BUSINESS OVERVIEW

Founded in 1990, we are an established logistics service provider in Hong Kong. We offer a wide range of logistics services to meet the needs of our customers' supply chains which include transportation, warehousing, customisation services (consisting mainly of repacking services and labeling services) as well as certain value-added services (consisting mainly of container handling services and provision of assistance to the preparation of shipping documentation services). Our business is built on a customer-oriented culture, and we focus on establishing relationships with reputable customers by providing flexible, reliable and timely logistics services. With our proven track record in the logistics industry, we have established a broad customer base comprising of customers from various industries, including FMCG, food and beverage, retailing and other industries.

Our largest customer, Customer A, is a multi-national consumer goods company. As at the Latest Practicable Date, we had maintained long-standing business relationship with our largest customer and to the best knowledge of our Directors, we had been the sole logistics service provider to this customer in Hong Kong for over 20 years. Our revenue attributable to Customer A amounted to approximately HK$110.7 million, HK$97.7 million and HK$37.9 million for the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, which accounted for approximately 81.6%, 72.5% and 65.9% of our total revenue for the corresponding period, respectively. We work closely with reputable customers to develop logistics solutions to meet their unique requirements. In providing logistics services to Customer A, we had enhanced our customisation services by setting up a special room with dust free environment for the handling of personal hygiene products of Customer A. Our service agreements with Customer A typically have a term of two to three years with an option to renew subject to further negotiation.

With the support of our experienced management team, we have become a logistics service provider equipped with experienced staff, vehicle fleet and information technology support capable of handling a large amount of customer orders. As at 30 June 2015, we had over 240 employees. In order to enhance the flexibility and cost effectiveness of our services, we engaged subcontractors for the provision of transportation services and value-added services in container handling. As at the Latest Practicable Date, our vehicle fleet comprised of over 30 vehicles, out of which 11 vehicles were self-owned. The vehicles are of various tonnage to fit our customers' different needs. For the year ended 31 December 2014, we served over 1,500 delivery points in 18 districts in Hong Kong.

As at the Latest Practicable Date, we rented several floors and units in two industrial buildings in Hong Kong with an approximate total area of 400,000 sq.ft. as our warehouses, offices and customisation centres. Our properties are equipped with ERP systems to assist procurement, delivery and storage management. Our customisation centres cover an area of approximately 30,000 sq.ft. and are equipped with shrink packing machines, belt conveyors and sealing machines for carrying out our customisation activities.

Although our recent operating results have been affected by unfavourable economic conditions in Hong Kong, we managed to maintain our profitability. For the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, our total revenue was approximately HK$135.7 million, HK$134.8 million and HK$57.5 million respectively. For the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, our net profit was approximately HK$28.1 million, HK$21.4 million and HK$5.6 million (before deducting the listing expenses of approximately HK$3.4 million) respectively.

The following table sets out the revenue by the types of services we typically offered in our logistics business during the Track Record Period:

	Year ended 31 December				**Six months ended 30 June**			
	2013		**2014**		**2014**		**2015**	
					(unaudited)			
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Transportation	30,344	22.4	32,386	24.0	15,900	23.1	14,786	25.7
Warehousing	49,605	36.6	53,524	39.7	27,588	40.0	27,003	47.0
Customisation *(Note 1)*	43,657	32.2	39,313	29.2	20,438	29.7	12,134	21.1
Value-added *(Note 2)*	12,088	8.8	9,589	7.1	4,930	7.2	3,570	6.2
	135,694	100.0	134,812	100.0	68,856	100.0	57,493	100.0

Notes:

1. Customisation services refer to the repacking services and labeling services.

2. Value-added services mainly include container handling services and assistance in preparation of shipping documentation services.

According to the Euromonitor Report, the Hong Kong logistics industry is expected to grow notwithstanding the poor market sentiment in Hong Kong in late 2014 and early 2015 and the logistics industry in Hong Kong is constituted of a total revenue of approximately HK$373.9 billion in 2014. The industry is expected to have a total turnover of approximately HK$383.0 billion by 2019, which would represent a CAGR of approximately 0.4% from 2015 to 2019. Going forward, we will continue to focus on the provision of logistics services in Hong Kong. As at the Latest Practicable Date, we did not have any plan to commence new business other than our existing logistics services after Listing.

COMPETITIVE STRENGTHS

Our Directors consider that we possess the following competitive strengths:

We provide flexible and reliable logistics services to cater for customers' supply chain needs from time to time

We offer a wide range of logistics services to meet our customers' supply chain needs which include transportation, warehousing, customisation services (consisting mainly of repacking services and labeling services) as well as other value-added services (consisting mainly of container handling services and assistance in preparation of shipping documentation services). These services are complementary to each other, which would help saving the time and cost of our customers. Our range of services gives us a competitive advantage over many local logistics service providers in Hong Kong which offer only a limited range of services.

Prior to the provision of logistic services, we will discuss with our customers in relation to (i) their delivery plan, which specifies the points of delivery and the delivery schedule; (ii) their warehousing plan, which includes storage requirements; and (iii) their other logistics plans, which include their shipping schedules and other specific logistics requirements, if any. Such information will be transmitted into our ERP systems for the advanced planning of the supply chain process and to ensure efficient flow of services.

We believe our ability to plan logistics solutions in advance not only allows us to provide our customers with flexible supply chain solutions, but also, in the long run, enhances our collaborations and relationship with our customers.

We maintain a solid customer base and long-standing relationship with our reputable customers

We had successfully established a solid customer base across various industries such as FMCG, retailing, as well as food and beverage industries up to the Latest Practicable Date. In addition, our Group has established strong and close working relationship with reputable customers in Hong Kong. As at the Latest Practicable Date, we had been maintaining business relationship with our largest customer, Customer A, for over 20 years.

We believe that it is vital for us to continuously expand our customer base and at the same time, maintain long-standing business relationship with our customers from different industries by, among other things, understanding their changing needs and providing them with our tailor-made solutions to cater for industry-specific requirements from time to time. Our customer service personnel would communicate with the customers regularly and collect feedbacks from them so as to enable us to respond to such feedbacks in a timely manner. We are therefore able to maintain stable business relationship with most of our customers. In particular, we had maintained business relationship with our five largest customers for over 20 years, four years, one year, 13 years and three years, respectively, as at the Latest Practicable Date. We believe that our long-standing business relationship with these customers is an indication of their recognition of the quality of our services and we consider this recognition and goodwill is a key factor leading to our success in the logistics industry.

We have an experienced and capable management team

We consider the strength of our management team is fundamental to our success. Mr. Yeung (being one of our founders, the chairman of the Board and an executive Director), Mr. Lee, (being one of our founders and an executive Director) and Mr. Luk (being an executive Director) have on average more than 10 years of experience in the logistics industry. They have extensive knowledge in the logistics industry and are competent to perform their duties in a reliable and timely manner. Mr. Wong Yiu Kwong is one of our key members in the senior management team responsible for overseeing our customisation services provided by us and has over three years of relevant experience. For further details regarding the experience of our management team, please refer to the section headed "Directors, Senior Management and Employees" in this prospectus.

We believe that the extensive experience of our management team and their industry knowledge and in-depth understanding of the logistics market would enable us to assess market trends effectively as well as to operate and manage our business efficiently.

We place great emphasis on the quality of our services

We are able to meet the stringent quality standards of our customers. We place great emphasis on the quality of our services. To ensure that our services are performed to the highest quality standards, we had a dedicated quality assurance team comprising of two quality assurance officers, who would supervise a quality control team comprising of 10 quality control staff as at the Latest Practicable Date. The quality assurance officers are responsible for formulating and implementing systematic quality control policies and standard operating procedures that are integrated into our operational processes in order to maximise the overall quality consistency of our services. They also oversee, in general, compliance of the quality control policies and procedures by different departments of our Group. The quality control team, which is supervised and led by the quality assurance officers, is responsible for monitoring customisation services and undertaking quality inspection during the entire customisation services process. In addition, the quality control team is also responsible for carrying out sample checks and inspections to identify quality defects. We have devised our own standard of performance policy and we may also adopt our client's performance standard or indicators upon requests. We have met the key performance indicators set by Customer A, our largest customer, since the commencement of our business relationship with them. We have also obtained awards from this customer in a number of years for our high quality standards. We had not experienced any material complaints from our customers in relation to the quality of our services during the Track Record Period. With increasing demand from our customers for our logistics services, we believe our emphasis on service quality will continue to contribute to our continued success in earning our customers' confidence in our services, which is essential to our long-term development in the logistics industry.

We have stable relationship with our suppliers

We have established strong and close relationships with our suppliers including landlords and subcontractors. Our five largest suppliers had business relationship with us for over 20 years, over 20 years, seven years, less than one year and two years, respectively, as at the Latest Practicable Date. In order to maximise our flexibility in provision of our services, we have not entered into any fixed-term or exclusive agreements or arrangements with our subcontractors. Our Directors believe that such agreements or arrangements with these subcontractors are not necessary, as we have already maintained strong business relationships with them.

BUSINESS STRATEGIES

We aim to strengthen our position as a leading logistics service provider in Hong Kong. To achieve this, we intend to focus on the following strategies:

(i) Expanding the scope of our services to cover cold chain logistics services

As a logistics service provider, we are well-positioned to provide quality logistics services to our customers. In light of this, we intend to improve our existing facilities by installing more air-conditioners and expand our scope of services by providing a high quality cold chain logistics services to our customers in order to capture the growing demand for this service in Hong Kong. We have conducted a feasibility analysis to substantiate this expansion plan. In assessing the projected profitability and payback period, we have taken a number of factors into consideration such as the labour cost, depreciation of the renovation cost of the cold storage warehouse and the rental expenses. The payback period is approximately 30 months. Our Directors believe that there is a promising future landscape of the cold chain logistics industry, which can be evidenced by the shift in investment of major logistics services providers towards cold storage and logistics. For more details, please refer to the section headed "Industry Overview – Competitive landscape of cold-chain logistics industry in Hong Kong" in this prospectus.

