership Certificate (Ref. Shen Fang Di Zi Di No. 2000247472 (深房地字第2000247472號)), Zhang Ye Li legally owns the property and is entitled to lease the property;
  - iii. The tenancy agreements are valid, are binding on both parties to the agreements and are enforceable under the PRC laws; and
  - iv. The tenancy agreements have been registered with the relevant government authority. AOE Freight (Shenzhen) Limited is entitled to occupy and use the property in accordance with the tenancy agreements.

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 30 September 2011 HK\$
3. Unit 2205, Shun Hing Square, Shennan East Road, Luohu District, Shenzhen City, Guangdong Province, the PRC.  (廣東省深圳市 羅湖區深南東路 信興廣場2205室)	<p>The property comprises one office unit on Level 22 of a 69-storey office building completed in about 1996.</p> <p>The property has a gross floor area of approximately 131.36 sq.m.</p> <p>The property is rented by the Group under a tenancy agreement for a term commencing on 8 December 2010 and expiring on 7 October 2012 for office use at a monthly rent of RMB18,390.40 exclusive of management fee, water and electricity charges.</p>	The property is occupied by the Group as office.	No commercial value

*Notes:*

1. As stipulated in a Building and Land Ownership Certificate (Ref. Shen Fang Di Zi Di No. 2000517827 (深房地字第2000517827號)) dated 30 November 2010, the property is held by Hong Jun Jie (洪俊傑).
2. Pursuant to a tenancy agreement entered into between Hong Jun Jie (洪俊傑) (as Landlord) and Pacific Empire International (Shenzhen) Limited (盛太國際貨運代理(深圳)有限公司), an indirect wholly-owned subsidiary of the Company, (as Tenant) on 13 December 2010, the Landlord rented the property from the Tenant for a term commencing on 8 December 2010 and expiring on 7 October 2012 for office use at a monthly rent of RMB18,390.40 exclusive of management fee, water and electricity charges.
3. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal adviser, which contains, inter alia, the followings:
  - i. Pursuant to a tenancy agreement dated 13 December 2010, Pacific Empire International (Shenzhen) Limited has leased the property with a gross floor area of approximately 131.36 square metres for a term commencing on 8 December 2010 and expiring on 7 October 2012 at a monthly rent of RMB18,390.40;
  - ii. Pursuant to a Building and Land Ownership Certificate (Ref. Shen Fang Di Zi Di No. 2000517827 (深房地字第2000517827號)), Hong Jun Jie legally owns the property and is entitled to lease the property;
  - iii. The tenancy agreement is valid, is binding on both parties to the agreement and is enforceable under the PRC laws; and
  - iv. The Tenancy Agreement has been registered with the relevant government authority. Pacific Empire International (Shenzhen) Limited is entitled to occupy and use the property in accordance with the tenancy agreement.

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 30 September 2011 HK\$
4. Room 103, Block B, Hopeway Logistics Center, No.102 Xinghua Road, Xingwei Village, Baoan District, Shenzhen City, Guangdong Province, the PRC.  (廣東省深圳市寶安區興圍村興華路102號興圍物流中心B棟103房)	<p>The property comprises one industrial unit on Level 1 of a 6-industrial building completed in the 2000s.</p> <p>The property has a gross floor area of approximately 113.4 sq.m.</p> <p>The property is rented by the Group under a tenancy agreement for a term commencing on 26 December 2010 and expiring on 25 December 2011 for warehouse use at a monthly rent of RMB5,443 inclusive of management fee but exclusive of water and electricity charges.</p>	The property is occupied by the Group as ancillary office for internal communication purpose.	No commercial value

*Notes:*

1. Pursuant to a tenancy agreement entered into between Shenzhen Hopeway Logistics Co., Ltd. (深圳市興圍物流有限公司) (as Tenant) and AOE Freight (Shenzhen) Limited (瀚洋國際貨運代理(深圳)有限公司), an indirect wholly-owned subsidiary of the Company, (as Sub-Tenant) on 21 December 2010, the Sub-Tenant rented the property from the Tenant for a term commencing on 26 December 2010 and expiring on 25 December 2011 at a monthly rent of RMB5,103 exclusive of management fee, water and electricity charges.
2. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal adviser, which contains, inter alia, the followings:
  - i. Pursuant to certificate (寶安區自建房使用權利證明) issued by Bao'an Fuyong Jiedao Xingwei Residents Committee (寶安區福永街道興圍社區居民委員會) on 12 July 2011, Shenzhen Hopeway Cooperative Company (深圳市興圍股份合作公司) (as Landlord) is the owner of the property;
  - ii. As confirmed by the Group, Shenzhen Hopeway Logistics Co., Ltd. (深圳市興圍物流有限公司) rented the property from the Shenzhen Hopeway Cooperative Company (深圳市興圍股份合作公司);
  - iii. Pursuant to a tenancy agreement dated 21 December 2010, Shenzhen Hopeway Logistics Co., Ltd. (深圳市興圍物流有限公司) sub-leased the property with a gross floor area of approximately 113.4 square metres to AOE Freight (Shenzhen) Limited for a term commencing 26 December 2010 and expiring on 25 December 2011 at a monthly rent of RMB5,443 inclusive of management fee;
  - iv. As Shenzhen Hopeway Logistics Co., Ltd. (深圳市興圍物流有限公司) unable to provide the title document and the Landlord's consent to sub-lease the property, the PRC lawyers cannot ascertain Shenzhen Hopeway Logistics Co., Ltd. has the right to sub-lease the property. If the Shenzhen Hopeway Logistics Co., Ltd. does not hold the right to sub-lease the property, the aforesaid tenancy agreement may be null and void; and
  - v. there will have no material adverse effect to the business and operation of the Company if the aforesaid Tenancy Agreement is judged to be invalid as the property is occupied by the Group as ancillary office for internal communication purpose.

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 30 September 2011 HK\$
5. Unit A on Level 12, Dongjian Building, No. 121 Fenjiang Middle Road, Foshan City, Guangdong Province, the PRC.  (廣東省佛山市汾江中路121號東建大廈12A)	<p>The property comprises one office unit on Level 12 of a 33-storey office building completed in about 1996.</p> <p>The property has a gross floor area of approximately 102.56 sq.m.</p> <p>The property is rented by the Group under a tenancy agreement for a term of one year commencing on 19 March 2011 and expiring on 18 March 2012 for office use at a monthly rent of RMB3,282 exclusive of management fee, water and electricity charges.</p>	The property is occupied by the Group as administrative offices.	No commercial value

*Notes:*

1. As stipulated in a Building and Land Ownership Certificate (Ref. Yue Fang Di Quan Zheng Fo Zi Di No. 0100060959 (粵房地權証佛字第0100060959號)) dated 17 February 2011, the property is held by Yang Yi Yun (楊藝蘊).
2. Pursuant to a tenancy agreement entered into between Foshan Shijie Dongfang Property Management Co., Ltd. (佛山市世界東方物業經營管理有限公司) (as a leasing representative on behalf of Yang Yi Yun) and AOE Freight (Shenzhen) Limited (瀚洋國際貨運代理(深圳)有限公司), an indirect wholly-owned subsidiary of the Company, (as Tenant) on 19 January 2011, the Tenant rented the property from the Yang Yi Yun for a term of one year commencing on 19 March 2011 and expiring on 18 March 2012 for office use at a monthly rent of RMB3,282 exclusive of management fee, water and electricity charges.
3. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal adviser, which contains, inter alia, the followings:
  - i. Pursuant to a tenancy agreement dated 19 January 2011, AOE Freight (Shenzhen) Limited has leased the property with a gross floor area of approximately 102.56 square metres for a term commencing on 19 March 2011 and expiring on 18 March 2012 for office use at a monthly rent of RMB3,282;
  - ii. Pursuant to a Building and Land Ownership Certificate (Ref. Yue Fang Di Quan Zheng Fo Zi Di No. 0100060959 (粵房地權証佛字第0100060959號)), Yang Yi Yun legally owns the property and is entitled to lease the property;
  - iii. Pursuant to a Property Leasing Authorization Agreement (代理租賃委託合同) entered into between Yang Yi Yun (楊藝蘊) and Foshan Shijie Dongfang Property Management Co., Ltd. (佛山市世界東方物業經營管理有限公司) on 22 March 2011, Foshan Shijie Dongfang Property Management Co., Ltd. was appointed the leasing representative to execute the tenancy agreement on behalf of Yang Yi Yun;
  - iv. Pursuant to a Building and Land Ownership Certificate (Ref. Shen Fang Di Zi Di No. 2000247472 (深房地字第2000247472號)), Zhang Ye Li legally owns the property and is entitled to lease the property;
  - v. The tenancy agreement is valid, is binding on both parties to the agreement and is enforceable under the PRC laws; and
  - vi. The Tenancy Agreement has been registered with the relevant government authority. AOE Freight (Shenzhen) Limited is entitled to occupy and use the property in accordance with the tenancy agreement;

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 30 September 2011 HK\$
6. Unit 2213, Level 22, Block 1, Lan Tian Jun Hotel Apartment, No. 666 Jinggangshan Avenue, Qingyunpu District, Nanchang City, Jiangxi Province, the PRC.  (江西省南昌市青雲譜區井岡山大道666號藍天郡酒店式公寓第1棟22層2213室)	<p>The property comprises one residential/office unit on Level 22 of a 31-storey residential/office building completed in about 1998.</p> <p>The property has a gross floor area of approximately 36.92 sq.m.</p> <p>The property is rented by the Group under a tenancy agreement for a term commencing on 1 January 2011 and expiring on 31 December 2011 for office use at a monthly rent of RMB1,000 exclusive of management fee, water and electricity charges.</p>	The property is occupied by the Group as office.	No commercial value

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*Notes:*

1. Pursuant to an Agreement for Sale and Purchase (商品房買賣合同) dated 13 December 2010, Wu Xiao Hong (巫小紅) acquired the property from Jiangxi Minhang Properties Limited (江西民航置業有限公司).
2. Pursuant to a tenancy agreement entered into between Wu Xiao Hong (as Landlord) and AOE Freight (Shenzhen) Limited — Nanchang Sub-Branch (瀚洋國際貨運代理(深圳)有限公司南昌分公司), an indirect wholly-owned subsidiary of the Company, (as Tenant) on 1 January 2011, the Tenant rented the property from the Landlord for a term commencing on 1 January 2010 and expiring on 31 December 2011 for office use at a monthly rent of RMB1,000 exclusive of management fee, water and electricity charges.
3. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal adviser, which contains, inter alia, the followings:
  - i. Pursuant to a tenancy agreement dated 1 January 2011, AOE Freight (Shenzhen) Limited — Nanchang Sub-Branch has leased the property with a gross floor area of approximately 36.92 square metres for a term commencing on 1 January 2010 and expiring on 31 December 2011 at a monthly rent of RMB1,000;
  - ii. The property is allowed to be used for office purposes;
  - iii. The tenancy agreement has not been duly registered; and
  - iv. Under the relevant property leasing regulations of Nanchang City, the leasing of property of which the Building Ownership Certificate is not yet issued is violating the property leasing regulations and the tenancy agreement may be rendered invalid.

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 30 September 2011 <i>HK\$</i>
7. Room 1510, Huai Hai China Tower, No. 885 Renmin Road, Huangpu District, Shanghai City, the PRC.  (上海市黃浦區人民 路885號淮海中華大 廈1510室)	The property comprises one office unit on Level 15 of a 28-storey office building completed in about 2003.  The property has a gross floor area of approximately 99.52 sq.m.  The property is rented by the Group under a tenancy agreement for term commencing on 1 November 2010 and expiring on 1 November 2012 for office use at a monthly rent of RMB13,016 exclusive of management fee, water and electricity charges.	The property is occupied by the Group as office.	No commercial value

*Notes:*

1. As stipulated in a Shanghai Certificate of Real Estate Ownership (Ref. Hu Fang Di Huang Zi Di No. 000001 (滬房地黃字2009第000001號)) dated 4 January 2009, the property of is held by Leng Hui (冷暉) and Li Zhao Zhen (厲兆震).
2. Pursuant to a tenancy agreement entered into between Leng Hui and Li Zhao Zhen (as Landlord) and AOE Freight (Shenzhen) Limited — Shanghai Sub-Branch (瀚洋國際貨運代理(深圳)有限公司上海分公司), an indirect wholly-owned subsidiary of the Company, (as Tenant) on 1 November 2010, the Tenant rented the property from the Landlord for a term of one year commencing on 1 November 2010 and expiring on 1 November 2012 for office use at a monthly rent of RMB13,016 exclusive of rates, Government rent, management fee and air-conditioning charges.
3. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal adviser, which contains, inter alia, the followings:
  - i. Pursuant to a tenancy agreement in November 2010, AOE Freight (Shenzhen) Limited — Shanghai Sub-Branch has leased the property from Leng Hui and Li Zhao Zhen with a gross floor area of approximately 99.52 square metres for a term commencing on 1 November 2010 and expiring on 1 November 2012 at a monthly rent of RMB13,016;
  - ii. Leng Hui and Li Zhao Zhen legally owns the property and are entitled to lease the property;
  - iii. The tenancy agreement is valid, is binding on both parties to the agreement and is enforceable under the PRC laws; and
  - iv. The Tenancy Agreement has been registered with the relevant government authority. AOE Freight (Shenzhen) Limited is entitled to occupy and use the property in accordance with the tenancy agreement.