On the basis that (i) some of our major customers have requested us for the cold chain logistics services, such as Customer B, which require the setting up of cold storage area and use of refrigerator vehicles for the storage and transport of their meat, seafood, vegetables, eggs or fruits; (ii) our existing staff are capable and experienced to handle the cold-chain logistic services to be provided by us based on their past experience though no specific skills are required; (iii) we will lease a total of approximately 10,000 sq.ft. warehousing space with the similar level of rental per sq.ft. as existing warehouses which is expected to be $100,000 per month; (iv) the whole process of renovation will take around nine to 12 months including the design stage and construction stage; and (v) initial renovation cost, including purchase of freezers, chillers and install air-conditioned rooms, amounted to approximately HK$12 million, our Directors believe that there would be no material impact on our profitability and operating costs. In addition, based on our feasibility analysis, these additional costs of running the cold chain logistics services can be covered by the revenue generated from such services. We target to implement the strategies by taking the following steps:

(a) Install air-conditioners in a designated area in our Group's existing warehouse so as to store more wine, eggs, canned food and cosmetic products under suitable air-conditioning. It is estimated that the whole process will take around three to four months, which will include the design stage and installation stage;

(b) Rent new premises of approximately 10,000 sq.ft., renovate the same as a cold storage warehouse and purchase of relevant equipments and devices such as freezers, chillers and installation of air-conditioned rooms. It is estimated that the whole process will take around nine to 12 months, which will include the design stage and the construction stage. If we apply for cold store licence from the Director of Food and Environmental Hygiene, our Directors expect that there would not be any material impediment to the application for this licence; and

(c) Purchase refrigerator vehicles to transport chilled and frozen food.

To pursue this strategy, we expect to use approximately HK$19.0 million, representing approximately 44.8% of the net proceeds from the Placing.

(ii) Enhancing our sales and marketing effort

We consider maintaining active business relationship with our existing and potential customers in the logistics industry is important for our Group to explore new and potential business opportunities. We maintain contacts with other companies which may require logistics services in order to keep us abreast of the latest market development and potential business opportunities.

Marketing activities of our Group are mainly conducted by our Directors and senior management and in view of our business nature, it is therefore not necessary for us to maintain a separate team or department solely for sales and marketing purposes. For instance, our executive Directors and senior management may, from time to time, send brochures of our Group to prospective customers for marketing purpose. Other marketing activities undertaken by our Group include hanging banners displaying the names and logos on our fleet of vehicles.

We intend to enhance our sales and marketing strategy for the purpose of promoting our brand awareness through various means, including advertising on magazines and participating in promotional activities such as trade fairs.

To pursue this strategy, we intend to use approximately HK$3.2 million, representing approximately 7.5% of the net proceeds from the Placing.

(iii) Further strengthening our information technology and systems

We intend to consolidate, upgrade and maintain the ERP systems across various departments of our Group, whereby the ERP systems can be assessed by various departments of our Group and share the data therefrom. We plan to maintain and integrate our ERP systems into the business processes of our suppliers and customers and to help them connect and share data with us so as to enhance our operational and management efficiency. We also plan to implement a comprehensive warehouse management system to cater for our growing logistics business and upgrade our ERP systems by including barcode scanners. With a barcode scanner, we can instantly identify the remaining quantity and the location of the products. We believe the above measures will provide us with a wider range of information-based solutions in a more efficient manner and improve our customers' supply chain management.

To pursue this strategy, we expect to use approximately HK$2.1 million, representing approximately 5.0% of the net proceeds from the Placing.

(iv) Continuing to attract and retain talented and experienced personnel

We believe our success depends on our ability to hire and cultivate experienced, motivated and well trained members of our management team, as well as employees at all levels with relevant expertise and dedication. We will continue to offer to our staff with competitive compensation packages, a caring corporate culture and opportunities to grow with our business. We will also continue to invest in training programs for our staff.

To pursue this strategy, we expect to use approximately HK$2.1 million, representing approximately 5.0% of the net proceeds from the Placing.

(v) Growing our business strategically through merger, acquisition or business collaboration

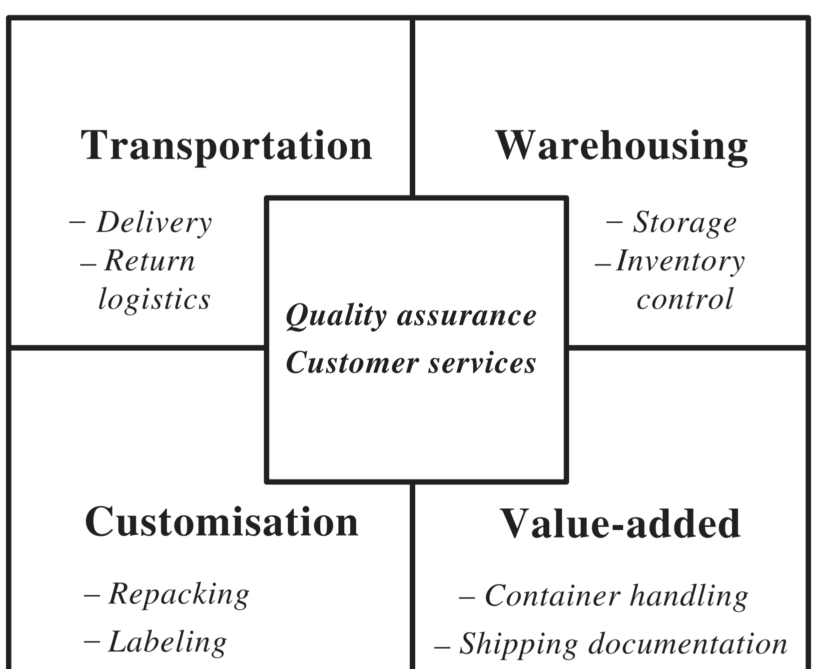
Our Group will continue to maintain our performance within the logistics industry and enhance our competitiveness. Our Directors believe that apart from expanding our scope of services to cover cold chain logistics services, investing in new opportunities will also be critical in enabling our Group to achieve economies of scale, enlarge our customer base and broaden and diversify our service offerings to the market. As at the Latest Practicable Date, our Company had not identified any acquisition and merger targets and will only commence identifying potential targets after Listing.

Selection of our acquisition targets and determining the acquisition cost will be based on (i) the acquisition price and the related costs; (ii) the financial performance of the potential target; (iii) the potential target's relevant experience within the logistics sector; (iv) the expertise and qualifications of the staff of the potential target; (v) the potential target's existing customer base; and (vi) the reputation of the potential target.

SERVICES AND OPERATIONS

We offer a wide range of logistics services to meet our customers' supply chain needs. These include transportation, warehousing, customisation services (consisting mainly of repacking services and labeling services) as well as certain value-added services (consisting mainly of container handling services and assistance in preparation of shipping documentation services). The scope of logistics services that we provide to each customer varies and may depend on, among other things, the requirements of each individual customer, as different customers often require different kinds of services and expertise. We have leveraged our industry experience to specialise in offering industry-specific solutions to better serve our customers.

The following diagram illustrates the types of services we typically offer in our logistics business:



The following table sets out the revenue by types of services we typically offered in the logistics business during the Track Record Period:

	Year ended 31 December				Six months ended 30 June			
	2013		2014		2014		2015	
					(unaudited)			
	HK$'000	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%
Transportation	30,344	22.4	32,386	24.0	15,900	23.1	14,786	25.7
Warehousing	49,605	36.6	53,524	39.7	27,588	40.0	27,003	47.0
Customisation *(Note 1)*	43,657	32.2	39,313	29.2	20,438	29.7	12,134	21.1
Value-added *(Note 2)*	12,088	8.8	9,589	7.1	4,930	7.2	3,570	6.2
	135,694	100.0	134,812	100.0	68,856	100.0	57,493	100.0

Notes:

1. Customisation services refer to the repacking services and labeling services.

2. Value-added services mainly include container handling services and assistance in preparation of shipping documentation services.

Transportation

Our transportation services refer to the delivery of our customers' goods from our warehouses or our customers' designated locations to their designated delivery points or destinations. For the year ended 31 December 2014, we served over 1,500 delivery points in 18 districts in Hong Kong. We can offer same-day delivery services to our customers depending on our delivery schedule. Our customers are required to place the order in the morning and we will deliver the requested goods on the same day. We can also provide three-hour turnaround services to our customers which is calculated from the time the customers place orders with us to the time when we have delivered the goods to the customers' designated delivery points or destinations. We charge our customers at a premium for such services. As at 30 June 2015, we had eight employees responsible for the provision of transportation services and our vehicle fleet are consisted of over 30 vehicles, out of which 11 vehicles were self-owned. The vehicles are of various tonnage to fit customers' different needs.

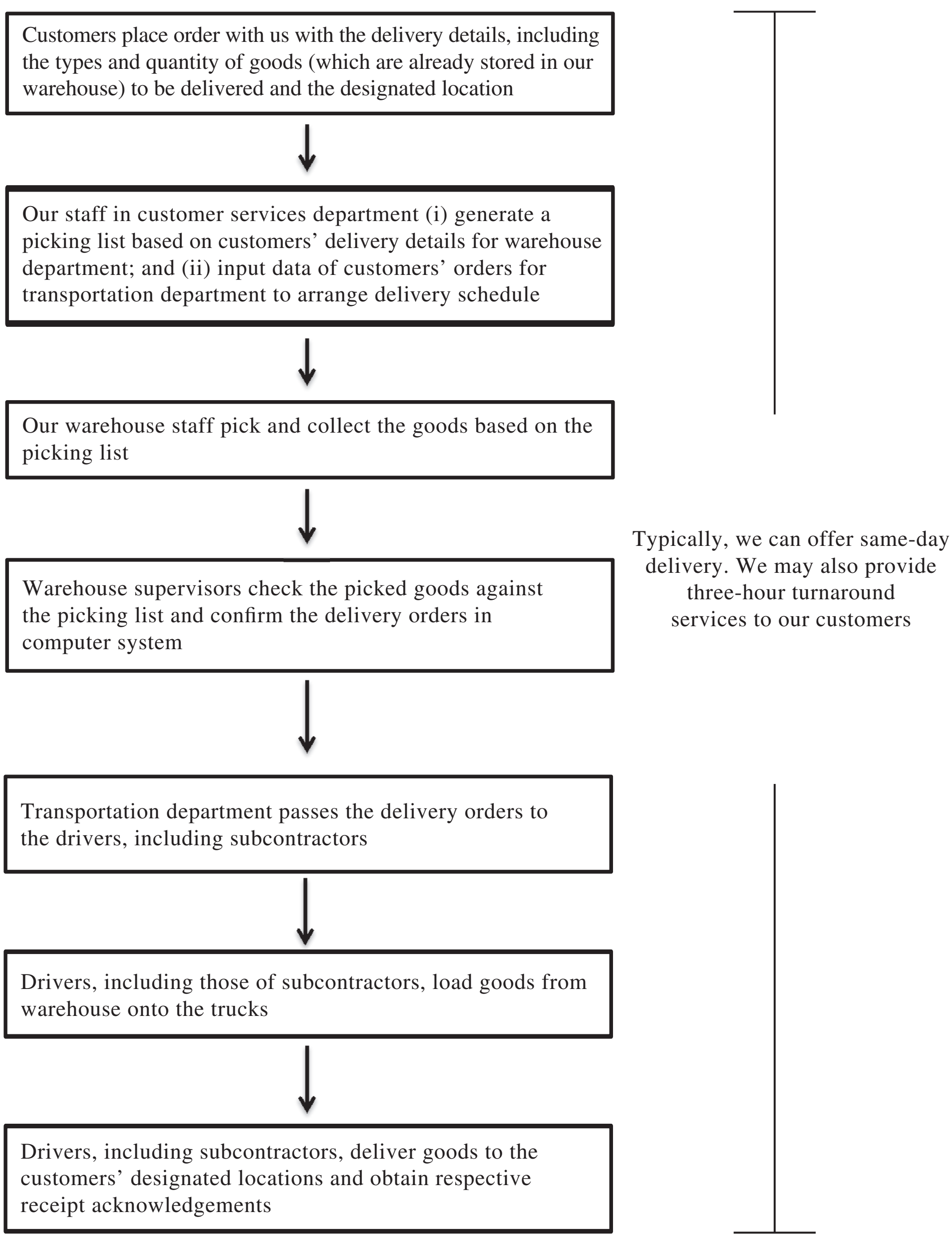
In order to increase the flexibility and cost effectiveness in carrying out our services, we also engage independent subcontractors for the provision of transportation services. During the Track Record Period, we had engaged 16 subcontractors. We generally do not enter into long-term agreements with the subcontractors. For further details, please refer to the paragraph headed "Suppliers" under this section.

With the aid of our ERP systems, we are able to plan the delivery route in advance based on the customers' orders in order to ensure timely delivery of the products to our customers.

We also provide return logistics services to our customers, such as handling returned products from retail stores. We collect returned products or out-of-season products from points of sale, transport them back to our warehouses and we will re-tag and re-pack the products to sales outlets or dispose of the returned products in accordance with our customers' instructions.

The total revenue contributed by our transportation services amounted to approximately HK$30.3 million, HK$32.4 million and HK$14.8 million for the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, which accounted for approximately 22.4%, 24.0% and 25.7% of our total revenue for the corresponding period, respectively.

The below diagram shows the general work flow for our transportation services from our warehouses to customers' designated locations:



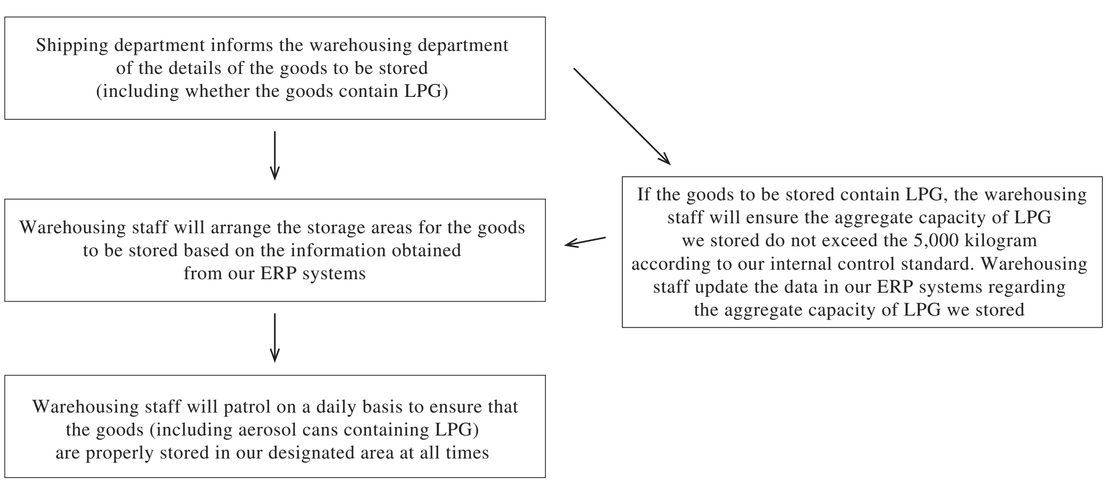
Warehousing

We offer inventory storage to our customers as part of our logistics services. We have a total of approximately 400,000 sq.ft. storage space which is equipped with a closed-circuit television surveillance system supported by periodic guard patrols. In addition, we closely and accurately monitor the temperatures and humidity levels in our storage compartments in order to fulfill the needs of different customers effectively to maintain the condition of the goods. The conditions of storage are normally specified in the service agreements with our customers, including the storage temperature and capacity. As at 30 June 2015, we had 59 employees responsible for the warehousing services. The team is led by two warehouse managers, who have on average over 10 years of relevant experience.

During the Track Record Period, the goods we stored for our customers included consumer products, food and beverages, rice, packing materials, electronic items, cosmetics and aerosol cans of hair styling products containing LPG as propellant. We obtained the approval for the construction of a store for storing disposable LPG cylinders ("**LPG Store**") in our warehouse located at Allied Cargo Centre in 1999 and the LPG Store is subject to annual inspection by the Electrical and Mechanical Services Department. The LPG Store has been used for storing aerosol cans of hair styling products containing LPG as propellant. Recently, we obtained the notice of approval as a rice storage place from the Trade and Industry Department. This approval is valid from 21 May 2015 until cancellation. Please refer to the paragraph headed "Business – Licences and Permits" in this section for details.

Our ERP systems assist our storage management including coding, sorting, loading and quality inspection of goods and enable the management and customers to keep track of the level of inventory.

The below diagram shows the general work flow for our warehousing services:



Our fees are typically charged with reference to the volume of goods stored. Handling fees are also charged relating to various goods-handling services such as loading and unloading of goods in and out of the warehouses.

The total revenue contributed by our warehousing services amounted to approximately HK$49.6 million, HK$53.5 million and HK$27.0 million for the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, respectively, which accounted for approximately 36.6%, 39.7% and 47.0% of our total revenue for the corresponding period, respectively.

Customisation services

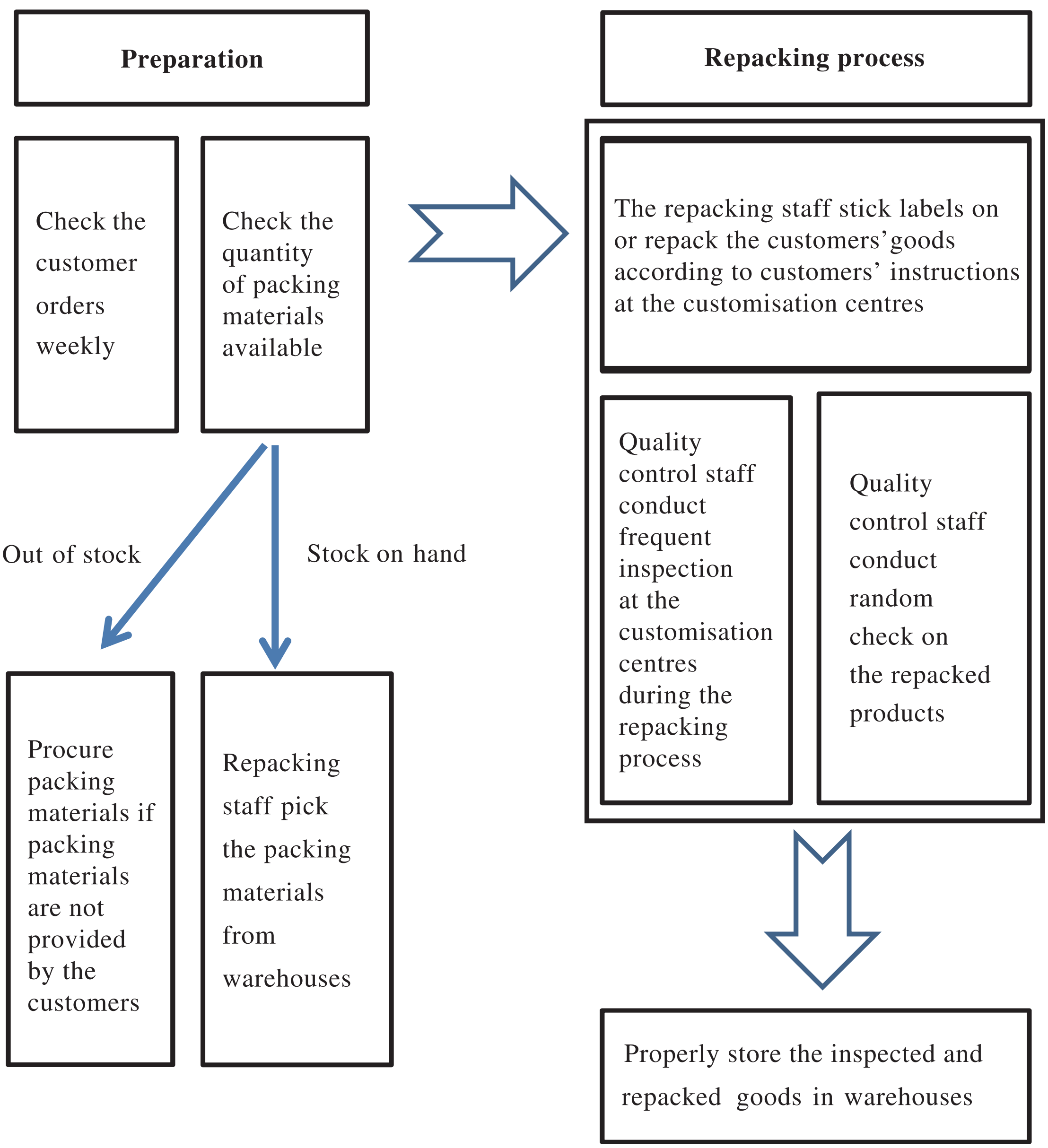
As a logistics service provider, we offer not only transportation services and warehousing services to our customers, but also certain customisation services to customers along their supply chains, including but not limited to repacking services, labeling and relabeling of cartons, gift packing, tags hanging and heat sealing. Our customers normally require our customisation services, such as the labeling services (i.e. sticking labels onto the surface of the products according to customers' instructions from time to time), and the packing and repacking services (i.e. grouping small objects together into one package and repacking the products with the customers' different design) to match the customers' marketing and promotional activities. We have allocated an area of approximately 30,000 sq.ft. in our warehouses as the customisation centres designated for customisation activities. We are also equipped with the necessary machinery such as shrink packing machines, belt conveyors and sealing machines for carrying our customisation activities. There is also a special room with dust free environment for handling personal hygiene products. As at 30 June 2015, we had 139 employees responsible for the customisation services with 10 quality control staff for monitoring the whole process and for carrying out sample checks and inspections to identify quality defects.

Our customers in general would provide the packing materials, including plastic bags, wrapping papers and product labels to us for processing the customisation activities. Our customers will be solely responsible for the accuracy of the representations and contents stated in the product labels and other packing materials. We may also procure packing materials on behalf of our customers following the packing instruction provided by the customers. The procurements of packing materials are based on historical and anticipated orders from our customers. We place a strong emphasis on the quality of the packing materials. During the procurement of packing materials, we will inspect the packing materials in order to ensure that they can meet our quality standards. In addition, we will conduct final inspection in order to ensure that the repacked products are in strict compliance with both the customers' specifications and our quality standards. After final testing and inspection, repacked products will be stored according to our customers' requirements.