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 30 September 2011 HK\$
8. Room 709, Level 7, Yizhong Building, No.48 Zhongshan Second Road, Shiqi District, Zhongshan City, Guangdong Province, the PRC.  (廣東省中山市 石岐區中山二路48號怡中大廈7樓709室)	<p>The property comprises one industrial unit on Level 7 of a 7-storey industrial building completed in the 2000s.</p> <p>The property has a gross floor area of approximately 80 sq.m.</p> <p>The property is rented by the Group under a tenancy agreement for a term commencing on 1 September 2011 and expiring on 31 August 2013 for office use at a monthly rent of RMB2,590 exclusive of management fee, water and electricity charges.</p>	The property is occupied by the Group as ancillary office.	No commercial value

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*Notes:*

1. Pursuant to a tenancy agreement entered into between Zhongshan Dali Garments Co., Ltd. (中山市大麗服裝有限公司) (as Landlord) and AOE Freight (Shenzhen) Limited (瀚洋國際貨運代理(深圳)有限公司), an indirect wholly-owned subsidiary of the Company, (as Tenant) on 1 September 2011, the Tenant rented the property from the Landlord for a term commencing on 1 September 2011 and expiring on 31 August 2013 for office use at a monthly rent of RMB2,590 exclusive of management fee, water and electricity charges.
2. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal adviser, which contains, inter alia, the followings:
  - i. Pursuant to a tenancy agreement dated 1 September 2011, AOE Freight (Shenzhen) Limited has leased the property from Zhongshan Dali Garments Co., Ltd. with a gross floor area of approximately 80 sq.m. for a term commencing on 1 September 2011 and expiring on 31 August 2013 for office use at a monthly rent of RMB2,590;
  - ii. Pursuant to a Building and Land Ownership Certificate, the property is held by Zhongshan Dali Garments Co., Ltd. (中山市大麗服裝有限公司). Zhongshan Dali Garments Co., Ltd. is entitled to lease the property;
  - iii. The tenancy agreement is valid, is binding on both parties to the agreement and is enforceable under the PRC laws; and
  - iv. The Tenancy Agreement has been registered with the relevant government authority. AOE Freight (Shenzhen) Limited is entitled to occupy and use the property in accordance with the tenancy agreement.

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 30 September 2011 HK\$
9. Units 1009-1011, Holdround Plaza, No. 2 Danan Road, Yuexiu District, Guangzhou City, Guangdong Province, the PRC.  (廣東省廣州市越秀區大南路2號合潤廣場1009-1011室)	<p>The property comprises three office units on Level 10 of a 43-storey office building completed in about 2005.</p> <p>The property has a gross floor area of approximately 205.68 sq.m.</p> <p>The property is rented by the Group under three tenancy agreements for the terms all expiring on 30 November 2011 for office use at a total monthly rent of RMB13,293 exclusive of management fee, water and electricity charges.</p>	The property is occupied by the Group as office.	No commercial value

*Notes:*

1. As stipulated in a Building and Land Ownership Certificate (Ref. Yue Fang Di Zheng Zi Di No. C6795040 (粵房地証字第C6795040號)), Unit 1009 of the property is held by Wu Ting Zhang (吳挺章).
2. As stipulated in another Building and Land Ownership Certificate (Ref. Yue Fang Di Zheng Zi Di No. C6795019 (粵房地証字第C6795019號)), Unit 1010 of the property is held by Wu Jia Xin (吳嘉欣).
3. As stipulated in another Building and Land Ownership Certificate (Ref. Yue Fang Di Zheng Zi Di No. C6801375 (粵房地証字第C6801375號)), Unit 1011 of the property is held by Xie Jing An (謝靜安).
4. Pursuant to a tenancy agreement entered into between Wu Ting Zhang (as Landlord) and AOE Freight (Shenzhen) Limited — Guangzhou Sub-Branch (瀚洋國際貨運代理(深圳)有限公司廣州分公司), an indirect wholly-owned subsidiary of the Company, (as Tenant) on 1 March 2010, the Tenant rented of the property (Unit 1009) from the Landlord for a term commencing on 1 March 2011 for office use and expiring on 30 November 2011 at a monthly rent of RMB4,589.70 exclusive of management fee, water and electricity charges.
5. Pursuant to a tenancy agreement entered into between Wu Jia Xin (as Landlord) and AOE Freight (Shenzhen) Limited — Guangzhou Sub-Branch (as Tenant), the Tenant rented the property (Unit 1010) from the Landlord for a term commencing on 1 December 2010 and expiring on 30 November 2011 for office use at a monthly rent of RMB4,589.70 exclusive of management fee, water and electricity charges.
6. Pursuant to a tenancy agreement entered into between Xie Jing An (as Landlord) and Pacific Empire International (Shenzhen) Limited (盛太國際貨運代理(深圳)有限公司) (as Tenant), the Tenant rented the property (Unit 1011) from the Landlord for a term commencing on 1 December 2010 and expiring on 30 November 2011 for office use at a monthly rent of RMB4,113.60 exclusive of management fee, water and electricity charges.
7. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal adviser, which contains, inter alia, the followings:
  - i. Pursuant to a tenancy agreement dated 1 March 2011, AOE Freight (Shenzhen) Limited — Guangzhou Sub-Branch has leased the property (Unit 1009) with a gross floor area of approximately 68.56 square metres for a term commencing on 1 March 2011 and expiring on 30 November 2011 at a monthly rent of RMB4,589.70;



- ii. Pursuant to a tenancy agreement dated 1 December 2009, AOE Freight (Shenzhen) Limited — Guangzhou Sub-Branch has leased the property (Unit 1010) with a gross floor area of approximately 68.56 square metres for a term commencing on 1 December 2010 and expiring on 30 November 2011 at a monthly rent of RMB4,589.70;
- iii. Pursuant to a tenancy agreement dated 1 December 2010, Pacific Empire International (Shenzhen) Limited (盛太國際貨運代理(深圳)有限公司) has leased the property (Unit 1011) with a gross floor area of approximately 68.56 square metres for a term commencing on 1 December 2010 and expiring on 30 November 2011 at a monthly rent of RMB4,113.60;
- iv. Pursuant to a Building and Land Ownership Certificate (Ref. Yue Fang Di Zheng Zi Di No. C6795040 (粵房地証字第C6795040號)), Wu Ting Zhang legally owns the property and is entitled to lease the property;
- v. Pursuant to a Building and Land Ownership Certificate (Ref. Yue Fang Di Zheng Zi Di No. C6795019 (粵房地証字第C6795019號)), Wu Jia Xin legally owns the property and is entitled to lease the property;
- vi. Pursuant to a Building and Land Ownership Certificate (Ref. Yue Fang Di Zheng Zi Di No. C6801375 (粵房地証字第C6801375號)), Xie Jing An legally owns the property and is entitled to lease the property;
- vii. The tenancy agreements are valid, are binding on both parties to the agreements and are enforceable under the PRC laws; and
- viii. The tenancy agreements have been registered with the relevant government authority. AOE Freight (Shenzhen) Limited — Guangzhou Sub-Branch and Pacific Empire International (Shenzhen) Limited are entitled to occupy and use the property in accordance with the tenancy agreement.

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 30 September 2011 HK\$
10. No. 232, Level 2, Tianjin Aviation Cargo Services Co., Ltd. Office Building, Jichang 6th Road, Dongli District, Tianjin City, the PRC.  (天津市東麗區機場6號路天津空港貨運有限公司辦公樓二層232號)	<p>The property comprises one office unit on Level 2 of a 5-storey office building completed in about 2005.</p> <p>The property has a gross floor area of approximately 48 sq.m.</p> <p>The property is rented by the Group under a tenancy agreement for a term of one year commencing on 1 May 2011 and expiring on 30 April 2012 for office use at a monthly rent of RMB6,292 inclusive of management fee but exclusive of other charges.</p>	The property is occupied by the Group as office.	No commercial value

*Notes:*

1. Pursuant to a tenancy agreement entered into between Tianjin Aviation Cargo Services Co., Ltd. (天津空港貨運有限公司) and Pacific Empire International (Shenzhen) Limited — Tianjin Sub-Branch (盛太國際貨運代理(深圳)有限公司天津分公司), an indirect wholly-owned subsidiary of the Company, (as Tenant) on 1 May 2011, the Tenant rented the property from Tianjin Aviation Cargo Services Co., Ltd. for a term commencing on 1 May 2011 and expiring on 30 April 2012 for office use at a monthly rent of RMB6,292 inclusive of management fee but exclusive of other charges.
2. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal adviser, which contains, inter alia, the followings:
  - i. Pursuant to a tenancy agreement dated 1 May 2011, Pacific Empire International (Shenzhen) Limited — Tianjin Sub-Branch has leased the property with a gross floor area of approximately 48 square metres from Tianjin Aviation Cargo Services Co., Ltd. for a term commencing on 1 May 2011 and expiring on 30 April 2012 for office use at a monthly rent of RMB6,292;
  - ii. Pursuant to a certificate issued by Tianjin Binhai International Airport (天津濱海國際機場) dated 13 October 2010, Tianjin Binhai International Airport is the owner of the property and has given Tianjin Aviation Cargo Services Co., Ltd. consent to lease out the property for office use;
  - iii. According to a written confirmation dated 13 October 2010 issued by the Tianjin Hai Bin International Airport (天津濱海國際機場), the property is held by the Tianjin Hai Bin International Airport. The Tianjin Hai Bin International Airport has authorized Tianjin Aviation Cargo Services Co., Ltd. to lease out the property to third parties for office uses;
  - iv. The tenancy agreement of the property has been duly registered in the Tianjin Land Resources and Property Administrative Bureau;
  - v. As advised by Pacific Empire International (Shenzhen) Limited — Tianjin Sub-Branch, the land on which the property is being erected have been granted by way of administrative allocation;

- vi. The Tianjin Hai Bin International Airport has not yet been issued the Building Ownership Certificate of the property. The Tianjin Land Resources and Property Administrative Bureau has also refused to provide any information to the PRC Lawyers. As a result, the nature of land use rights of the property cannot be ascertained by the PRC Lawyers; and
  
- vii. Pacific Empire International (Shenzhen) Limited — Tianjin Sub-Branch is subject to legal risk on leasing and occupying the property. Since the Tianjin Land Resources and Property Administrative Bureau has accepted registration application of the tenancy agreement of the property, the aforesaid legal risk exposed by Pacific Empire International (Shenzhen) Limited — Tianjin Sub-Branch is considered to be very low.

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 30 September 2011 HK\$
11. Unit D, Level 20, No.86 Renmin South Road, Qingyang District, Chengdu City, Sichuan Province, the PRC.  (四川省成都市青羊區人民南路一段86號20樓D單位)	<p>The property comprises one office unit on Level 20 of a 33-storey office building completed in about 2006.</p> <p>The property has a gross floor area of approximately 57.35 sq.m.</p> <p>The property is rented by the Group under a tenancy agreement for a term of two years commencing on 6 October 2010 and expiring on 5 October 2012 for office use at a monthly rent of RMB5,448 exclusive of management fee, water and electricity charges.</p>	The property is occupied by the Group as office.	No commercial value

*Notes:*

1. As stipulated in a Building Ownership Certificate (Ref. Rong Fang Quan Zheng Cheng Fang Jian Zheng Zi Di No. 0979890 (蓉房權証成房監証字第0979890號)) dated 22 December 2003, the property is held by Chengdu Hantian Property Development Co., Ltd. (成都漢天物業開發有限公司).
2. Pursuant to a tenancy agreement entered into between Chengdu Hantian Property Development Co., Ltd. (成都漢天物業開發有限公司) (as Landlord) and Pacific Empire International (Shenzhen) Limited (盛太國際貨運代理(深圳)有限公司), an indirect wholly-owned subsidiary of the Company, (as Tenant) on 25 June 2010, the Tenant rented the property from the Landlord for a term of two years commencing on 6 October 2010 and expiring on 5 October 2012 for office use at a monthly rent of RMB5,448 exclusive of management fee, water and electricity charges.
3. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal adviser, which contains, inter alia, the followings:
  - i. Pursuant to a tenancy agreement dated 25 June 2010, Pacific Empire International (Shenzhen) Limited has leased the property from Chengdu Hantian Property Development Co., Ltd. for a term commencing on 6 October 2010 and expiring on 5 October 2012 at a monthly rent of RMB5,448;
  - ii. Pursuant to Building Ownership Certificate (Ref. Rong Fang Quan Zheng Cheng Fang Jian Zheng Zi Di No. 0979890 (蓉房權証成房監証字第0979890號)), Chengdu Hantian Property Development Co., Ltd. legally owns the property and is entitled to lease the property;
  - iii. The tenancy agreement is valid, is binding on both parties to the agreement and is enforceable under the PRC laws; and
  - iv. The Tenancy Agreement has been registered with the relevant government authority. Pacific Empire International (Shenzhen) Limited is entitled to occupy and use the property in accordance with the tenancy agreement.