Our fees are charged with reference to the volume of goods, procedures and time involved in processing the relevant customisation activities.

The total revenue contributed by our customisation services amounted to approximately HK$43.7 million, HK$39.3 million and HK$12.1 million for the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, respectively, which accounted for approximately 32.2%, 29.2% and 21.1% of our total revenue for the corresponding period, respectively.

The below diagram shows the general work flow for our repacking services. It can take one day to two months to complete the whole process depending on the customers' requirement on the items to be processed. In general, it takes seven to 14 days to complete the whole process:



Value-added services

We also offer certain value-added services to our customers, which mainly consist of (i) container handling services; and (ii) assistance in preparation of shipping documentation services.

Container handling services

Before a container cargo is exported to Hong Kong, it will undergo the requisite customs clearance procedures at its ports of export and the container will then be sealed by the customs of the relevant port of export thereafter. The container cargo will then be handled and delivered to Hong Kong by an ocean liner. Once the container has arrived in Hong Kong, it will undergo the import customs clearance procedures in Hong Kong, which is subject to inspection and examination by the customs at the ports in Hong Kong.

The Port Control (Cargo Working Areas) Regulations (Chapter 81A of the Laws of Hong Kong) forbid any person from engaging in the inspection of cargos in a public cargo working area unless with the authorisation of the Director of Marine and thus, we are not allowed to open the container and inspect the cargo inside at the port. As such, we can only verify the number of the container against the relevant shipment documents provided to us by our customers. We will arrange for collection of the container and transport it to our warehouse in Tsuen Wan. We will then check the container seal. If the seal is found to be intact and there is no trace of being broken or altered, it means that no one has tempered the cargo after the customs clearance and the goods inside should be the same as stated in the relevant customs clearance documents of the relevant port of export. We will then break the seal and conduct inspection and examination of the goods to verify whether the number and content of the goods match with the description of the relevant shipping documents (such as invoice, packing list and bill of lading). After confirming the contents match with the description, our warehouse staff will store the goods at the designated area within the warehouse. However, if the container has been examined or checked by the customs in Hong Kong, the seal of the relevant container would inevitably be broken by the customs and a letter of certification will be issued by the customs confirming the seal has been broken as a result of inspection by the customs in Hong Kong. On the other hand, if the seal of the container is found to be damaged or broken upon receipt of the container which is not due to inspection by the customs, our warehouse manager would take picture for record purpose and inform the relevant customer of such finding. Afterwards, an independent surveyor will be engaged to ascertain the amount of damage and the customs will be informed of such incident. Our above-mentioned procedures in handling the container when it has arrived in Hong Kong and the steps taken by us to ensure that the products are manifested have been generally adopted by our Group for more than 20 years, without receiving any complaint from the Customs and Excise Department, the port operator or our customers.

Once the containers have arrived at the port terminal and the seal of which is found to be intact, we will arrange for the collection of the containers and transport them back to our warehouses. Once the containers arrived at our warehouses, we will provide container devanning services. We engage independent contractors to perform the container handling services as the contractors possess the relevant machineries and expertise. The total number of containers we handled were over 3,200, 2,600 and 900 for the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015.

As our container handling services commence only when the container has arrived in Hong Kong and we act as a logistic provider thereof in Hong Kong and thus, our Group should not be regarded as the importer of the cargo in a strict sense. Upon seeking opinion from Counsel, our Directors take the view that in the premises, section 18(1)(a) of the Import and Export Ordinance, (Chapter 60 of the Laws of Hong Kong) ("**IAEO**"), which restricts any person from importing any unmanifested cargo, is not applicable to us. However, even if we are being held as an importer of the products into Hong Kong and the goods contained in the container are unmanifested, the Counsel opined that we have a good and strong defence under section 18(2) IAEO that as we can prove that we do not know and could not with "reasonable diligence" have known that cargo was unmanifested, taking into account all the above-mentioned steps and procedures adopted by our Group in order to ensure that the cargo is manifested and such steps and procedures have been well established and implemented by our Group for over 20 years without receiving any complaint from the Customs and Excise Department, the port operator or our customers. Hence, it is reasonable for us to rely on these well-established steps and procedures for ensuring the cargo is manifested and to assert that we have taken out all "reasonable diligence" to ensure the cargo is manifested.

Shipping documentation services

In respect of the shipping documentation services, it is the primary responsibility of our customers to prepare proper documentation for the relevant customs clearance in the relevant port of export before the cargo container is delivered to Hong Kong. However, upon request by our customers, we may prepare such documentation on their behalves. We may arrange cargo booking and assist customers in preparing relevant customs clearance documents on behalf of our customers and for their signatures and endorsements. In this respect, our staff will conduct reasonable diligence in checking the documents provided by the customers against the documents in our possession, double-check the contents thereof with its customers and seek customers' confirmations and approval before filing. We would not file any document if doubt arises. The customers would also verify the contents of such custom clearance documents before they sign the documents or authorise our staff to sign the documents as their "authorised signatory" based on their overt authorisation. As for Customer A, it has engaged us to arrange for the filing of a declaration with the Customs and Excise Department in Hong Kong electronically using Customer A's electronic account with an electronic account service provider. To facilitate the filing process, Customer A has designated and authorised one of our staff members in advance to log into its electronic account for preparing and submitting the declaration for and on behalf of Customer A. In this regard, such designated staff member is given a security device to gain access to Customer A's electronic account. In the documents submitted to the electronic service provider, Customer A has overtly agreed to be bound by all actions of the message signatories of and incidental to using electronic submission services on its behalf; and it shall be fully responsible for all information submitted by the message signatories through electronic and authenticated by their respective security devices and all liabilities arising therefrom. To avoid any potential legal risk that the cargo may be damaged in the course of verification, it is our policy that we do not verify the description of the cargo against the actual physical content of the cargo at the port terminal and we do not handle the labelling of any cargo.

As advised by Counsel, if any person makes or causes to be made any statement or furnishes any information which is false or misleading in a material particular or omits any material particular in any declarations and/or documents lodged the Customs and Excise Department, that person may be found guilty under section 36 of the IAEO. Counsel further opined that insofar as we have not made any declaration personally, we shall not have contravened section 36 of the IAEO merely by the act of preparing the documents. On the other hand, if our staff member prepare the documents and sign on it according to the customers' instructions and direction or make any declaration personally with the approval and overt authorisation of the relevant customer and the statements contained thereon are subsequently proved to be false or misleading, there is a risk that our staff member and our directors or officer concerned may be subject to prosecution under section 36(1) of the IAEO unless he/she can prove that he/she has no knowledge and has no reason to believe the statement or information to be false or misleading or the omission to be material. In this connection, the Counsel opined that taking into account all circumstances in totality, including the facts that (i) we prepare the documents with all reasonable diligence, in particular, our staff will check the documents provided by the customers against the documents in our possession and records, double-check the contents thereof with customers and seek customers' confirmations and seeking approval from customers before filing and signing in the documents; (ii) no filing of documents will be carried out nor declaration be made if there is any doubt; (iii) the customer concerned would also verify the contents of such customs clearance documents before our staff signs and/or files the documents on behalf of the customers; (iv) Customer A having overtly agreed to bear all liabilities arising from the electronic submission of the forms and declaration; and (v) the aforementioned measures to ensure the accuracy and correctness of the contents of the clearance and compliance documents have been generally adopted by our Group for more than 20 years without receiving any complaint from the Customs and Excise Department or our customers, the Counsel opined that the above measures would constitute a sufficient ground for our staff and us to defend against any allegation arising from section 36(1)(c) and (d) of the IAEO. Our Directors confirm that our Group has not been subject to any prosecution or allegation for any potential contravention of section 36(1) of the IAEO.

On the other hand, if the relevant cargo contains dangerous goods such as drugs, chemicals or explosives, it is the responsibility of our customers to ensure all dangerous goods are properly classified, packed, marked, labeled and documented before they are offered for transportation pursuant to relevant regulations in Hong Kong. Our customers should complete a dangerous goods transport document which contains the classification and description of the dangerous goods and a declaration signed by our customers.

The total revenue contributed by our value-added services amounted to approximately HK$12.1 million, HK$9.6 million and HK$3.6 million for the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, respectively, which accounted for approximately 8.8%, 7.1% and 6.2% of our total revenue for the corresponding period, respectively. The employees who are responsible for customer services will also handle the value-added services.

CUSTOMERS

We serve customers from various industries, mainly including FMCG, retailing, food and beverage.

Our FMCG customers include Customer A and other customers whose principal business is the sale of FMCG such as (i) baby and family care products, for instance, diapers and tissues; (ii) household products, such as laundry detergent and softeners; (iii) beauty products, such as cosmetics and face cleanser; and (iv) health and grooming products, such as toothpaste and razor blades. These types of products are generally sold in supermarkets, grocery stores, drug stores and department stores.

Our retailing customers are mainly chain store operators in Hong Kong. Chain stores include chain convenience stores and chain restaurants, which operate a number of stores or restaurants in Hong Kong. The end consumers are the public.

Our food and beverage customers are mainly suppliers or distributors of a wide range of food and beverage products such as meat, rice, wines, beverages to retailers, wholesalers or food manufacturers.

The table below sets out our revenue during the Track Record Period by industry type of the customers:

	Year ended 31 December				**Six months ended 30 June**			
	2013		**2014**		**2014**		**2015**	
					(unaudited)			
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
FMCG	119,883	88.3	107,127	79.5	56,444	82.0	41,222	71.7
Retailing	14,716	10.8	16,756	12.4	4,219	6.1	6,002	10.4
Food and beverage	393	0.3	6,333	4.7	6,508	9.5	7,687	13.4
Electronic, health and beauty accessories	52	0.0	1,481	1.1	11	0.0	1,711	3.0
Others	650	0.6	3,115	2.3	1,674	2.4	871	1.5
	135,694	100.0	134,812	100.0	68,856	100.0	57,493	100.0

During the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, the revenue contributed by the FMCG customers, mainly Customer A, accounted for approximately HK$119.9 million, HK$107.1 million and HK$41.2 million respectively, which accounted for approximately 88.3%, 79.5% and 71.7% of our total revenue for the corresponding period, respectively. The revenue contributed by the retailing customers increased by approximately 14.3% from approximately HK$14.7 million for the year ended 31 December 2013 to approximately HK$16.8 million for the year ended 31 December 2014. The revenue contributed by the retailing customers increased by approximately 42.9% from approximately HK$4.2 million for the six months ended 30 June 2014 to approximately HK$6.0 million for the six months ended 30 June 2015.