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 30 September 2011 HK\$
12. Room 318, District B, Hangzhou Xiaoshan International Airport - Air Cargo Terminal Hangzhou City, Zhejiang Province, the PRC.  (浙江省杭州市蕭山國際機場航空貨站B區318)	<p>The property comprises one office unit on Level 3 of a 3-storey warehouse building completed in about 2001.</p> <p>The property has a gross floor area of approximately 43.9 sq.m.</p> <p>The property is rented by the Group under a tenancy agreement for a term of twelve months commencing on 1 January 2011 and expiring on 31 December 2011 for office use at an annual rent of RMB123,798 exclusive of management fees and other outgoings.</p>	The property is occupied by the Group as office.	No commercial value

*Notes:*

1. Pursuant to a tenancy agreement entered into between Hangzhou Xiaoshan International Airport - Air Cargo Terminal Co., Ltd. (杭州蕭山國際機場航空貨站有限公司)(as Landlord) and Pacific Empire International Limited (Shenzhen) Limited — Hangzhou Sub-Branch (盛太國際貨運代理(深圳)有限公司杭州分公司), an indirect wholly-owned subsidiary of the Company, (as Tenant) on 22 February 2011, the Tenant rented the property from the Landlord for a term of twelve months commencing on 1 January 2011 and expiring on 31 December 2011 for office use at an annual rent of RMB123,798 exclusive of management fees and other outgoings.
2. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal adviser, which contains, inter alia, the followings:
  - i. Pursuant to a tenancy agreement dated 22 February 2011, Pacific Empire International (Shenzhen) Limited — Hangzhou Sub-Branch (盛太國際貨運代理(深圳)有限公司杭州分公司) has leased the property from Hangzhou Xiaoshan International Airport — Air Cargo Terminal Co., Ltd. (杭州蕭山國際機場航空貨站有限公司) for a term of twelve months commencing on 1 January 2011 and expiring on 31 December 2011 for office use at an annual rent of RMB123,798;
  - ii. Pursuant to a Planning Permit for Construction Works (建設工程規劃許可証) issued by Hangzhou Xiaoshan District Construction Bureau (杭州市蕭山區建設局) dated 8 April 2005, the construction works carried out in the subject land parcel has been certified as compliance with town planning requirements and granted approval;
  - iii. Pursuant to a land use rights certificate (ref: Hang Xiao Guo Yong (2009) Di No. 1200003 (杭蕭國用(2009)第1200003號)) dated 12 June 2009, the land use rights of the property have been granted to Hangzhou Xiaoshan International Airport Company Limited (杭州蕭山國際機場有限公司);
  - iv. The tenancy agreement has not been duly registered; and
  - v. Hangzhou Xiaoshan International Airport Company Limited has not yet been issued the Building Ownership Certificate of the property. Under the relevant property leasing regulations of Hangzhou City, the leasing of property of which the Building Ownership Certificate is not yet issued is violating the property leasing regulations and the tenancy agreement may be rendered invalid.

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 30 September 2011 HK\$
13. Room 408, Block 2, Hangzhou Xiaoshan Wanfeng Mechanical and Electrical Market, Beigan Jiedao, Hangzhou City Zhejiang Province, the PRC.  (浙江省杭州市蕭山區北幹街道杭州蕭山萬豐機電市場2幢408室)	<p>The property comprises one office unit on Level 4 of a 6-storey warehouse building completed in the 2000s.</p> <p>The property has a gross floor area of approximately 44.19 sq.m.</p> <p>The property is rented by the Group under a tenancy agreement for a term commencing on 16 January 2010 and expiring on 30 July 2011 for office use at a monthly rent of RMB900. As at the valuation date, the Group has taken necessary steps to relocate its office to another premise.</p>	The property is occupied by the Group as office rooms.	No commercial value

*Notes:*

1. As stipulated in a Building Ownership Certificate (Ref. Hang Fang Quan Zheng Xiao Zi Di No. 00071775 (杭房權証蕭字第00071775號)) dated 25 May 2009, the property is held by Du Bo Tao (杜伯濤) and Li Ming Juan (李明娟).
2. Pursuant to a tenancy agreement entered into between Du Bo Tao (as Landlord) and Pacific Empire International (Shenzhen) Limited (盛太國際貨運代理(深圳)有限公司), an indirect wholly-owned subsidiary of the Company, (as Tenant) on 15 January 2010, the Tenant rented the property from the Landlord for a term commencing on 16 January 2010 and expiring on 30 July 2011 for office use at a monthly rent of RMB900.
3. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal adviser, which contains, inter alia, the followings:
  - i. Pursuant to a tenancy agreement dated 15 January 2010, Pacific Empire International (Shenzhen) Limited has leased the property from Du Bo Tao for a term commencing on 16 January 2010 and expiring on 30 July 2011 for office use at a monthly rent of RMB900;
  - ii. Pursuant to Building Ownership Certificate (Ref. Hang Fang Quan Zheng Xiao Zi Di No. 00071775 (杭房權証蕭字第00071775號)), Du Bo Tao legally owns the property and is entitled to lease the property;
  - iii. The tenancy agreement is valid, is binding on both parties to the agreement and is enforceable under the PRC laws;
  - iv. As confirmed by the Company, the lessee is still occupying the property without payment of rent to the lessor in the same manner as stated in the expired tenancy. Under the relevant laws of the PRC, the lessee who has not been ousted from the property by the lessor upon expiry of the tenancy is implicitly granted permission by the lessor to occupy the same property under the same terms and conditions of the expired tenancy; and
  - v. The Tenancy Agreement has been registered with the relevant government authority. Pacific Empire International (Shenzhen) Limited is entitled to occupy and use the property in accordance with the tenancy agreement.

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 30 September 2011 <i>HK\$</i>
14. Unit C, 2/F, CAM Office Building 4 Andar, Avenida Wai Long, Taipa, Macau	<p>The property comprises one office unit on 2nd Floor of a 6-storey office building completed in about 2005.</p> <p>The property has a gross floor area of approximately 41.81 sq.m. (450 sq.ft.).</p> <p>The property is rented by the Group under a tenancy agreement for a term commencing on 18 May 2009 and expiring on 17 May 2012 for office use at a monthly rent of HK\$4,776 exclusive of management fee and other outgoings.</p>	The property is occupied by the Group as office.	No commercial value

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*Notes:*

- The property is held by Macau International Airport Company, Limited (澳門國際機場專營股份有限公司) registered via a certificate issued by the Real Property Registry certifying that the property with registry no. 22035.
- Pursuant to a tenancy agreement dated 5 May 2009 and a renewal letter dated 17 May 2011 entered into between Macau International Airport Company, Limited (as Landlord) and Pacific Empire International Limited, an indirect wholly-owned subsidiary of the Company, (as Tenant) on 29 April 2009, the Tenant rented the property from the Landlord for a term commencing on 18 May 2009 and expiring on 17 May 2012 for office use at a monthly rent of HK\$4,776 exclusive of management fee and other outgoings.

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 30 September 2011 HK\$
15. Level 8, No. 82 Jianguo North Road (Section 2), Taipei City, Taiwan  (台灣臺北市建國北 路二段82號8樓)	<p>The property comprises one office unit on 2nd Floor of a 12-storey office building completed in about 1985.</p> <p>The property has a gross floor area of approximately 49.5 sq.m.</p> <p>The property is rented by the Group under a tenancy agreement for a term commencing on 1 January 2011 and expiring on 31 December 2012 for office use at a monthly rent of TWD15,000 exclusive of water and electricity charges.</p>	The property is occupied by the Group as office.	No commercial value

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*Notes:*

- Pursuant to a tenancy agreement entered into between Chen Wen (陳玟) (as Landlord) and Star Cargo (Taiwan) Limited (台灣太平洋星聯物流有限公司), an indirect wholly-owned subsidiary of the Company, (as Tenant), the Tenant rented the property from the Landlord for a term commencing on 1 January 2011 and expiring on 31 December 2012 for office use at a monthly rent of TWD15,000 exclusive of water and electricity charges.
- As confirmed by the Company's legal adviser, the legal owner of the property is Chen Wen (陳玟) and the tenancy agreement is valid and enforceable under the applicable Taiwan laws and Star Cargo (Taiwan) Limited has the right to use the property according to tenancy agreement.



Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 30 September 2011 <i>HK\$</i>
16. Room 5B55, Level 5, No. 8-1 Hangqin North Road, Dayuan Township, Taoyuan County, Taiwan  (台灣桃園縣大園鄉 航勤北路8-1號5 樓5B55室)	<p>The property comprises one office unit on Level 5 of a 5-storey warehouse building completed in about 2001.</p> <p>The property has a gross floor area of approximately 79.3 sq.m.</p> <p>The property is rented by the Group under a tenancy agreement for a term commencing on 1 July 2009 and expiring on 30 June 2010 for office use at a monthly rent of TWD37,838 exclusive of electricity charges.</p> <p>As confirmed by Company, the tenancy has been automatically extended to 30 June 2012 in accordance with the terms of the tenancy agreement.</p>	The property is occupied by the Group as office.	No commercial value

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*Notes:*

- Pursuant to a tenancy agreement entered into between Evergreen Air Cargo Services Corporation (長榮空運倉儲股份有限公司) (as Landlord) and Star Cargo (Taiwan) Limited (台灣太平洋星聯物流有限公司), an indirect wholly-owned subsidiary of the Company, (as Tenant) on 30 June 2009, the Tenant rented the property from the Landlord for a term commencing on 1 July 2009 and expiring on 30 June 2010 for office use at a monthly rent of TWD37,838 exclusive of electricity charges. As confirmed by Company, the tenancy has been automatically extended to 30 June 2012 in accordance with the terms of the tenancy agreement.
- As confirmed by the Company's legal adviser, the legal owner of the property is Evergreen Air Cargo Services Corporation (長榮空運倉儲股份有限公司) and the tenancy agreement is valid and enforceable under the applicable Taiwan laws and Star Cargo (Taiwan) Limited has the right to use the property according to tenancy agreement.

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 30 September 2011 HK\$
17. Office on 3rd Floor, Kanou Building, 2-8-9 Hamamatsucho, Minato-ku, Tokyo City, Japan  (東京都港区浜松町2丁目8番9號)	The property comprises one office unit on 3rd Floor of a 6-storey office building completed in about 1996.  The property has a gross floor area of approximately 73.09 sq.m.  The property is rented by the Group under a tenancy agreement for a term commencing on 26 November 2010 and expiring on 25 November 2012 for office use at a monthly rent of JPY196,514 exclusive of water, electricity charges and other outgoings.	The property is occupied by the Group as office.	No commercial value

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*Notes:*

1. Pursuant to a tenancy agreement entered into between Ms. Yoko Kano (狩野洋子), Ms. Takako Kano (狩野貴子) (as Landlord) and Star Cargo (Japan) Limited, an indirect wholly-owned subsidiary of the Company, (as Tenant) on 26 November 2010, the Tenant rented the property from the Landlord for a term commencing on 26 November 2010 and expiring on 25 November 2012 for office use at a monthly rent of JPY196,514 exclusive of water and electricity charges. As confirmed by the legal adviser to the Company, the tenancy agreement is automatically renewable for a further term of 2 year unless the Company elects to terminate the tenancy agreement 3 months before expiration or the landlord elects to terminate the tenancy agreement 6 months prior to termination.
2. As confirmed by the legal adviser to the Company, the landlord is the owner of this property and has the right to lease the property as the property owner.

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## **APPENDIX IV      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW**

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Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman Islands Companies Law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 28 June 2011 under the Cayman Islands Companies Law, the Memorandum and the Articles comprise its constitution.

### **1. MEMORANDUM OF ASSOCIATION**

- (a) The Memorandum states, inter alia, that the liability of members of our Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which our Company is established are unrestricted (including acting as an investment company), and that our Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Cayman Islands Companies Law and in view of the fact that our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.
  
- (b) Our Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

### **2. ARTICLES OF ASSOCIATION**

The Articles were adopted on 3 December 2011. The following is a summary of certain provisions of the Articles:

#### **(a) Directors**

##### **(i) *Power to allot and issue shares and warrants***

Subject to the provisions of the Cayman Islands Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as our 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 our Board may determine). Subject to the Cayman Islands Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of our Company or the holder thereof, they are liable to be redeemed.

Our Board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of our Company on such terms as it may from time to time determine.

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**APPENDIX IV      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND  
CAYMAN ISLANDS COMPANIES LAW**

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Subject to the provisions of the Cayman Islands Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (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 our Company shall be at the disposal of our 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 our Company nor our 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 with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of our Board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) ***Power to dispose of the assets of our Company or any subsidiary***

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries. Our Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Cayman Islands Companies Law to be exercised or done by our Company in general meeting.

(iii) ***Compensation or payments for loss of office***

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by our Company in general meeting.

(iv) ***Loans and provision of security for loans to Directors***

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) ***Disclosure of interests in contracts with our Company or any of its subsidiaries.***

A Director may hold any other office or place of profit with our Company (except that of the auditor of our Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as our Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profits or other benefits received by him as a

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**APPENDIX IV      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND  
CAYMAN ISLANDS COMPANIES LAW**

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director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, our Board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing our Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to our Directors or officers of such other company.

Subject to the Cayman Islands Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company shall declare the nature of his interest at the meeting of our Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of our Board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of our Board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) Any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of our Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company;

- (ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 per cent or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or
- (ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of our Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) ***Remuneration***

The ordinary remuneration of our Directors shall from time to time be determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst our Directors in such proportions and in such manner as our Board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. Our Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of our Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of our Company or who performs services which in the opinion of our Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as our Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as our Board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

Our Board may establish or concur or join with other companies (being subsidiary companies of our Company or companies with which it is associated in business) in establishing and making contributions out of our Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and ex-employees of our Company and their dependents or any class or classes of such persons.

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Our Board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as our Board considers desirable, be granted to an employee either before or in anticipation of, or upon or at any time after, his actual retirement.

(vii) ***Retirement, appointment and removal***

At each annual general meeting, one third of our Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Our Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

Our Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on our Board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in our Company by way of qualification.

A Director may be removed by an ordinary resolution of our Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by our Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office or director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to our Company at the registered office of our Company for the time being or tendered at a meeting of our Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of our Board (unless an alternate director appointed by him attends) for six (6) consecutive months, and our Board resolves that his office is vacated;

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- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

Our Board may from time to time 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 our Company for such period and upon such terms as our Board may determine and our Board may revoke or terminate any of such appointments. Our Board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as our Board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by our Board.

(viii) ***Borrowing powers***

Our Board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of our Company and, subject to the Cayman Islands Companies Law, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

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*Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of our Company.*

(ix) ***Proceedings of our Board***

Our Board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think 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 an additional or casting vote.

(x) ***Register of Directors and Officers***

The Cayman Islands Companies Law and the Articles provide that our Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.



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**(b) Alterations to constitutional documents**

The Articles may be rescinded, altered or amended by our Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of our Company.

**(c) Alteration of capital**

Our Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Cayman Islands Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as our Company in general meeting or as our Directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Cayman Islands Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as our Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

Our Company may subject to the provisions of the Cayman Islands Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

**(d) Variation of rights of existing shares or classes of shares**

Subject to the Cayman Islands Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such

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separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The 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.

### **(e) Special resolution-majority required**

Pursuant to the Articles, a special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days, specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

### **(f) Voting rights (generally and on a poll) and right to demand a poll**

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member who is present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

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If a recognised clearing house (or its nominee(s)) is a member of our Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of our Company held by that clearing house (or its nominee(s)).

Where our Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

**(g) Requirements for annual general meetings**

An annual general meeting of our Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by our Board.

**(h) Accounts and audit**

Our Board shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by the Cayman Islands Companies Law or necessary to give a true and fair view of our Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as our Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of our Company except as conferred by law or authorised by our Board or our Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before our Company at its general meeting, together with a printed copy of our Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of our Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), our Company may send to such persons

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summarised financial statements derived from our Company's annual accounts and our Directors' report instead provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to summarised financial statements, a complete printed copy of our Company's annual financial statement and our Directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by our Company in general meeting or in such manner as the members may determine.

The financial statements of our Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

**(i) Notices of meetings and business to be conducted thereat**

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in subparagraph (e) above be called by at least twenty-one (21) clear days' notice in writing, and any other extraordinary general meeting shall be called by at least fourteen (14) clear days' notice (in each case exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given). The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of our Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from our Company, and also to the auditors for the time being of our Company.

Notwithstanding that a meeting of our Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of our 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, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;

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- (bb) the consideration and adoption of the accounts and balance sheet and the reports of our Directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of our Directors and of the auditors;
- (ff) the granting of any mandate or authority to our Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of our Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to our Directors to repurchase securities of our Company.

**(j) Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as our Board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as our Board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that our Board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. Our Board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

Our Board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless our Board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Cayman Islands Companies Law.

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Our Board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which our Company has a lien.

Our Board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as our Directors may from time to time require is paid to our Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as our Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as our Board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

**(k) Power for our Company to purchase its own shares**

Our Company is empowered by the Cayman Islands Companies Law and the Articles to purchase its own Shares subject to certain restrictions and our Board may only exercise this power on behalf of our Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

**(l) Power for any subsidiary of our Company to own shares in our Company**

There are no provisions in the Articles relating to ownership of shares in our Company by a subsidiary.

**(m) Financial assistance**

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Cayman Islands Companies Law does not prohibit our Company to give financial assistance for the purpose of or in connect with a purchase made or to be made by any person of any shares in our Company.

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### **(n) Dividends and other methods of distribution**

Subject to the Cayman Islands Companies Law, our 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 our Board.

The Articles provide dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which our Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Cayman Islands Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. Our Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.

Whenever our Board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our Company, our Board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as our Board may think fit. Our Company may also upon the recommendation of our Board by an ordinary resolution resolve in respect of any one particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of our Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever our Board or our Company in general meeting has resolved that a dividend be paid or declared our Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.



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All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by our Board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by our Board and shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

**(o) Proxies**

Any member of our Company entitled to attend and vote at a meeting of our 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 our Company or at a class meeting. A proxy need not be a member of our 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. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

**(p) Call on shares and forfeiture of shares**

Subject to the Articles and to the terms of allotment, our Board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent (20%) per annum as our Board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but our Board may waive payment of such interest wholly or in part. Our Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced our Company may pay interest at such rate (if any) as our Board may decide.

If a member fails to pay any call on the day appointed for payment thereof, our Board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of our 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.



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A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares, together with (if our Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent (20%) per annum as our Board determines.

**(q) Inspection of register of members**

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by our Board, at the registered office or such other place at which the register is kept in accordance with the Cayman Islands Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by our Board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

**(r) Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles 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.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of our Directors or other governing body of such corporation to act as its representative at the relevant general meeting of our Company or at any relevant general meeting of any class of members of our Company.

**(s) Rights of the minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of our Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

**(t) Procedures on liquidation**

A resolution that our Company be wound up by the court or be wound up voluntarily shall be a special resolution.

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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 our Company shall be wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if our Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If our Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Cayman Islands Companies Law divide among the members in specie or kind the whole or any part of the assets of our Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(u) Untraceable members**

Pursuant to the Articles, our Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, our Company has not during that time received any indication of the existence of the member; and (iii) our Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to our Company and upon receipt by our Company of such net proceeds, it shall become indebted to the former member of our Company for an amount equal to such net proceeds.

**(v) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Cayman Islands Companies Law, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

**3.    CAYMAN ISLANDS COMPANIES LAW**

Our Company is incorporated in the Cayman Islands subject to the Cayman Islands Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman Islands Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

**(a)   Operations**

As an exempted company, our Company's operations must be conducted mainly outside the Cayman Islands. Our Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

**(b)   Share capital**

The Cayman Islands Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman Islands Companies Law provides that the share premium account may be applied by our Company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of our Company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Islands Companies Law); (d) writing-off the preliminary expenses of our Company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of our Company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, our Company will be able to pay its debts as they fall due in the ordinary course business.

The Cayman Islands Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

**(c) Financial assistance to purchase shares of a company or its holding company**

Subject to all applicable laws, our Company may give financial assistance to Directors and employees of our Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in our Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, our Company may give financial assistance to a trustee for the acquisition of Shares in our Company or shares in any such subsidiary or holding company to be held for the benefit of employees of our Company, its subsidiaries, any holding company of our Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, our Company may provide financial assistance if the Directors of our Company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of our Company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

Subject to the provisions of the Cayman Islands Companies Law, 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 our Company or a shareholder and for the avoidance of doubt, it shall be lawful for the right attaching to any shares to be varied, subject to the provisions of our Company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, our Company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of our Company. At no time may a company redeem or purchase its shares unless they are fully paid. Our 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 member of our Company holding shares other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, our Company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and our Directors may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

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**(e) Dividends and distributions**

With the exception of section 34 of the Cayman Islands Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Cayman Islands Companies Law permits, subject to a solvency test and the provisions, if any, of our Company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

**(f) Protection of minorities**

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of our Company to challenge (a) an act which is ultra vires our Company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of our Company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of our Company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of our Company in issue, appoint an inspector to examine into the affairs of our Company and to report thereon in such manner as the Court shall direct.

Any shareholder of our 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 our Company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of our Company's affairs in the future, (b) an order requiring our Company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorizing civil proceedings to be brought in the name and on behalf of our Company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of our Company by other shareholders or by our Company itself and, in the case of a purchase by our Company itself, a reduction of our Company's capital accordingly.

Generally, claims against our Company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by our Company's memorandum and articles of association.

**(g) Management**

The Cayman Islands Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of our Company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of our Company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

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**(h) Accounting and auditing requirements**

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by our Company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by our Company; and (iii) the assets and liabilities of our Company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of our Company's affairs and to explain its transactions.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, our Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to our Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of our Company.

The undertaking for our Company is for a period of twenty years from 26 July 2011.

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 our Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision in the Cayman Islands Companies Law prohibiting the making of loans by a company to any of its directors.

**(m) Inspection of corporate records**

Members of our Company will have no general right under the Cayman Islands Companies Law to inspect or obtain copies of the register of members or corporate records of our Company. They will, however, have such rights as may be set out in our Company's Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as our Directors may, from time to time, think fit. There is no requirement under the Cayman Islands Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

**(n) Winding up**

A company may be wound up compulsorily by order of the Court; voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of our Company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that our Company is to be dissolved, or, our Company does not commence business for a year from its incorporation (or suspends its business for a year), or our Company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of our Company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, our Company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of our Company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.



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## **APPENDIX IV      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW**

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Upon the appointment of a liquidator, the responsibility for our Company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of our Company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge our Company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of our Company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of our Company has been disposed of, and thereupon call a general meeting of our Company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorized by our Company's articles of association and published in the Gazette in the Cayman Islands.

### **(o) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

### **(p) Compulsory acquisition**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

### **(q) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).



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**4.    GENERAL**

Harney Westwood & Riegels, our Company's special legal counsel on Cayman Islands law, have sent to our Company a letter of advice summarising certain aspects of Cayman Islands Companies Law. This letter, together with a copy of the Cayman Islands Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands Companies Law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**FURTHER INFORMATION ABOUT OUR GROUP****1. Incorporation**

We were incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted company on 28 June 2011. We have established a principal place of business in Hong Kong at Units 1107-12, 11th Floor, Lu Plaza, 2 Wing Yip Street, Kwun Tong, Hong Kong and were registered as a non-Hong Kong company in Hong Kong under Part XI of the Companies Ordinance on 7 September 2011. Mr. Yu, an executive Director and Ms. Ng Yee Ming, Canny have been appointed as the authorised representatives of our Company for the acceptance of service of process in Hong Kong. As we were incorporated in the Cayman Islands, we operate subject to the Cayman Islands laws and to the Memorandum and the Articles. A summary of certain parts of the Memorandum and the Articles and relevant aspects of the Cayman Islands Companies Law is set forth in Appendix IV to this prospectus.