The increasing trend of our revenue contributed by retailing customers during the Track Record Period showed our considerable efforts to diversify our customer base and reduce our reliance on Customer A.

General terms of agreements with customers

We typically enter into service agreements with our customers. These agreements are generally for a term of one to three years, with an option to renew subject to further negotiation.

Scope of services

The service agreement normally specifies the basic types of services we provide to customers including but not limited to transportation, warehousing and customisation services. Additionally, our service agreement may also specify the conditions of the storage area.

Title of goods

The title, benefit, interest and rights in the customer's goods shall remain the sole and exclusive property of the customer at all times.

Liability

We shall be liable for any loss or damage caused by misdelivery, delay in delivery or failure of delivery of the goods of the customer. During the Track Record Period, we had not experienced any material misdelivery, delay in delivery or failure of delivery.

Termination

We or our customers may at any time by giving the other party certain months' prior written notice to terminate the service agreements. During the Track Record Period, none of our service agreements had been terminated by reason of material breach by us or the other party to the service agreement.

Pricing policy and payment terms

We price our services on a "cost-plus" basis. Our pricing policy takes into account various factors and some of the material factors when negotiating with our customers include: (i) type of services required; (ii) prevailing market rates offered by other logistics service providers; (iii) cost analysis taking into account potential increases in wages, fees for any third party service provider and the location; (iv) the operating lease rentals in respect of rented premises; and (v) our budget and determination of a reasonable profit margin. We may offer discounts to the customers having long-term relationship with us and good reputation in the market. Customers who require customised storage space or complex handling services or value-added services are subject to a higher fee.

In general, we issue invoices to charge our customers on a monthly basis based on the quantity of services we rendered in that particular month, hence the monthly fee varies depending on the actual quantity of services rendered. Certain service agreements provide for a minimum monthly charge which the customers are obliged to pay us regardless of the quantity of services rendered.

During the Track Record Period, all revenue from our services was derived from Hong Kong and denominated in HK dollars. Generally, the payment method is by cheque or bank transfer.

The weighted average price range for our different types of services during the Track Record Period is indicated in the following table:

Types of services	**HK$**
Transportation	882 to 963 per trip
Warehousing	84 to 114 per unit (per month)
Customisation	0.75 to 1.17 per piece

We have different charging bases for different customers. The major charging basis for the transportation services is based on the number of trips. There are also other charging bases which include the number of boxes, cubic metres and number of dropping points of our customers' products. The major charging basis for the warehousing services is based on the number of units. There are also other charging bases which include the number of pallets and sq. ft.. The charging basis for the customisation services is based on the number of pieces it processed. Our Directors consider that our different charging bases are in line with industry norm.

Credit policy

We generally grant to our customers a credit period ranging from 0 to 45 days from the invoice date. The length of credit period granted varies on a case-by-case basis depending on the customer's reputation and credibility, payment history and business relationship with our Group. We periodically review the credit terms and our customer's payment record and, if necessary, revise the credit terms granted to our customers after review. On 1 July 2015, we extended the credit period offered to Customer A from 45 days to 75 days from the invoice date in view of the accounts receivables financing arrangement offered by the group company of Customer A. For details, please refer to the paragraph headed "Accounts receivables financing arrangement" in this section. We also closely monitor any outstanding overdue amounts and take measures to collect any outstanding amounts. During the Track Record Period, we did not experience any material difficulty in collecting payment from our customers.

As at 31 December 2013 and 2014 and 30 June 2015, we recorded trade receivables of approximately HK$32.2 million, HK$34.7 million and HK$26.6 million respectively, of which approximately HK$4.9 million, HK$12.8 million and HK$8.7 million respectively had been past due but not impaired as they were due from customers of whom there was no history of default during the Track Record Period. For each of the two years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, our trade receivables turnover days were approximately 83.5 days, 90.5 days and 96.3 days respectively, which were longer than the maximum credit period of 45 days granted by us to our customers during the Track Record Period.

In order to collect overdue trade receivables, material overdue payments are monitored continuously and evaluated on a case-by-case basis by our Directors in order to decide on the appropriate follow-up actions to be taken by us having regard to the relevant customer's normal payment processing procedures, our relationship with the customer, its history of making payments, its financial position as well as the then general economic environment. Follow-up actions to collect overdue trade receivables include but not limited to active communications with the customers' appropriate personnel (such as the relevant department responsible for processing payments) as well as taking legal actions (where appropriate). In addition, we will review the recoverable amount of each individual trade receivable balance at the end of each reporting period to ensure that adequate impairment losses are provided for irrecoverable amounts.

Provision policy

Our policy for impairment loss on trade receivables is based on an evaluation of collectability and aged analysis of the receivables which requires the use of judgment and estimates. Provisions are applied to the receivables when there are events or changes in circumstances which indicate that the balances may not be collectible. We closely review our trade receivable balance and any overdue balances on an ongoing basis and assessments are made by our management on the collectability of overdue balances.

No impairment loss on trade receivables was recognised during the Track Record Period.

The following table sets forth the details of our five largest customers during the Track Record Period:

For the six months ended 30 June 2015

Customer	Background	Approximate length of business relationship with us as at 30 June 2015	Approximate % of our total revenue	Credit period
Customer A	a group company of a multi-national consumer goods company listed in US	Over 20 years	65.9%	45 days [(6)]
Customer B [(1)]	a group company of a Hong Kong-style chain restaurant listed in Hong Kong	4 years	9.8%	15 days
Customer F [(5)]	a Hong Kong based supplier of food, including meat, vegetables, frozen meats and dairy products	1 year	7.6%	15 days
Customer C [(2)]	a FMCG distributor of multi-national famous brands	13 years	4.0%	nil
Customer E [(4)]	a Hong Kong based supplier and distributor of a wide range of food, FMCG, frozen and chilled meat and seafood	3 years	3.3%	10 days

For the year ended 31 December 2014

Customer	**Background**	**Approximate length of business relationship with us as at 31 December 2014**	**Approximate % of our total revenue**	**Credit period**
Customer A	a group company of a multi-national consumer goods company listed in US	Over 20 years	72.5%	45 days
Customer B [(1)]	a group company of a Hong Kong-style chain restaurant listed in Hong Kong	3 years	7.9%	15 days
Customer C [(2)]	a FMCG distributor of multi-national famous brands	13 years	5.2%	nil
Customer F [(5)]	a Hong Kong based supplier of food, including meat, vegetables, frozen meats and dairy products	less than 1 year	4.4%	15 days
Customer E [(4)]	a Hong Kong based supplier and distributor of a wide range of food, FMCG, frozen and chilled meat and seafood	3 years	3.0%	10 days

For the year ended 31 December 2013

Customer	**Background**	**Approximate length of business relationship with us as at 31 December 2013**	**Approximate % of our total revenue**	**Credit period**
Customer A	a group company of a multi-national consumer goods company listed in US	Over 20 years	81.6%	45 days
Customer B [(1)]	a group company of a Hong Kong-style chain restaurant listed in Hong Kong	2 years	6.2%	15 days
Customer C [(2)]	a FMCG distributor of multi-national famous brands	12 years	4.3%	nil
Customer D [(3)]	a Hong Kong based supplier of organic food	2 years	2.5%	nil
Customer E [(4)]	a Hong Kong based supplier and distributor of a wide range of food, FMCG, frozen and chilled meat and seafood	2 years	2.1%	10 days

Notes:

Set out below is the information of our major customers in accordance with the best knowledge, information and belief of our Directors having made all reasonable enquiries:

(1) Customer B is a group company of a Hong Kong-style chain restaurant listed in Hong Kong with 48 years of operating history in food and catering sector. According to its annual report for the year ended 31 March 2015, it operated 31 restaurants in Hong Kong, 19 restaurants in the PRC and 1 restaurant in Macau as at 31 March 2015.

(2) Customer C, incorporated in 1993, is a FMCG distributor of multi-national famous brands in Hong Kong.

(3) Customer D is a Hong Kong based supplier of organic food. It has over 70 retail stores in Hong Kong. Its products include a selection of health food, organic products and vitamins and supplements.

(4) Customer E is a Hong Kong based supplier and distributor of a wide range of food, FMCG, frozen and chilled meat and seafood. With over 65 years of experience, Customer E has established its food distribution network covering a wide spectrum of the food service industry such as Chinese and Western restaurants, hotel groups and ship chandlers, air caterers, supermarkets, fast food chains, governmental institutions, canteens and theme restaurants etc. in Hong Kong, Macau and China.

(5) Customer F is a Hong Kong based supplier of food, including meat, vegetables, frozen meats and dairy products. It has been in business in Hong Kong since 1946 and it has distribution offices in the PRC, Macau, Singapore and Malaysia. Customer F maintained relationship with many local wholesalers, with a focus on wholesalers to high-end restaurants and hotels. It supplies a wide range of their daily needs, including frozen and chilled meats, dry groceries and daily products.

(6) Since 1 July 2015, the credit period offered to Customer A had extended to 75 days.

We had business relationship with our five largest customers for over 20 years, four years, one year, 13 years and three years, respectively, as at the Latest Practicable Date. During the Track Record Period, our Group's five largest customers in aggregate accounted for approximately 96.7%, 93.0% and 90.6% respectively of our Group's revenue while the largest customer accounted for approximately 81.6%, 72.5% and 65.9% respectively of our Group's revenue. None of our Directors, their respective associates or any Shareholder (who or which, to the best knowledge of our Directors owns, more than 5% of the issued share capital of our Company) had any interest in any of the five largest customers during the Track Record Period.

Our relationship with Customer A

Over 20 consecutive years of cooperation, we have established stable and long-term relationship with Customer A.

As at the Latest Practicable Date, we had maintained business relationship with this largest customer and to the best knowledge of our Directors, we are the sole logistics service provider of this customer in Hong Kong for over 20 years. Customer A conducts regular inspection and assessment on our performance and set performance indicators for us to follow from time to time. Our revenue attributable to Customer A amounted to approximately HK$110.7 million, HK$97.7 million and HK$37.9 million for the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, which accounted for approximately 81.6%, 72.5% and 65.9% of our total revenue for the corresponding period, respectively.