**2. Changes in share capital**

- (a) Our authorised share capital as at the date of the incorporation was HK\$100,000 divided into 10,000,000 shares of a par value of HK\$0.01 each. On 28 June 2011, one subscriber share with a par value of HK\$0.01 was allotted and issued, credited as fully paid, to Harneys Services (Cayman) Limited and such Share was transferred to ASR Victory at nil consideration paid by ASR Victory on the same date.
- (b) On 3 December 2011, in consideration of the acquisition by us of the entire issued share capital of ASR Champion, we credited as fully paid the subscriber Share transferred to ASR Victory under paragraph (a) above; and allotted and issued 9,999,999 Shares to ASR Victory credited as fully paid.
- (c) On 3 December 2011, the Shareholders resolved to increase our authorised share capital from HK\$100,000 to HK\$20,000,000 by the creation of an additional 1,990,000,000 Shares.
- (d) Assuming that the Share Offer becomes unconditional and the Share Offer and the Capitalisation Issue are duly completed, our authorised share capital will be HK\$20,000,000 divided into 2,000,000,000 Shares and the issued share capital (taking no account of any Shares that may be issued under the Over-allotment Option and the Share Option Scheme) of our Company will be HK\$4,000,000 divided into 400,000,000 Shares, all fully paid or credited as fully paid. Apart from the issue of Shares under the Over-allotment Option and the Share Option Scheme, there is no present intention to issue any part of our authorised but unissued share capital and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as aforesaid and as mentioned in the section headed “Further information about our Group — Written resolutions of the sole shareholder” in this Appendix, there has been no alteration in our share capital since its incorporation.

**3. Written resolutions of the sole shareholder**

Pursuant to the written resolutions of the sole shareholder of our Company dated 3 December 2011:

- (a) our Company approved and adopted the existing Memorandum and Articles;
- (b) the authorised share capital of our Company was increased from HK\$100,000 to HK\$20,000,000 by the creation of an additional 1,990,000,000 Shares to rank pari passu with the existing Shares in all respects;
- (c) conditional on the same conditions as stated in the section headed “Structure and conditions of the Share Offer”:
  - (i) the Share Offer was approved and the Directors were authorised to allot and issue the Offer Shares;
  - (ii) the rules of the Share Option Scheme were approved and adopted and the Directors were authorised to grant options to subscribe for Shares thereunder and to allot and issue Shares pursuant thereto and to take all such steps as they consider necessary or desirable to implement the Share Option Scheme; and
  - (iii) subject to the share premium account of our Company being credited as a result of the issue of the Offer Shares pursuant to the Share Offer, the Directors were authorised to allot and issue a total of 290,000,000 Shares credited as fully paid at par to the holders of the Shares on the register of members of our Company (as they may direct) at the close of business on 3 December 2011 (as they may direct) in proportion to their respective 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\$2,900,000 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 pari passu in all respects with the then existing issued Shares;
- (d) a general unconditional mandate was given to the Directors to exercise all the powers of our Company to allot, issue and deal with (otherwise than by way of rights issues, scrip dividend or an issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of the options which may be granted under the Share Option Scheme or other similar arrangements) Shares with an aggregate nominal value not exceeding the sum of:
  - (i) 20% of the aggregate nominal value of the share capital of our Company in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Share Option Scheme); and

- (ii) the aggregate nominal amount of Shares repurchased under the authority granted to the Directors as referred to in paragraph (e) below,

until 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 Articles or any applicable law to be held, or the revocation, variation or renewal by an ordinary resolution of the Shareholders in a general meeting, whichever is the earliest; and

- (e) a general unconditional mandate was given to the 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, Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Share Option Scheme), until 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 Articles or any applicable law to be held, or the revocation, variation or renewal by an ordinary resolution of the Shareholders in a general meeting, whichever is the earliest.

#### **4. Reorganisation**

We and our subsidiaries underwent a reorganisation in preparation for the Listing. Following the Reorganisation, our Company became the holding company. The Reorganisation involved the following:

**(a) Acquisition by ASR Limited of 45% of the issued shares of ASRCO from Polygain**

On 31 December 2010, ASR Limited and Polygain entered into a sale and purchase agreement pursuant to which Polygain agreed to transfer 450,000 shares (i.e. 45% of the issued shares) of ASRCO to ASR Limited at the consideration of HK\$1,237,500, with reference to the net asset value of ASRCO as shown in its management accounts as at 31 December 2010, in order to streamline the shareholding structure of ASRCO prior to Listing. As a result, ASRCO became a wholly-owned subsidiary of ASR Limited.

**(b) Incorporation of ASR Infrastructure Limited**

ASR Infrastructure was incorporated on 25 March 2011, in preparation for the Group to pursue its business strategies such as setting up logistics hub centres in Southern China, and was directly and wholly-owned by ASR Limited. ASR Infrastructure remained inactive as at the Latest Practicable Date.

**(c) Incorporation of ASR Victory as the investment holding company of the Founders**

ASR Victory was incorporated on 3 June 2011 in the BVI as an investment holding company of the Founders with an authorised capital of US\$50,000 divided into 50,000 ASR Victory Shares of US\$1.00 each. Upon incorporation, an aggregate of 100 ASR Victory Shares were allotted and issued, for cash at par value, to Mr. Yu and Mr. Mak in the proportion set out in the table below:

Name	Number of ASR Victory Shares	Percentage shareholding in ASR Victory (%)
Mr. Yu .....	50	50
Mr. Mak .....	50	50
<b>Total</b> .....	<u>100</u>	<u>100</u>

**(d) Incorporation of ASR Champion as the intermediate holding company of our Group**

ASR Champion was incorporated on 3 June 2011 in the BVI as the intermediate holding company of our Group. Upon incorporation, one share was allotted and issued to ASR Victory.

**(e) Disposal of equity interests in ICSC**

On 30 June 2011, Pacific Empire (Macau) transferred 75 shares (i.e. 75% of the issued shares) of ICSC to Mega Hero at the consideration of HK\$75, with reference to the issued share capital of ICSC as at 30 June 2011. Prior to the disposal, ICSC was owned as to 75% by Pacific Empire (Macau) and as to 25% by Mr. Gat Michael, an Independent Third Party. ICSC was principally engaged in the provision of air cargo space to external freight forwarders. For the period between 7 December 2006 (i.e. its date of incorporation) and 31 March 2008, the net loss of ICSC was HK\$79,944. It recorded no revenue in 2009 and 2010. Considering it being insignificant to our Group, ICSC was restructured to cease its business operations since the beginning of 2008.

**(f) Incorporation of our Company**

Our Company was incorporated in the Cayman Islands on 28 June 2011 as the holding company of our Group. As at the date of incorporation, our Company had an authorised share capital of HK\$100,000 divided into 10,000,000 Shares of HK\$0.01 each. Upon incorporation, one Share was allotted and issued to the subscriber and was subsequently transferred to ASR Victory at nil consideration paid by ASR Victory.

**(g) Disposal of the entire equity interests in China Pacific**

On 30 June 2011, Pacific Empire (BVI), Mr. Yu and Mr. Mak transferred all their respective 80, 10 and 10 shares in China Pacific to Mega Hero at the aggregate consideration of HK\$1,000,000 being the total issued share capital of China Pacific and also its net asset value as at 30 June 2011. China Pacific was principally engaged in the provision of air cargo space to external freight forwarders. For the year ended 31 March 2008, the net profit of China Pacific was HK\$578,633. It recorded no revenue in 2009 and 2010. Considering it being relatively insignificant in terms of its business scale, China Pacific was restructured to cease its business operations since the beginning of 2008.

**(h) Transfer of one share in AOE Freight held by Mr. Yu to ASR Limited**

On 6 September 2011, Mr. Yu transferred the one share in AOE Freight which he held in trust for ASR Limited to ASR Limited at the consideration of HK\$1.

**(i) Transfer of the entire issued share capital of ASR Limited to ASR Champion**

On 6 October 2011, each of Mr. Yu and Mr. Mak transferred all their respective 1,000,000 and 1,000,000 shares in ASR Limited to ASR Champion in consideration of ASR Champion issuing one consideration share to ASR Victory credited as fully paid.

**(j) Acquisition of the equity interests held by each Founder in various companies outside our Group by ASR Limited**

On 28 October 2011, at the consideration of ASR Victory allotting and issue a total of 100 ASR Victory Shares to Mr. Yu, ASR Limited acquired the following from him:

- (1) 50% equity interest in Pacific Empire (Macau) (in consideration of 20 shares in ASR Victory);
- (2) 80% equity interest in OA Cargo (in consideration of 40 shares in ASR Victory); and
- (3) 40% equity interest in Star Cargo (Thailand) (in consideration of 40 shares in ASR Victory).

On 28 October 2011, at the consideration of ASR Victory allotting and issue a total of 50 shares to Mr. Mak, ASR Limited acquired the following from him:

- (1) 50% equity interest in Pacific Empire (Macau) (in consideration of 20 shares in ASR Victory);
- (2) 20% equity interest in OA Cargo (in consideration of 10 shares in ASR Victory); and
- (3) 20% equity interest in Star Cargo (Thailand) (in consideration of 20 shares in ASR Victory).

On 28 October 2011, at the consideration of ASR Victory allotting and issue a total of 50 shares to Mr. Law, ASR Limited acquired the following from him:

- (1) 40% equity interest in Star Cargo (Thailand) (in consideration of 40 shares in ASR Victory);  
and
- (2) 31% equity interest in Star Pacific (in consideration of 10 shares in ASR Victory).

**(k) Transfer of ASR Victory Shares**

On 15 November 2011, Mr. Yu transferred his 50 ASR Victory Shares to Mr. Law at the consideration of HK\$1.00.

The resulting shareholding of ASR Victory was as follows:

Name	Number of ASR Victory Shares	Percentage shareholding in ASR Victory (%)
Mr. Yu .....	100	33.33
Mr. Mak .....	100	33.33
Mr. Law .....	100	33.33
<b>Total</b> .....	<b>300</b>	<b>100.00</b>

**(l) Transfer of the entire issued share capital of ASR Champion to our Company**

On 3 December 2011, our Company and ASR Victory entered into a share swap agreement (“**Share Swap Agreement**”). Pursuant to the Share Swap Agreement, our Company acquired the entire issued share capital of ASR Champion from ASR Victory in consideration of our Company (i) crediting as fully paid, the subscriber Share transferred to ASR Victory under paragraph (f); and (ii) issuing, credited as fully paid 9,999,999 Shares to ASR Victory.

**(m) Transfer of Shares in our Company**

On 3 December 2011, ASR Victory transferred its 1,133,334, 133,333 and 133,333 Shares to Mr. Yu, Mr. Mak and Mr. Law respectively at the consideration of HK\$1 for each such transfer. The resulting shareholding of our Company was as follows:

Name	Number of Shares	Percentage shareholding in our Company (%)
ASR Victory .....	8,600,000	86.00
Mr. Yu .....	1,133,334	11.34
Mr. Mak .....	133,333	1.33
Mr. Law .....	133,333	1.33
<b>Total</b> .....	<b>10,000,000</b>	<b>100.00</b>

**5. Changes in share capital of subsidiaries of our Company**

The following alterations in the share capital of the subsidiaries of our Company have taken place within 2 years preceding the date of this prospectus:

*ASR Champion*

- (a) On 3 June 2011, one share of HK\$0.01 in ASR Champion was issued and allotted to ASR Victory at par value.
- (b) On 6 October 2011, as a consideration of acquiring the entire issued share capital of ASR Limited, ASR Champion issued one share to ASR Victory credited as fully paid.
- (c) On 3 December 2011, our Company acquired the entire issued share capital of ASR Champion. In exchange, our Company credited as fully paid the subscriber Share transferred to and held by ASR Victory; and allotted and issued 9,999,999 Shares to ASR Victory credited as fully paid.

*ASR Limited*

On 6 October 2011, ASR Champion acquired 2,000,000 shares in ASR Limited from Mr. Yu and Mr. Mak (1,000,000 shares from each), being the entire issued share capital of ASR Limited, in consideration of ASR Champion issuing one share to ASR Victory credited as fully paid.

*AOE Freight*

On 6 September 2011, ASR Limited acquired from Mr. Yu the one share in AOE Freight which he held in trust for ASR Limited at the consideration of HK\$1.

*ASRCO*

On 31 December 2010, ASR Limited acquired 450,000 shares of HK\$1 each in ASRCO from Polygain at the consideration of HK\$1,237,500.

*Star Pacific*

On 28 October 2011, ASR Limited acquired 310,000 shares of HK\$1 each in Star Pacific from Mr. Law at the consideration of ASR Victory allotting and issue a total of 10 ASR Victory Shares to Mr. Law.

*Bluestream Aviation*

On 25 May 2010, one subscriber share was transferred by Best Union Consultants Limited, a nominee shareholder, to Mr. Law. On 1 September 2010, such share was transferred by Mr. Law to OA Cargo at par value.



*Pacific Empire (Macau)*

On 28 October 2011, ASR Limited acquired the entire issued share capital in Pacific Empire (Macau) from Mr. Yu and Mr. Mak at the consideration of ASR Victory allotting and issue 20 ASR Victory Shares to each of Mr. Yu and Mr. Mak.

*Star Cargo (Japan)*

On 15 December 2010, Keiji Iwamoto transferred 7 shares in Star Cargo (Japan), being the entire issued share capital of Star Cargo (Japan), to OA Cargo at 50,000 Japanese yen each.

*Star Cargo (Thailand)*

On 28 October 2011, ASR Limited acquired the entire issued share capital in Star Cargo (Thailand) from each of the Founders at the consideration of ASR Victory allotting and issue 40 ASR Victory Shares, 20 ASR Victory Shares and 40 ASR Victory Shares to Mr. Yu, Mr. Mak and Mr. Law respectively.

*OA Cargo*

On 28 October 2011, ASR Limited acquired the entire issued share capital in OA Cargo from Mr. Yu and Mr. Mak at the consideration of ASR Victory allotting and issue 40 ASR Victory Shares and 10 ASR Victory Shares to Mr. Yu and Mr. Mak respectively.

*AOE Freight (Shenzhen)*

On 12 April 2010, the registered capital of AOE Freight (Shenzhen) was increased from RMB4,500,000 to RMB5,000,000. On 12 January 2011, the registered capital of AOE Freight (Shenzhen) was increased from RMB5,000,000 to RMB5,500,000. On 21 June 2011, the registered capital of AOE Freight (Shenzhen) was increased from RMB5,500,000 to RMB6,000,000.

*Pacific Empire (Shenzhen)*

On 4 March 2010, the registered capital of Pacific Empire (Shenzhen) was increased from RMB3,000,000 to RMB4,000,000. On 14 July 2010, the registered capital of Pacific Empire (Shenzhen) was increased from RMB4,000,000 to RMB5,000,000.

Save as disclosed and in paragraph 4 of this Appendix, there has been no other alteration in the share capital of the subsidiaries of our Company in the two years preceding the date of this prospectus.

**6. Repurchase of our Company's own securities**

This section includes the information required by the Stock Exchange to be included in this prospectus concerning the repurchase of our Company's own securities.

**(a) Provisions of the Listing Rules**

The Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

**(i) Shareholders' approval**

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval of a particular transaction.

**(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 securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

**(b) Reasons for repurchase**

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares will only be made when the Directors believe that such repurchases will benefit our Company and the Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of our Company and our assets and/or our earnings per Share.

**(c) Funding of repurchases**

It is presently proposed that any repurchase of Shares would be made out of profits of our Company or out of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Cayman Islands Companies Law, out of capital and, in the case of any premium payable on such repurchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Cayman Islands Companies Law, out of capital.

There might be material adverse impact on the working capital or gearing position of our Company in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or our gearing levels which, in the opinion of the Directors, are from time to time appropriate for our Company.

**(d) Share capital**

On the basis of 400,000,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue (taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme), the Directors would be authorised under a general mandate given to the Directors pursuant to a written resolution of the sole shareholder of our Company passed on 3 December 2011 to repurchase up to 40,000,000 Shares during the period prior to:

- (i) the conclusion of the next general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or our Articles to be held; or
- (iii) the revocation, variation or renewal of the Repurchase Mandate by an ordinary resolution of the Shareholders in general meeting, whichever occurs first.

**(e) General**

None of our Directors or, to their best knowledge, having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules), has any present intention to sell any Shares to our Company or our subsidiaries.

The 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.

No connected person has notified our Company that he or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If as a result of a securities repurchase 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 purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

Any repurchase of the Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of the Shares then in issue could only be implemented with the approval of the Stock Exchange to waive requirements of the Listing Rules regarding the minimum percentage of public shareholdings. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

**7. Directors' interest in competing business**

Save and except for their interests in our Company, our Directors had no interest in any other companies as at the Latest Practicable Date which (i) holds interests in our business; or (ii) may, directly or indirectly, compete with our Group's business.

**FURTHER INFORMATION ABOUT OUR BUSINESS****1. Summary of material contracts**

The following material 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:







- (a) a sale and purchase agreement dated 31 December 2010 entered into between Polygain as vendor and ASR Limited as purchaser for the transfer by Polygain of 45% of the issued shares of ASRCO to ASR Limited at the consideration of HK\$1,237,500;
- (b) a sale and purchase agreement dated 30 June 2011 entered into between Pacific Empire (Macau) as vendor and Mega Hero as purchaser for the transfer by Pacific Empire (Macau) of 75% of the issued shares of ICSC to Mega Hero at the consideration of HK\$75;
- (c) a sale and purchase agreement dated 30 June 2011 entered into by Pacific Empire (BVI) as vendor and Mega Hero as purchaser for the transfer by Pacific Empire (BVI) of 80% of the issued shares of China Pacific to Mega Hero at the consideration of HK\$800,000;
- (d) a sale and purchase agreement dated 6 October 2011 entered into by Mr. Yu as transferor and ASR Champion as transferee for the transfer by Mr. Yu of 50% of the issued shares of ASR Limited to ASR Champion at the consideration of ASR Champion issuing one consideration share to ASR Victory credited as fully paid;
- (e) a sale and purchase agreement dated 6 October 2011 entered into by Mr. Mak as transferor and ASR Champion as transferee for the transfer by Mr. Mak of 50% of the issued shares of ASR Limited to ASR Champion at the consideration of ASR Champion issuing one consideration share to ASR Victory credited as fully paid;
- (f) a sale and purchase agreement dated 28 October 2011 entered into between Mr. Yu and Mr. Mak as vendors and ASR Limited as purchaser for the transfer by Mr. Yu and Mr. Mak of the entire issued shares of Pacific Empire (Macau) at the consideration of ASR Victory allotting and issue a total of 20 shares to each of Mr. Yu and Mr. Mak;
- (g) a sale and purchase agreement dated 28 October 2011 entered into between Mr. Yu as vendor and ASR Limited as purchaser and ASR Victory for the transfer by Mr. Yu of 80% of the issued shares of OA Cargo to ASR Limited at the consideration of ASR Victory allotting and issue a total of 40 shares to Mr. Yu;
- (h) a sale and purchase agreement dated 28 October 2011 entered into between Mr. Mak as vendor and ASR Limited as purchaser and ASR Victory for the transfer by Mr. Mak of 20% of the issued shares of OA Cargo to ASR Limited at the consideration of ASR Victory allotting and issue a total of 10 shares to Mr. Mak;

- (i) a sale and purchase agreement dated 28 October 2011 entered into between Mr. Yu as vendor and ASR Limited as purchaser and ASR Victory for the transfer by Mr. Yu of 40% of the issued shares of Star Cargo (Thailand) to ASR Limited at the consideration of ASR Victory allotting and issue a total of 40 shares to Mr. Yu;
- (j) a sale and purchase agreement dated 28 October 2011 entered into between Mr. Mak as vendor and ASR Limited as purchaser and ASR Victory for the transfer by Mr. Mak of 20% of the issued shares of Star Cargo (Thailand) to ASR Limited at the consideration of ASR Victory allotting and issue a total of 20 shares to Mr. Mak;
- (k) a sale and purchase agreement dated 28 October 2011 entered into between Mr. Law as vendor and ASR Limited as purchaser and ASR Victory for the transfer by Mr. Law of 40% of the issued shares of Star Cargo (Thailand) to ASR Limited at the consideration of ASR Victory allotting and issue a total of 40 shares to Mr. Law;
- (l) a sale and purchase agreement dated 28 October 2011 entered into between Mr. Law as vendor and ASR Limited as purchaser and ASR Victory for the transfer by Mr. Law of 31% of the issued shares of Star Pacific to ASR Limited at the consideration of ASR Victory allotting and issue a total of 10 shares to Mr. Law;
- (m) a share swap agreement dated 3 December 2011 entered into between ASR Victory as transferor and the Company as transferee for the transfer by ASR Victory of the entire issued share capital of ASR Champion to our Company at such consideration as mentioned in paragraph (l) in the section headed “Further Information about our Group — Reorganisation” in this Appendix;
- (n) a deed of indemnity dated 29 December 2011 executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries stated therein) containing the indemnities in respect of certain estate duty, tax and other liabilities as referred to in the section headed “Other information — Estate duty, tax and other indemnities” in this Appendix;
- (o) a deed of non-competition dated 29 December 2011 executed by our Controlling Shareholders in favour of our Company (for itself and as trustee of the members of the Group from time to time), details of which are set out in the section headed “Relationship with the Controlling Shareholders — Non-competition undertakings”; and
- (p) the Public Offer Underwriting Agreement.








## 2. Intellectual property rights

(a) *Trademarks*

As at the Latest Practicable Date, our Group has registered the following trademarks:

Trademark	Registered Owner	Class	Effective period	Registration number	Place of registration
	ASR Limited	39	1 March 2011 — 28 February 2021	301845621	Hong Kong
	ASR Limited	39	1 March 2011 — 28 February 2021	301845630	Hong Kong
	ASR Limited	39	1 March 2011 — 28 February 2021	301845649AA	Hong Kong
	ASR Limited	39	1 March 2011 — 28 February 2021	301845649AB	Hong Kong
	ASR Limited	39	1 March 2011 — 28 February 2021	301845649AC	Hong Kong
	ASR Limited	39	1 March 2011 — 28 February 2021		Hong Kong

As at the Latest Practicable Date, our Group has applied for registration of the following trademarks in the PRC:

<b>Trademark</b>	<b>Name of Applicant</b>	<b>Class</b>	<b>Application Date</b>	<b>Application number</b>	<b>Place of Application</b>
	ASR Limited	39	31 August 2011	9912480	PRC
	ASR Limited	39	31 August 2011	9912481	PRC
	ASR Limited	39	31 August 2011	9912482	PRC
	ASR Limited	39	31 August 2011	9912483	PRC
	ASR Limited	39	31 August 2011	9912484	PRC
	ASR Limited	39	31 August 2011	9912485	PRC
	ASR Limited	39	31 August 2011	9912486	PRC

Our PRC Legal Adviser has advised that unless (i) any of the above trademarks is identical or similar to another trademark which has already been registered or which application for registration is being examined and such trademark is related to the same or similar commodities; or (ii) an opposition is filed by any third party within the three months after public announcement of our trademark application, there is unlikely be any legal impediment in obtaining the trademarks which are currently under application.

(c) *Domain names*

As at the Latest Practicable Date, our Group has registered the following domain names:

Domain name	Expiry date
asrholdings.com.hk . . . . .	16 January 2012
asr.com.hk . . . . .	21 June 2012
asrw.com.hk . . . . .	6 June 2012
asreu.com . . . . .	6 September 2012
aoecargo.com . . . . .	26 August 2012
aoecargo.com.cn . . . . .	15 February 2012
asrco.com.hk . . . . .	10 December 2012
star-pacific.com . . . . .	11 February 2012
starlitexp.com . . . . .	2 December 2012
asr-gsa.com . . . . .	12 April 2012
pacemp.com . . . . .	2 April 2012
oa-cargo.com . . . . .	28 March 2012
starcgo.com . . . . .	30 May 2012
asr-infrastructure.com . . . . .	1 April 2012

**FURTHER INFORMATION ABOUT OUR DIRECTORS, SENIOR MANAGEMENT, STAFF, SUBSTANTIAL SHAREHOLDERS AND EXPERTS**

**1. Interests and/or short positions of the directors and chief executive of our Company in the shares, underlying shares or debentures of our Company and our associated companies**

Immediately following completion of the Share Offer and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised and that the options which may be granted under the Share Option Scheme are not exercised), the interests and/or short positions of the Directors and chief executive of our Company in the shares, underlying shares in respect of equity derivatives and debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are 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 Listed Companies contained in the Listing Rules to be notified to our Company and the Stock Exchange, once the Shares are listed (assuming that their interests will remain unchanged after the Latest Practicable Date), will be as follows:

### ***Long positions in the Shares***

<b>Director</b>	<b>Nature of interest</b>	<b>Number of Shares</b>	<b>Percentage</b>
Mr. Yu . . . . .	Beneficial owner	34,000,000	8.5%
	Interest in controlled company ( <i>Note</i> )	258,000,000	64.5%
Mr. Mak . . . . .	Beneficial owner	4,000,000	1%
	Interest in controlled company ( <i>Note</i> )	258,000,000	64.5%
Mr. Law . . . . .	Beneficial owner	4,000,000	1%
	Interest in controlled company ( <i>Note</i> )	258,000,000	64.5%

*Note:*

These Shares will be directly held by ASR Victory, which is beneficially owned as to 33.33% by each of the Founders. ASR Victory and each of the Founders as a group of persons entitled to exercise 30% or more of voting rights at general meeting of our Company, are together regarded as Controlling Shareholders.