Background of Customer A

Our largest customer, Customer A, is a multi-national consumer goods company. The parent company of Customer A is listed on the New York Stock Exchange with a market capitalization of over US$200 billion as at the Latest Practicable Date. It is principally engaged in the sale of consumer goods, including baby and family care products, household products, beauty products and health and grooming products. Customer A and its group companies had a total of approximately 110,000 employees as at 30 June 2015. The following table sets out the financial highlights of Customer A based on its annual report for the year ended 30 June 2015:

	For the year ended 30 June	
	2014	**2015**
	US$' billion	*US$' billion*
Total revenue	80.5	76.3
By geographic region:		
North America	38%	40%
Europe	28%	26%
Greater China	8%	8%
Others	26%	26%
Net earnings from continuing operations	11.3	8.9
Total assets	144.3	129.5

Based on the annual report of Customer A for the year ended 30 June 2015, its total revenue decreased by less than 6% from the year ended 30 June 2014 to the year ended 30 June 2015. Our Company falls within the Greater China region, and the revenue of this region accounted for approximately 8% of total revenue of Customer A for both the years ended 30 June 2014 and 2015. As such, it represented that the total revenue of Customer A derived in the Greater China region also decreased by less than 6% from the year ended 30 June 2014 to the year ended 30 June 2015, and Customer A can therefore maintain the similar financial performance in this region. Our Directors are of the view that such financial position of Customer A will not have adverse impact on our Group's business given that (a) the reliance on Customer A is in a decreasing trend and the revenue generated from customers other than Customer A increased during the Track Record Period; and (b) the orders placed by Customer A gradually increased after the Track Record Period. According to the quarterly result for the three months ended 30 September 2015 of Customer A, its total revenue was approximately US$16.5 billion, which had a 12% decrease as compared to the three months ended 30 September 2014. We noted that it was due to a negative impact from foreign exchange and impact from the deconsolidation of one of its subsidiaries and minor brand divestitures, but not due to the decline in its ordinary course of business.

Contractual arrangements with Customer A

Our service agreements with Customer A relating to the provision of logistics, warehousing and delivery services and other ancillary value-added services (collectively the "**Service Agreements**") typically have a term of two to three years with an option to renew subject to further negotiation. Our Directors confirm that the Services Agreements with Customer A had not been stopped or suspended since we commenced business relationship with Customer A. In addition, there is no minimum service engagement commitment imposed on Customer A under the Service Agreements. We receive individual purchase order for the services rendered under these Service Agreements.

Under the Service Agreements, we have to comply with Customer A's (i) prescribed key performance indicators at all times for assessment of the standard of our services with categories of services, quality, stewardship, capacity, productivity and safety; and (ii) quality assurance key elements in relation to assessment of the quality of our services. Our service fees are charged according to the rate set out in the Service Agreements and thus, upon expiry of which, the rate of our service fees would be subject to review and further negotiation with Customer A. It is expressly provided in the Service Agreements that our engagement is on an entirely non-exclusive basis. Customer A is entitled to terminate the Service Agreements with cause if, among others, we fail to rectify any breach within 30 days after service of notice of the breach to us or to terminate the Service Agreements without cause simply by serving 30 or 60 calendar days' notice onto us.

Renewal of the Service Agreements

Save and except for granting us an option to extend the term for two years with respect to our provision of warehousing and delivery services on the same terms and conditions, there is no renewal clause in the Service Agreements. The Service Agreements we entered into with Customer A will expire in June 2016. We had actively approached Customer A regarding the renewal of the service agreements. However, based on our past experience, Customer A is generally engaged in negotiation with us for the renewal of the Services Agreements within one to two months before the expiration date thereof for the relevant period. Notwithstanding that, Customer A has approached us recently to commence discussion and preparation relating to the estimated amount of works and services to be provided by us to Customer A for the coming year. Customer A, during the course of negotiation, had expressed its intention to renew that Service Agreements and asked us to assess whether our current capacity is able to cater for and accommodate the potential amount of services and spaces required by Customer A and sought our view on whether additional space could be provided in order to minimise any possible business disruption during the coming peak season. Our Directors consider the it is a positive indication and are confident that we will be able to renew the Service Agreements and continue the business relationship with Customer A for the next term and going forward. Furthermore, though the Service Agreements will expire in June 2016, taking into account the facts that (i) we have been providing logistics services and warehousing services to Customer A for 20 consecutive years (notwithstanding that Customer A can appoint any other logistics services provider or warehousing service provider in lieu of us or on top of us as our engagement is not on an-exclusive basis; (ii) we do not have any material disagreement with Customer A and we have not experienced any difficulties in negotiating or renewing our service agreements with it); and (iii) we have passed its key performance indicators and achieve its quality assurance key elements all through and received a number of awards and appreciation letters from Customer A, our Directors take the view that there should not be any difficulty or legal impediment for us to renew the Service Agreements with Customer A when they expire in June 2016.

Mutual and complementary reliance between Customer A and our Group

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

(i) *We have extensive knowledge and experience in Hong Kong logistics market*: We believe that our stable relationship with Customer A was mainly due to our reputation in the industry, our comprehensive range of services offered, our extensive knowledge and experience in Hong Kong logistics market, our ability to meet their requirements as well as our high standard of service quality. We understand that Customer A does not have its own logistics centre in Hong Kong but engages our Group to provide logistics services in Hong Kong. We believe that Customer A could benefit from us to maintain a broad market reach at a lower operating cost.

(ii) *Valued business partners:* During our long-term course of dealings with Customer A, we have offered continuous logistics services and warehousing services to Customer A as a valued business partner and we believe both of us have developed, to a certain degree, a mutual reliance and benefit in terms of cost effectiveness and service quality. Attributed to our experienced and capable management staff, logistics team, warehousing staff and packing workers, our Group had not only been involved in provision of typical logistics services or warehousing services, we had (a) developed an efficient and effective logistics flow between Customer A, our Group and the customers of Customer A; (b) provided customisation services and been able to achieve the "three-hour delivery services" target; (c) applied our experience and first-hand information for providing suggestions to Customer A in relation to (i) its delivery plan, including the points of delivery and delivery schedule; (ii) its warehousing plan, including the storage requirements; (iii) packing plan, such as the repacking and labelling requirements for seasonal promotions; and (iv) its other logistics plans, including their shipping schedules and other specific logistics requirements with an aim of achieving higher efficiency, effectiveness and cost saving.

(iii) *Difficulties faced by Customer A in engaging another service provider in Hong Kong in place of our Group:* Our Directors note that the process of identifying and approving new logistics service provider and/or warehousing service provider could be time consuming and might result in unforeseen operational problems to Customer A. Over the years of cooperation, we had expanded the space of our warehouses in order to accommodate Customer A's needs from time to time. On the other hand, Customer A may have to incur material initial time and cost to train up new suppliers including the logistics services providers or warehousing services providers. Being a multi-national listed company, Customer A has developed a comprehensive set of Standard Operating Procedures ("**SOP**") to guide its business operations and regulate its service providers. It may take substantial set-up time and cost to integrate with its new suppliers to familiarise themselves with its systems and SOP and integrate the same to the new suppliers' own systems. By using a replacement supplier without proven track record for working with Customer A, Customer A is required to undergo the training process from the beginning all over again and such training may not yield successful and desirable result. Under such circumstances, our Directors take the view that Customer A may need to go through numerous rounds of selection and inevitably incur additional time and cost. Such time and cost will multiply if the new suppliers fail to accept and absorb the SOP to their daily operations.

(iv) *Change of supplier may negatively impact Customer A's business operations:* Given that Customer A is a multi-national consumer goods company which has over 65 brands of products (i.e. mainly baby and family care products, household products, beauty products and health and grooming products which are for almost daily consumption by end customers), its logistics network is therefore broad and cross-weaving and our Directors believe that it had taken much time and effort for Customer A to establish an unique business ecosystem, so it is not easy for it to replace a long-term supplier in Hong Kong, like our Group, by a new player, which might cause disruption to its operation in Hong Kong. As set out in the annual report of Customer A for the year ended 30 June 2015, it stated that (a) disruption in Customer A global supply chain may negatively impact its business results; and (b) Customer A relied on third parties in many aspects of its business, which create additional risk. As such, unless there are imminent unresolvable adverse factors arise, such as the quality issue of the suppliers, unreasonable price offered by the suppliers or the incapability and lack of experiences of the suppliers, our Directors are of the view that Customer A would normally prefer a stable customer-supplier business relationship.

We believe that our Group has the ability to replicate our co-operation with Customer A in our development of business relationship with other customers.

Alongside with maintaining constant long-term business relationship with Customer A, we have from time to time identified and take on new customers. In addition, our Group has continued to expand our sales and marketing network. Please refer to the paragraph headed "Business Strategies" in this section for more details. While our Directors confirmed that our Group has no intention to limit ourselves to serving Customer A in the future, having taken into account the following factors and measures taken by our Group, our Directors consider that our reliance on Customer A would not affect our business prospect:

(i) *Keep attracting more potential customers:* Our long-term business relationship with renowned Customer A can be regarded as a credit of our high quality services to other customers which in turn can attract more potential customers. In addition, we believe that our experience in serving Customer A will enable us to obtain a deeper understanding of the requirements and quality standard of our customers, and to improve our quality of services offered to other customers. As such, our Directors are of the view that the Service Agreements entered into between Customer A and us were beneficial to both parties and the reliance on each other is mutual. We consider our relationship with Customer A is in line with our Group's strategy to focus on establishing long-term relationship with reputable customers in the market.

(ii) *Leading position of Customer A:* Customer A is one of the leading multi-national consumer goods companies in the world and its parent company has over 170 years' history. Our engagement with Customer A also allows us to have exposure to serving a leading multi-national company with stringent performance indicators for assessing our performance and the quality of our services, which has benefited us in enhancing the quality of our services and assessing our performance internally. We believe that by utilising similar standards in the provision of logistics services, warehousing services and the other ancillary value-added services to our other customers, we are able to develop and customise our services for other customers. On the other hand, based on our engagement with Customer A in the past 20 years for provision of logistics services, warehousing services and ancillary value-added services, our Directors believe that our business and growth prospect will remain positive going forward.

(iii) *Introduction of new customers:* To diversify our customer base, the revenue generated from our other customers had increased from approximately HK$25.0 million in 2013 to HK$37.1 million in 2014, which respectively represented approximately 18.4% and 27.5% of our revenue during the respective period. Our Directors believe that our Group is able to expand our logistics services and warehousing services for new customers in different industries and markets. Our Directors are of the view that the industries and markets in which our services would be needed are fragmented and therefore, offer enormous opportunities to us to expand our business penetration.

The table below sets out our revenue during the Track Record Period attributable to services provided to Customer A and other customers:

	Year ended 31 December				Six months ended 30 June			
	2013		2014		2014		2015	
					(unaudited)			
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Customer A	110,714	81.6	97,739	72.5	51,189	74.3	37,880	65.9
Other customers	24,980	18.4	37,073	27.5	17,667	25.7	19,613	34.1
	135,694	100.0	134,812	100.0	68,856	100.0	57,493	100.0

It is noted that, based on the financial information set out above, the percentage of our Group's total revenue attributable to Customer A had decreased over the two years ended 31 December 2014 and had further decreased in the six months ended 30 June 2015. This was mainly due to the decrease in demand and orders for higher pricing customisation activities from Customer A. Based on the orders placed by Customer A with our Group at the time, lower pricing activities such as labeling stickers and heat sealing constituted a larger proportion in the mix of the customisation services while the proportion of the higher pricing activities such as gift packing decreased. Our Directors consider that the change in the mix of the customisation services was principally due to the change in focus of Customer A on the types of packaging of its products to respond to the poor market sentiment in Hong Kong in late 2014 and early 2015, resulting in a lower cost in repacking of such products, while the total number of repacking items remained relatively stable.