## **2. Interests and/or short positions of Substantial Shareholders in the shares or underlying shares of our Company**

So far as the Directors are aware, immediately following completion of the Share Offer and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised and that the options which may be granted under the Share Option Scheme are not exercised), the following persons (other than the Directors or chief executive of our Company) will have an interest and/or short position in the shares or underlying shares in respect of equity derivatives of our Company that would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) or will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group:

### ***Long positions in the Shares***

<b>Name</b>	<b>Name of the Group member</b>	<b>Nature of interest</b>	<b>Number of Shares</b>	<b>Percentage</b>
ASR Victory . . . . .	Company	Beneficial owner	258,000,000	64.5%
Ms. Lip Fung Chun, Louise .	Company	Family interest ( <i>Note 1</i> )	292,000,000	73%
Ms. Ng Hoi Shan . . . . .	Company	Family interest ( <i>Note 2</i> )	262,000,000	65.5%
Ms. Mardamshina Zhanna . .	Company	Family interest ( <i>Note 3</i> )	262,000,000	65.5%
Worldwide Logistics Limited .	ASR Worldwide	Beneficial owner	400,000	40%
Mr. Ritola . . . . .	ASR Europe	Beneficial owner	400,000	40%

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*Notes:*

1. Ms. Lip Fung Chun, Louise is the spouse of Mr. Yu and is therefore deemed to be interested in all the Shares held by Mr. Yu (by himself and through ASR Victory) by virtue of the SFO.
2. Ms. Ng Hoi Shan is the spouse of Mr. Mak and is therefore deemed to be interested in all the Shares held by Mr. Mak (by himself and through ASR Victory) by virtue of the SFO.
3. Ms. Mardamshina Zhanna is the spouse of Mr. Law and is therefore deemed to be interested in all the Shares held by Mr. Law (by himself and through ASR Victory) by virtue of the SFO.

**3. Particulars of service agreements**

Each of the Founders has entered into a service agreement dated 25 November 2011 with our Company under which they agreed to act as executive Directors for a period of three years commencing on the Listing Date unless terminated in accordance with the terms of the service agreements. Under the service agreements, the initial annual salary payable by our Company to Mr. Yu, Mr. Mak and Mr. Law are HK\$2,470,000, HK\$1,950,000 and HK\$1,950,000 respectively and may, subject to the discretion of the Board, be increased. Each of the executive Directors will also be entitled to a discretionary bonus as decided by the Board. The amount of the annual salary increment and the bonus payable under such service agreements is at the discretion of the Board, provided that the respective parties to such service agreements shall abstain from voting and not be counted in the quorum in respect of any such determination of the Board in relation to him.

Each of Mr. Wei Jin Cai and Dr. Tyen Kan Hee, Anthony has signed a letter of appointment dated 28 June 2011 with our Company and Dr. Zhang Xianlin has signed a letter of appointment dated 14 September 2011 with our Company under which they agreed to act as INEDs for a period of three years unless terminated in accordance with the terms of the appointment letters. The initial annual director's fee for Dr. Zhang Xianlin is HK\$360,000 and that for Mr. Wei Jin Cai is HK\$360,000 and that for Dr. Tyen Kan Hee, Anthony is HK\$420,000.

Save as aforesaid, there is no existing or proposed service contracts (excluding contracts expiring or determinable by such member of our Group within one year without payment of compensation other than statutory compensation) between the Directors and any member of our Group.

**4. Directors' remuneration**

The aggregate amount of salaries, allowances and benefits in kind paid by our Group to the Directors for the year ended 31 December 2010 was approximately HK\$3,750,000. It is expected that an aggregate amount of approximately HK\$5,235,000 will be paid to the Directors as remuneration by our Group in respect of the year ending 31 December 2011 according to the present arrangements, excluding the discretionary salary increment and bonus.

None of our Directors or any past directors of any member of our Group has been paid any sum of money for each of the three years ended 31 December 2010 whether (a) as an inducement to join or upon joining our Company; or (b) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended 31 December 2010.

#### **5. Related party transactions**

During the three financial years preceding the date of this prospectus, our Group had engaged in the related party transactions as mentioned in the paragraph headed the “Related party transactions” set out in note 28 to the Accountants’ Report set out in “Appendix I — Accountants’ Report”.

#### **6. Others**

- (a) Save as disclosed in this prospectus and in the section headed “Further information about our business — Summary of material contracts” in this Appendix, none of our Directors or the experts named in the section headed “Other information — Consents of experts” in this Appendix has any direct or indirect interest in the promotion of our Company or in any assets acquired or disposed of by or leased to any member of our Group or is proposed to be acquired or disposed of by or leased to any member of our Group within the two years immediately preceding the date of this prospectus.
- (b) Save as disclosed in this prospectus and in the section headed “Further information about our business — Summary of material contracts” in this Appendix, none of our Directors or the experts named in the section headed “Other information — Consents of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole.
- (c) Save as disclosed in this prospectus and in the section headed “Further information about our business — Summary of material contracts” in this Appendix, none of the experts named in the section headed “Other information — Consents of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of our Group or is an officer or employee or a servant or partner or director of any member of our Group.
- (d) Save as disclosed in this prospectus, taking no account of any Shares which may be taken up under the Share Offer, none of our Directors or chief executive of our Company has interests and/or short positions in the shares, underlying shares in respect of equity derivatives or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are 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 Listed Companies contained in the Listing Rules to be notified to our Company and the Stock Exchange, once the Shares are listed.
- (e) Save as disclosed in this prospectus, taking no account of any Shares which may be taken up under the Share Offer, so far as the Directors are aware, there is no person (other than the Directors or chief executive of our Company) who will have any interest and/or short positions

in the shares or underlying shares in respect of equity derivatives of our Company that would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) or who will be directly or indirectly, interested in 10% or more of the voting power at general meetings of our Company.

## **SHARE OPTION SCHEME**

### **(a) Definitions**

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	means the date on which the Share Option Scheme becomes unconditional
“Eligible Person(s)”	means any employee(s) (whether full time or part time including any director) of any member of our Group
“Exercise Price”	has the meaning ascribed to it in paragraph (i) below
“Listing Date”	means the date on which the Shares commence trading on the Stock Exchange
“Participant Limit”	has the meaning ascribed to it in paragraph (vii) below
“Scheme Limit”	has the meaning ascribed to it in paragraph (vi) below
“Scheme Period”	means the period commencing on the Adoption Date and expiring at the close of business on the day immediately preceding the tenth anniversary thereof
“Subscription Price”	means, in relation to an option, an amount equal to the Exercise Price multiplied by the relevant number of Shares in respect of which an option is exercised
“trading day”	means a day on which the Stock Exchange is open for business of dealing in securities

### **(b) Summary of terms**

The following is a summary of the principal terms of the rules of the Share Option Scheme:

#### **(i) Purpose of the Share Option Scheme**

The purpose of the Share Option Scheme is to enable the Board to grant options to selected Eligible Persons as incentives or rewards for their contribution or potential contribution to our Group.

The terms of the Share Option Scheme provide that in granting options under the Share Option Scheme, the Board is entitled to determine whether there is any minimum holding period, and whether there is any performance target which must be achieved, before an option granted under the Share Option Scheme is exercised. The Board is also entitled to determine the option price per Share payable on the exercise of an option (the “**Exercise Price**”) according to the terms of the Share Option Scheme. Such terms, together with the incentive that the option will bring about, the Board believes, will serve the purpose of the Share Option Scheme.

(ii) ***Conditions***

The Share Option Scheme is conditional on, among others, the commencement of trading of Shares on the Stock Exchange.

(iii) ***Who may join and basis of eligibility***

The Board may, at its absolute discretion and on such terms as it may think fit, grants options to any Eligible Person to subscribe at the Exercise Price 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 of the Eligible Persons to the grant of options shall be determined by the Board from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(iv) ***Price for subscription of Shares***

The Exercise Price is to be determined by the Board provided always that it shall be at least the higher of:

- (aa) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of offer for the grant of the option (which is deemed to be the date of grant if the offer for the grant of the option is accepted by the Eligible Person), which must be a trading day; and
- (bb) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant, provided that the Exercise Price shall in no event be less than the nominal amount of one Share.

(v) ***Grant of options and acceptance of offers***

A grant of options shall not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published in accordance with the Listing Rules by our Company.

In particular, during the period commencing one month immediately preceding the earlier of:

- (aa) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year or quarterly or any other interim period (whether or not required by the Listing Rules); and
- (bb) the deadline of our Company to publish its results announcement for any year, half-year or quarterly or any other interim period (whether or not required by the Listing Rules);

and ending on the date of the results announcements, no option may be granted.

An offer for the grant of options must be accepted within twenty-one days inclusive of the day on which such offer was made. The amount payable to our Company on acceptance of the offer for the grant of an option is HK\$1.00.

(vi) ***Maximum number of Shares***

- (aa) Subject to sub-paragraph (bb) and (dd) below, the maximum 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 (excluding, for this purpose, options 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 the Shares in issue on the Listing Date, i.e., 40,000,000 Shares (the "**Scheme Limit**"). Options lapsed in accordance with the Share Option Scheme will not be counted for the purpose of the Scheme Limit.
- (bb) The Scheme Limit may be refreshed at any time by obtaining approval of the Shareholders in general meeting provided that the refreshed limit must not exceed 10% of the Shares in issue at the date of the Shareholders' approval of such limit. Options previously granted under the Share Option Scheme or any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company or those exercised) will not be counted for the purpose of calculating the refreshed limit.
- (cc) Our Company may also, by obtaining separate approval of the Shareholders in general meeting, grant options beyond the Scheme Limit provided the options in excess of the Scheme Limit are granted only to Eligible Persons specifically identified by our Company before such approval is sought. Our Company shall send a circular to the Shareholders which contains the information required by the Listing Rules.
- (dd) 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 the Shares in issue from time to time.

(vii) ***Maximum entitlement of each Eligible Person***

The maximum number of Shares issued and to be issued upon exercise of options granted and to be granted under the Share Option Scheme and any other share option schemes of our Company to any Eligible Person (including cancelled, exercised and outstanding options), in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue from time to time (the "**Participant Limit**"). Any further grant of options in excess of such limit must be separately approved by Shareholders with such Eligible Person and his associates abstaining from voting. Our Company shall send a circular to the Shareholders which contains the information required by the Listing Rules.

(viii) ***Grant of options to certain connected persons***

(aa) Any grant of an option to a Director, chief executive or Substantial Shareholder (excluding the proposed director or chief executive) of our Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the offeree of the option).

(bb) Where any grant of options to a Substantial Shareholder of our Company or an independent non-executive Director (or any of their respective associates) would result in the total number of Shares issued and to be issued upon exercise of 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:

- (i) representing in aggregate over 0.1% of the Shares in issue from time to time; and
- (ii) having an aggregate value, based on the closing price of the Shares on each date of grant, in excess of HK\$5 million,

such further grant of options is required to be approved by Shareholders in general meeting.

Our Company must send a circular, containing such information as required under the Listing Rules, to the Shareholders for seeking approval on the matter referred to in the sub-paragraph (bb) above. All connected persons of our Company must abstain from voting in favour at such general meeting. Any vote taken at such general meeting to approve the grant of such options must be taken on a poll.

(ix) ***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 the Board may determine but in any event shall not exceed 10 years from the date of grant.

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no minimum holding period before an option is exercisable.



(x) ***Performance targets***

Save as determined by the 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.

(xi) ***Ranking of Shares***

Shares allotted upon the exercise of an outstanding option will be subject to all the provisions of the Memorandum and the Articles for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and issue. Shares allotted upon the exercise of an option for the time being outstanding shall not carry voting rights until completion of the registration of the option holder (or any other person) as the holder thereof.

(xii) ***Rights are personal to grantee***

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(xiii) ***Rights for grantees ceasing to be an Eligible Person***

If a grantee of an option who at the time of grant of an option to him qualified as an Eligible Person ceases to be an Eligible Person:

(aa) by reason of serious illness or death or of retirement in accordance with his contract of employment or service, then he or (as the case may be) his personal representative(s) may exercise his outstanding option within 12 months of such cessation or, such period extended by the Board failing which the option will lapse; or

(bb) by reason of matters other than those specified in paragraph (aa) above, then he may exercise his outstanding options within three months after he so ceases.

(xiv) ***Rights on a general offer***

If a general offer is made to all the Shareholders (other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror), an option holder shall be entitled to exercise, at any time within a period of 14 days after our Company has been notified of the general offer, any option in whole or in part to the extent not already exercised. An option not exercised shall lapse upon the expiry of such period.

(xv) ***Rights on winding-up***

If notice is given by our Company to Shareholders of a general meeting at which a resolution will be proposed for the voluntary winding-up of our Company, our Company shall forthwith give notice to all options holders and each option holder shall be entitled, at any time no later than 2 business days prior to the proposed general meeting of our Company, to exercise any of his outstanding options in whole or in part. An option not exercised shall lapse and determine on the commencement of the winding-up.



**(xvi) *Rights on compromise or arrangement***

In the event of a compromise or arrangement between our Company and Shareholders or our Company's creditors being proposed in connection with a scheme for the reconstruction or amalgamation of our Company, notice of the relevant meeting shall be given to the options holders on the same day notice is given to the Shareholders and our Company's creditors, and thereupon each option holder shall be entitled, at any time not later than 2 business days prior to the proposed meeting, to exercise any of his outstanding options in whole or in part. An option not exercised shall lapse upon such compromise or arrangement becoming effective.

**(xvii) *Lapse of options***

An option shall lapse automatically on the earliest of:

- (aa) the expiry of the period referred to in paragraph (ix) above;
- (bb) the expiry of the relevant period referred to in paragraph (xiii) above;
- (cc) the expiry of any of the relevant periods referred to in paragraph (xiv), (xv) or (xvi) above;
- (dd) the commencement of the winding-up of our Company;
- (ee) the date on which an option holder ceases to be an Eligible Person by reason of the termination of his contract of employment or service on any one or more grounds that he has been guilty of misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty; or
- (ff) the Board cancels the option because the option holder commits a breach of paragraph (xii) above.

**(xviii) *Cancellation of options granted but not yet exercised***

Where our Company cancels any options granted but not exercised and issues new ones to the same option holder, such options may only be granted under the Share Option Scheme with available unissued options (excluding the cancelled options) within the limit referred to in paragraph (vi).

**(xix) *Effects of alterations to capital***

In the event of any alteration in the capital structure of our Company, whether by way of capitalisation issue, rights issue, sub-division or consolidation of Shares or reduction of capital of our Company, such corresponding adjustments (if any) shall be made in the number or nominal amount of Shares comprised in each option for the time being outstanding, the Exercise Price, the Scheme Limit

and/or the Participant Limit as the auditors of our Company or the independent financial adviser to our Company shall certify in writing to the Board to be in their opinion fair and reasonable, provided that:

- (aa) the aggregate Subscription Price payable by an option holder on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such adjustment;
- (bb) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
- (cc) no adjustment will be required in circumstances when there is an issue of Shares as consideration in a transaction; and
- (dd) any adjustment shall be made in accordance with the provisions of Chapter 17 of the Listing Rules and the note thereto and the supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time (including supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes).

(xx) ***Period of the Share Option Scheme***

The Share Option Scheme will remain in force for a period of 10 years commencing on the Adoption Date unless terminated earlier by Shareholders in general meeting.

(xxi) ***Alteration to the Share Option Scheme***

Our Directors may in their absolute discretion vary or amend the terms of the Share Option Scheme, provided that:

- (aa) The terms and conditions of the Share Option Scheme relating to the definition of Eligible Person or the Scheme Period or matters governed by Rule 17.03 of the Listing Rules shall not be altered to the advantage of participants except with the prior approval of the Shareholders in general meeting.
- (bb) Any amendment to any terms of the Share Option Scheme which are of a material nature or any change to the options granted to the advantage of an option holder must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (cc) Any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.
- (dd) 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.

**(xxii) Termination to the Share Option Scheme**

Our Company may, with the approval in general meeting of the Shareholders, terminate the Share Option Scheme at any time following which no further grant of options shall be offered but in all other respects the rules of the Share Option Scheme shall continue in full force and effect. Any options granted and accepted prior to such termination, shall continue to be valid and exercisable in accordance with the rules of the Share Option Scheme.

**(c) Present status of the Share Option Scheme**

Application has been made to the Listing Committee for the listing of and permission to deal in 40,000,000 Shares which may fall to be issued pursuant to the exercise of the options 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.

**(d) Value of options**

The Directors consider it inappropriate to value the options that can be granted under the Share Option Scheme on the assumption that they had been granted at the Latest Practicable Date, as various determining factors for the calculation of such value cannot be reasonably fixed at this stage. It would not be meaningful and to a certain extent would be misleading to the Shareholders if the value of the options is calculated based on a set of speculative assumptions. However, the information on value of the options granted in any financial period will be provided to the Shareholders based on Black-Scholes option pricing model, the binomial model or a comparable generally accepted methodology as at the end of relevant financial period for any annual or interim reports of our Company.

**OTHER INFORMATION****1. Estate duty, tax and other indemnities**

The Controlling Shareholders (the “**Indemnifiers**”) have entered into a deed of indemnity (“**Deed of Indemnity**”) with and in favour of our Company (for ourselves and as trustee for each of our present subsidiaries) (being a material contract referred to in item (n) of the section headed “Further information about our business — Summary of material contracts” in this Appendix) to provide indemnities in respect of, among other matters, any estate duty, death duty, inheritance tax, succession duty or any other similar tax or duty which is or becomes payable by our Company or any of our subsidiaries by the operation of any estate duty, death duty, inheritance tax, succession duty or any other similar legislation in Hong Kong or the PRC or any other relevant jurisdiction to any member of our Group on or before the date on which the Share Offer becomes unconditional. Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries under the laws of the Cayman Islands.

Under the Deed of Indemnity, the Indemnifiers have also given indemnities to our Group in relation to taxation (including all costs, charges, interest, fines, penalties and expenses incidental or relating thereto) which may be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received on or before the date on which the Share Offer becomes unconditional (the “**Effective Date**”).

The Deed of Indemnity does not cover any claim and the Indemnifiers shall be under no liability under the deed in respect of any taxation:

- (a) to the extent that provision, reserve or allowance has been made for such taxation in the audited consolidated accounts of our Group or the audited accounts of any members of our Group for each of the three years ended 31 December 2010 and for the six months ended 30 June 2011 (the “**Accounts**”); or
- (b) to the extent that such taxation falling on any members of our Group on or after the Effective Date would not have arisen but for any act or omission of, or transaction voluntarily effected by, any members of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers other than any such act, omission or transaction:
  - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the Effective Date; or
  - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the Effective Date; or
  - (iii) consisting of any members of our Group ceasing, or being deemed to cease, to be a member of any group of companies or being associated with any other company for the purposes of any matter of such taxation; or
- (c) to the extent of any provisions or reserve made for such taxation in the audited accounts of our subsidiaries or any of them for each of the three years ended 31 December 2010 and the six months ended 30 June 2011 which is finally established to be an over-provision or an excessive reserve provided that the amount of any such provision or reserve applied to reduce the Indemnifiers’ liability in respect of such taxation shall not be available in respect of any such liability arising thereafter; or
- (d) to the extent that such taxation arises as result of our subsidiaries or any of them being in breach of any provision of the Deed of Indemnity; or
- (e) relating to any incomes, profits or gains earned, accrued or received by our subsidiaries or any event occurred or any transactions entered into in the ordinary course of business after 30 June 2011.

Furthermore, each of the Indemnifiers has also jointly and severally undertaken to indemnify and keep each of our Group members fully indemnified against all claims (including but not limited to any

taxation claim issued or action taken by any statutory or governmental authority whatsoever in Hong Kong and the PRC), actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses, fines and of whatever nature suffered or incurred by any of our Group members directly or indirectly as a result of or in connection with any of the following:

- (a) the non-payment of the outstanding PRC social insurance fund contributions in a total amount of approximately RMB33,000;
- (b) the non-payment of the outstanding PRC housing provident fund contributions in a total amount of approximately RMB7,200;
- (c) the failure to make registration with the local social insurance authority in Chengdu City within 30 days from the date of establishment; and
- (d) the failure to make deposit registration with the local housing provident fund contribution authority in Chengdu City within 30 days from the date of establishment.

## **2. Litigation**

As at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of our Group.

## **3. Sponsor**

The Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares in issue and to be issued as mentioned herein, including any such number of Shares falling to be issued pursuant to the exercise of the Over-allotment Option and of options which may be granted under the Share Option Scheme.

## **4. Preliminary expenses**

The preliminary expenses of our Company in relation to its incorporation are approximately US\$3,900 and have been paid by us.

## **5. Promoter**

There is no promoter of our Company.

## 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	Qualification
Shenyin Wanguo Capital (H.K.) Limited . . .	A corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Cheng Wong Lam & Partners in association with Nixon Peabody LLP and Hylands Law Firm . . . . .	Legal advisers on Hong Kong law
上海市錦天城律師事務所 (AllBright Law Offices) . . . . .	Legal advisers on PRC law
SÁ CARNEIRO PINHEIRO TORRES & ASSOCIADOS, Lawyers & Private Notaries . . . . .	Legal advisers on Macau Law
Tozai Sogo Law Office . . . . .	Legal advisers on Japan law
黃子素律師事務所 (Grace T.Z. Huang, Attorney at Law) . . .	Legal advisers on Taiwan law
Wissen & Co Ltd. Lawyers . . . . .	Legal advisers on Thailand law
Ho & Ho Advocates & Solicitors . . . . .	Legal advisers on Malaysia Law
Harney Westwood & Riegels . . . . .	Legal advisers on Cayman Islands law
PricewaterhouseCoopers . . . . .	Certified Public Accountants
Asset Appraisal Limited . . . . .	Property valuer

## 7. Consents of experts

Each of Shenyin Wanguo, our Hong Kong, PRC, Macau, Japan, Taiwan, Thailand and Malaysia Legal Advisers, Harney Westwood & Riegels, PricewaterhouseCoopers and Asset Appraisal Limited has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or references to its name included herein in the form and context in which they are 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 of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

**9. Miscellaneous**

Save as disclosed in this prospectus:

- (a) within the two years immediately preceding the date of this prospectus:
  - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
  - (ii) no commission has been paid or payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any shares in or debentures of our Company or any of our subsidiaries;
  - (iii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
- (b) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (c) no founder, management or deferred shares or any debentures in our Company or any of our subsidiaries have been issued or agreed to be issued;
- (d) all necessary arrangements have been made to enable our Shares to be admitted into CCASS;
- (e) there has been no material adverse change in our financial position or prospects since 30 June 2011 (being the date to which the latest audited combined financial statements of our Group were made up);
- (f) the English text of this prospectus shall prevail over the Chinese text; and
- (g) there is no arrangement under which future dividends are waived or agreed to be waived.

**10. Bilingual prospectus**

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the Application Forms, the written consents referred to in the section headed “Other information — Consents of experts” in Appendix V to this prospectus and copies of the material contracts referred to in the section headed “Further information about our business — Summary of material contracts” in Appendix V to this prospectus.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Cheng Wong Lam & Partners in association with Nixon Peabody LLP and Hylands Law Firm at 50th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the audited combined financial statements of our Group for the three financial years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011;
- (c) the Accountants’ Report, the text of which is set out in Appendix I to this prospectus;
- (d) the report on unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (e) the letter, summary of valuation and valuation certificate relating to the property interests of our Group prepared by Asset Appraisal Limited, the texts of which are set out in Appendix III to this prospectus;
- (f) the Cayman Islands Companies Law;
- (g) the letter of advice dated 30 December 2011 issued by Harney Westwood & Riegels summarising certain aspects of Cayman Islands Companies Law as referred to in Appendix IV to this prospectus;
- (h) the legal opinion dated 30 December 2011 issued by AllBright Law Offices, our PRC Legal Adviser, in respect of certain aspects of our Group and the property interests;
- (i) the legal opinion dated 30 December 2011 issued by Wissen & Co Ltd. Lawyers, our Thailand Legal Adviser, in respect of certain aspects of our Group;
- (j) the legal opinion dated 30 December 2011 issued by Tozai Sogo Law Office, our Japan Legal Adviser, in respect of certain aspects of our Group;



- (k) the legal opinion dated 30 December 2011 issued by Ho & Ho Advocates & Solicitors, our Malaysia Legal Adviser, in respect of certain aspects of our Group;
- (l) the legal opinion dated 30 December 2011 issued by SÁ CARNEIRO PINHEIRO TORRES & ASSOCIADOS, Lawyers & Private Notaries, our Macau Legal Adviser, in respect of certain aspects of our Group;
- (m) the legal opinion dated 30 December 2011 issued by Grace T.Z. Huang, Attorney at Law, our Taiwan Legal Adviser, in respect of certain aspects of our Group;
- (n) the letter of advice dated 30 December 2011 issued by Cheng Wong Lam & Partners in association with Nixon Peabody LLP and Hylands Law Firm, our Hong Kong Legal Adviser;
- (o) the material contracts referred to in the section headed “Further information about our business — Summary of material contracts” in Appendix V to this prospectus;
- (p) the service contracts referred to in the section headed “Further information about our Directors, senior management, staff, Substantial Shareholders and experts — Particulars of service agreements” in Appendix V to this prospectus;
- (q) the rules of the Share Option Scheme; and
- (r) the written consents referred to in the section headed “Other information — Consents of experts” in Appendix V to this prospectus.



ASR Holdings Limited  
瀚洋控股有限公司