Our revenue generated from customers other than Customer A increased significantly by 48.4% from HK$25.0 million for the year ended 31 December 2013 to HK$37.1 million for the year ended 31 December 2014. Our revenue generated from customers other than Customer A increased significantly by 10.7% from HK$17.7 million for the six months ended 30 June 2014 to HK$19.6 million for the six months ended 30 June 2015.

New customers obtained during the Track Record Period

In 2013, our Group had commenced business relationship with a well-known Hong Kong listed company which produces a wide variety of beverages (i.e. Customer V). The revenue generated from Customer V amounted to approximately HK$0.2 million, HK$0.2 million and nil for the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015 respectively. Although the revenue generated from Customer V was relatively small, our Directors are of the view that having a stable business relationship with well-known Customer V can show as a credit of our high quality services to other customers which in turn can attract more potential customers.

In March 2014, our Group had commenced business relationship with a Hong Kong based supplier of food, including meat, vegetables, frozen meats and dairy products (i.e. Customer F). It was one of our five largest customers for the year ended 31 December 2014 and the six months ended 30 June 2015. The revenue generated from Customer F amounted to approximately HK$6.0 million and HK$4.4 million for the year ended 31 December 2014 and the six months ended 30 June 2015 respectively.

In April 2015, our Group had commenced business relationship with a Hong Kong based food distributor (i.e. Customer K). The revenue generated from Customer K amounted to approximately HK$1.3 million for the six months ended 30 June 2015.

The table below sets out our revenue generated from new customers obtained during the Track Record Period:

	For the year ended 31 December		Six months ended 30 June
	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*
Customer V	170	179	–
Customer F	–	5,972	4,364
Customer K	–	–	1,345
Other new customers	82	3,251	2,259
	252	9,402	7,968
Approximate % of total revenue	0.2%	7.0%	13.9%

Our new customers are mainly (i) referred from our existing customers; and (ii) walk-in customers who engaged us to provide logistics services due to our reputation and track record. Our Directors believe that referrals reflect our customers' satisfaction to our services.

Sustainability of our business

There is no guarantee that we can maintain our business relationship with Customer A in the future. Nevertheless, we believe that our business is sustainable based on the factors set out below:

(i) We and Customer A are inter-dependent: Customer A does not have its own warehousing facility, logistics team or repacking staff to maintain its high inventory and broad market reach and match with its marketing and promotional activities in Hong Kong. We, as the current sole logistics service provider of Customer A in Hong Kong, provide warehousing services, logistics services, customisation services and value added services together with the special room with dust free environment for handling personal hygiene products to Customer A, from which Customer A can enjoy our professional services at a lower operating cost comparing with developing its own warehousing facility or logistics team or engaging repacking staff. We have maintained a long and stable business relationship with the Customer A for over 20 years without any interruption and we have not experienced material dispute with Customer A so far. Our Group has already acquired sufficient understanding on the daily logistics flow with the customers of Customer A, including many well-known chain stores in Hong Kong. We can meet the performance indicators set by Customer A throughout the years of collaboration and obtained a number of awards from Customer A for our achievement of high quality standards, which demonstrated the recognition from Customer A. In addition, many of the customers of Customer A are satisfied with our Group's performance. In this regard, it is economically and technically unreasonable to change the current business relationship with our Group as Customer A may need to adapt to the operation model of the new service provider and face the risk of interruption in operation and the customers of Customer A not satisfying with services provided by the new service provider. Further, Customer A also relies on our three-hour delivery services for urgent cases. Based on past experience, our Company generally negotiates with Customer A for the renewal of the services agreements within one to two months before the expiration date thereof for the relevant period in practice. Notwithstanding that, we had actively approached Customer A regarding the renewal of the Service Agreements. On the other hand, Customer A has approached us recently to commence discussion and preparation relating to the estimated amount of works and services to be provided by the Company to Customer A for the coming year. Customer A, during discussion, had expressed its intention to renew the services agreements and asked us to assess whether our current capacity is able to cater for and accommodate the potential amount of services and spaces required by Customer A and sought our view on whether additional space be provided in order to minimise any possible business disruption during the coming peak season. Our Directors consider that it is a positive indication and are fully confident that the Company will be able to renew the services agreements and continue the business relationship with Customer A for the next term and going forward and there would not be any material impediment to the renewal of the service agreements with Customer A upon expiry.

(ii) Industry landscape: The Group is well-positioned in the logistics market. According to the Euromonitor Report, the revenue for the logistics services in Hong Kong is expected to maintain at a stable level. Over our operating history, we have built up good reputation for reliability, high quality services and our Directors are of the view that we are well prepared to take on new customers and explore new business opportunities. According to the Euromonitor Report, the growth in the logistics market is expected to be on a stable trend between 2015 and 2019. As such, our Directors are of the view that notwithstanding the recent poor market sentiment in Hong Kong, there are plenty of market opportunities available for our Group to further develop our customer base in the long run and reduce the reliance on Customer A.

(iii) Transferable skills: Our Group's services model and facilities are not specifically designed to cater solely for Customer A. In contrast, they are flexible and adaptable in serving different customers' needs. In the unlikely event that our current business relationship with the Customer A deteriorates, we shall be able to avail our storage space and resources to serve other existing customers and new customers in a timely manner. Our Directors are of the view that, provided that our Group has sufficient resources, our services can be readily transferred to serve other potential new customers and satisfy their needs, especially in view of the wide range of logistics services offered by our Group. Based on past experience, our Directors estimate that depending on customers' different needs and requirements, it would take less than one week to a few months to complete the preparations for serving new customers' orders and it does not incur significant costs for our Group to re-allocate our resources to serve new customers' orders. The preparation works required for serving new customers, which does not incur any significant costs, usually include fine-tuning quality procedures to suit the individual customer's requirements, coordinating with new customers, re-designing the delivery route and warehousing space and updating computer systems to facilitate the process.

(iv) Continue to identify potential customers: In the unlikely event that our current business relationship with the Customer A deteriorates, we believe that we will be able to respond to market challenges in a timely manner and adjust our business direction swiftly to face any new challenges, as demonstrated by our size of new customers during the Track Record Period. We will continue to monitor the market trend and identify potential customers. We have from time to time identified potential customers to cooperate with.

During the Track Record Period, we had commenced business relationship with several new customers including Customer V, Customer F and Customer K. As a plan to diversify our customer base in the long run, we would continue to (i) maintain close business relationship with the existing customers; and (ii) identify potential customers, which we consider has good market potential with reference to the industry insights of our Directors. Our Directors believe that, with our experience and proven track record in the logistics industry and our relevant network in Hong Kong, we will be able to replicate our success in the unlikely event that our relationship with Customer A deteriorates.

(v) Continue to expand our scope of services: As one of our business strategies, we intend to expand our scope of services to provide high quality cold chain logistics services to our customers in order to capture the growing opportunities in the demand for this service. Many of our customers have requested for the cold chain logistics services, which require the setting up of cold storage areas and use of refrigerator vehicles for the storage and transport of their meat, seafood, vegetables, eggs or fruits. Our Directors believe that such expansion can reduce our reliance on Customer A while maintaining the steady growth of our business at the same time.

(vi) Experienced and dedicated management team: Our management team has extensive and in-depth knowledge of the logistics industry and our Groups' operations. Each of our executive Directors has an average of 10 years of experience in the logistics industry and managing logistics business. We consider that they are important in driving our future business development. Additionally, we have a stable team of competent staff. As at 31 December 2013 and 2014 and 30 June 2015, we had 308, 271 and 248 staff, of which 100, 102 and 104 staff have been worked with us for over five years (represented approximately 32.5%, 37.6% and 41.9% to the total number of staff, respectively).

Material terms of the Customer A agreements

Our agreements with Customer A have a term of two to three years with an option to renew subject to further negotiation. Our current service agreements with Customer A will expire in June 2016. The major salient terms are set out below:

Scope of services	–	The agreement specifies the types of services we provide including but not limited to transportation, warehousing and customisation services.
Payment term	–	We do not require Customer A to pay any deposit, as we have long-term relationship with Customer A. We will issue an invoice to Customer A at the end of each month in respect of the services we rendered in that month.
Credit period	–	45 days from the invoice date. This credit period was extended to 75 days since 1 July 2015.
Termination clause	–	Customer A may at any time by giving us not less than 60 calendar days' prior written notice to terminate the service agreement. During the Track Record Period, none of our agreements was terminated by reason of material breach by us or Customer A.
Key performance indicators	–	We are required to meet the key performance indicators ("**KPI**") set by Customer A. In case such KPI results are below the relevant standards, we are required to develop a detailed plan to improve the KPI within 15 calendar days upon receiving Customer A written notice.

The details of KPI are set out below:-

Concerned aspects	KPI	Descriptions
Transportation	• On-time delivery	Ensure the timely delivery of Customer A's goods to the designated locations; and send the proof of delivery to Customer A upon the completion of delivery.
	• In-process measures	Prepare requisite documents within prescribed time limit when handling goods rejection; and prepare requisite documents within prescribed time limit when handling goods return.

Concerned aspects	KPI	Descriptions
Warehousing	• Storage check	Ensure the numbers and location of the goods and repacking materials matches the Customer A's records and the records in warehouse management system.
	• System maintenance	Maintain systems that identify the inventory in stock and show where the goods have been sent.
	• Product maintenance	Maintain the product in good condition in storage and in transit to the customers.
Quality assurance (including customisation services)	• Quality incidents	Ensure there is no serious quality incidents; report the details of quality incidents to Customer A; and follow up and solve the quality incidents according to Customer A's instructions.
	• Quality control	Only products meeting technical standards are released; and maintain traceability through the repacking and transportation process.
	• Customer satisfaction rating	The results of customer survey conducted by Customer A come to satisfaction.
Value-added services	• Export/import service	Ensure the trailer's availability and timely delivery of the goods to the designated port terminal or collection of the goods from the port terminal to our warehouses; ensure the accuracy and timeliness of the shipping documentation; and ensure the timely customs clearance.
	• Capability/ compliance	Check the documentations of the imported and exported goods.

Our quality assurance officers will have a meeting with the staff of Customer A every month discussing about the compliance of KPI. During such meetings, our quality assurance officers will submit KPI compliance summary showing self-evaluated scores together with supporting documents to Customer A for their consideration. After the meetings, Customer A will provide feedbacks dealing with the special issues raised in the meetings such as non-compliance and quality incidents. Our Group will follow up the matters pursuant to the instructions as indicated in the feedbacks to Customer A's satisfaction. During the Track Record Period, there is no material breach of KPI by our Group.

Apart from extending the credit terms offered to Customer A from 45 days to 75 days, there are no changes in material terms in the service agreements with Customer A during the term of relationship with Customer A.

Accounts receivables financing arrangement

In May 2015, Customer A initiated an accounts receivables financing arrangement between Customer A and a financial institution and thus, our Group has entered into a receivables purchase agreement with such financial institution designated by the group company of Customer A with no fixed duration, under which our Group can sell the accounts receivables of Customer A at a discounted price to such financial institution. The difference between the discounted price offered by such financial institution and the invoice amount of the relevant accounts receivables would charge as expenses to our Group upon payments received by the financial institution. Accordingly, the financial institution obtains the right to receive the payments made by Customer A for the invoice amount. However, the financial institution bears the loss if Customer A does not pay the invoice amount. To the best knowledge of our Directors, it is a new global practice of the group company of Customer A to offer an accounts receivables financing arrangement with selected suppliers. Our Directors considered that this arrangement can provide a flexible way to increase our working capital and finance our liquidity requirement.

During the Track Record Period and as at the Latest Practicable Date, our Group had not sold any accounts receivables to any financial institution, our Group will sell HK$10.0 million of the accounts receivables of Customer A to the financial institution prior to Listing and expense of HK$0.1 million will be recognised prior to Listing as our Directors considered that it can strengthen our working capital for future growth opportunities.

Our Directors are of the view that our Group can seek and enter into other accounts receivables financing arrangements from other financial institutions with similar terms as the existing one as we have made relevant enquiries with a bank. As such, we are not dependent on the relationship with Customer A in obtaining accounts receivables financing arrangement. In the unlikely event that the existing financial institution ceases the accounts receivables financing arrangement with us, we are still able to maintain the credit period of 75 days offered to Customer A without any material liquidity impact.

Customer services

Our customer service department handles customer general enquiries, complaints and feedback and also participates in the process of assessing whether to accept a new customer.

Our new customers are mainly (i) referred from our existing customers; and (ii) walk-in customers who engaged us to provide logistics services due to our reputation and track record. Upon receiving any enquiry about our services from potential customers, we will discuss with the potential customers and understand (i) their delivery plan, including the points of delivery and delivery schedule; (ii) their warehousing plan, including the storage requirements; and (iii) their other logistics plans, including their shipping schedules and other specific logistics requirements, if any, to evaluate our existing schedule and feasibility.

As we aim to establish long-term relationship with reputable customers, we place great emphasis on evaluating the background of the potential customers. We will check the reputation and history of the customers in the industry.

After going through our internal discussion, and once we have confirmed our acceptance of the potential customers, we will provide price quotation to the potential customers specifying our price for different types of services.

We recognise that good customer services are crucial in maintaining our reputation in the market and cultivating customer loyalty. Thus, we closely follow up with the orders and level of satisfaction of our customers. We also gather customers' feedback and review the flow of our services in order to increase our customers' satisfaction and improve our service quality. As at 30 June 2015, we had seven employees in our customer service department.

We had not experienced any material complaints by our customers during the Track Record Period.

SUPPLIERS

Our suppliers mainly include subcontractors for transportation services and container handling services, landlords of our warehouses in Hong Kong, and suppliers of packing materials. We rented several floors and units in Allied Cargo Centre and Leader Industrial Centre with an approximate total area of 400,000 sq.ft. from the landlords which are all Independent Third Parties.

The following table sets forth the breakdown of total direct costs for the periods indicated:

	For the year ended 31 December		For the six months ended 30 June
	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*
Operating lease rentals in respect of rented premises	24,118	31,450	17,039
Subcontracting expenses	24,958	25,412	10,730
Packing materials	939	980	349
Total direct costs	50,015	57,842	28,119

The following table sets forth the details of our five largest suppliers during the Track Record Period:

For the six months ended 30 June 2015

Supplier	Principal business with our Group	Approximate length of business relationship with us as at 30 June 2015	Locations of business operations	Approximate % of our total direct costs
Supplier A	our landlord	Over 20 years	Hong Kong	37.8%
Supplier B	our subcontractor for transportation services	Over 20 years	Hong Kong	12.9%
Supplier D	our landlord	7 years	Hong Kong	4.1%
Supplier G	our landlord	Less than 1 year	Hong Kong	3.4%
Supplier F	our landlord	2 years	Hong Kong	2.7%

For the year ended 31 December 2014

Supplier	Principal business with our Group	Approximate length of business relationship with us as at 31 December 2014	Locations of business operations	Approximate % of our total direct costs
Supplier A	our landlord	Over 20 years	Hong Kong	41.9%
Supplier B	our subcontractor for transportation services	Over 20 years	Hong Kong	14.6%
Supplier D	our landlord	6 years	Hong Kong	4.3%
Supplier C	our subcontractor for container handling services	2 years	Hong Kong	3.7%
Supplier F	our landlord	1 year	Hong Kong	3.2%

For the year ended 31 December 2013

Supplier	Principal business with our Group	Approximate length of business relationship with us as at 31 December 2013	Locations of business operations	Approximate % of our total direct costs
Supplier A	our landlord	Over 20 years	Hong Kong	36.9%
Supplier B	our subcontractor for transportation services	Over 20 years	Hong Kong	12.6%
Supplier C	our subcontractor for container handling services	1 year	Hong Kong	4.5%
Supplier D	our landlord	5 years	Hong Kong	4.3%
Supplier E	our subcontractor for transportation services	4 years	Hong Kong	4.2%

We have developed close business relationship with our five largest suppliers. Our five largest suppliers had business relationship with us for over 20 years, over 20 years, seven years, less than one year and two years, respectively, as at the Latest Practicable Date. For the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, our five largest suppliers, all of which are Independent Third Parties, accounted for approximately 62.5%, 67.7% and 60.9%, respectively, of our total direct costs, which include operating lease rentals in respect of rented premises, subcontracting expenses and packing materials, and our largest supplier accounted for approximately 36.9%, 41.9% and 37.8%, respectively, of our total direct costs during the same period.

During the Track Record Period, our five largest suppliers were all Independent Third Parties. None of our Directors, their respective associates or any Shareholder (who or which, to the best knowledge of our Directors owns more than 5% of the issued share capital of our Company) had any interest in our five largest suppliers during the Track Record Period.

Subcontracting arrangement

During the Track Record Period, we subcontracted some of our logistics services, including transportation services and container handling services to Independent Third Parties because we consider that this subcontracting arrangement would (i) minimise our need to employ and maintain a large workforce; and (ii) increase flexibility and cost effectiveness in carrying out our services. For the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, our subcontracting fees accounted for approximately 49.9%, 43.9% and 38.1% of our total direct costs, respectively.

We did not enter into any long-term subcontracting agreements with any subcontractors during the Track Record Period. We usually enter into master subcontracting agreements with the subcontractors setting out the principal terms of the subcontracting arrangement whereas the terms and conditions of individual transaction (such as price, payment terms and delivery schedule) will be set out in the relevant purchase order of the transaction. Our Directors are of the view that the subcontracting arrangement is common within the logistics industry. We maintained a long-term co-operative relationship with our subcontractors and will exercise all reasonable endeavours to cultivate and maintain such relationship. In addition, we require our subcontractors to follow our in-house rules in relation to work quality and occupational safety. All of our subcontractors possess relevant licences for operating their own vehicles or machineries.

In general, the subcontractors charge us based on the price list which specifies the price range for each type of services they provided. Such list will be renewed from time to time. There is no minimum requirement nor are we required to pay our subcontractors minimum fees for the services.

Our Group engaged 16 subcontractors during the Track Record Period. We had developed strong cooperation with these 16 subcontractors for a period ranging from around one year to over 20 years as at the Latest Practicable Date, all of which are active. Our top five subcontractors have business relationship with us for 22 years, three years, four years, six years and one year, respectively. Our Group places orders to most of the subcontractors in respect of the transportation schedules or container handling schedules at least once per day and will adjust the schedule due to the workload every day. The five largest subcontractors accounted for approximately 52.9%, 58.8% and 67.5% of our total subcontracting expenses, respectively for the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015. During the Track Record Period, there was no material breach of subcontracting agreements by these 16 subcontractors. The salient terms of a typical master subcontracting agreement are set out below:

Terms or duration:	Master agreements do not contain any standard fixed duration.
Obligations:	The subcontractors provide services with their own vehicles and machineries (where relevant).
Price:	The purchase order normally specifies the types of services to be provided and the price of such services. There is no price adjustment provisions stated in the purchase order.
Credit term:	No credit terms is offered.
Payment terms:	No deposit is required. Amount payable to the subcontractor will be settled monthly.
Termination:	If the subcontractor fails to fulfill its obligations, after receiving two warnings from our Group, the master subcontracting agreement will be terminated with immediate effect without any compensation. The master subcontracting agreement can be terminated by either party by giving prior written notice. During the Track Record Period, none of our purchase orders with the subcontractors was terminated by reason of material breach by the subcontractors or liquidation or petition for bankruptcy or winding up of the subcontractors.

Quality of subcontractors

In order to ensure the quality of our subcontractors, we implement certain quality control procedures over the subcontractors:

(i) *Subcontractor selection* – We generally select independent subcontractors based on their track record, their availability, ability or capability to handle the relevant orders, and the cost of service. Based on these factors, our Group compiles and maintains a list of approved subcontractors, which will be reviewed and updated on a continuous basis. Once a suitable subcontractor is identified, we then negotiate on the terms of services including the means and time of delivery with the selected subcontractors.

(ii) *Performance review* – We review the performance, turnaround time and pricing terms offered by our subcontractors on a regular basis. We also assess whether a subcontractor has sufficient resources and skills to fulfill our requirements. If any subcontractor repeatedly fails to meet our quality standards, we will terminate the master subcontracting agreement with the subcontractor with immediate effect without compensation and we will not engage such subcontractor again.

(iii) *Licences check* – We will check whether the subcontractors possess the relevant licences for operating their own vehicles or machineries.

During the Track Record Period, we did not experience any material delay of supply due to defaults of our subcontractors. Our Directors have confirmed that none of our suppliers was our major customer during the Track Record Period. In the event that any master subcontracting agreement is terminated for whatever reason, our Directors are of the view that we do not anticipate there would be any material difficulties in sourcing new subcontractors for replacement as there are many comparable subcontractors in the market.

SEASONALITY

As a logistics service provider in Hong Kong, we are primarily engaged in providing services to our customers to serve their needs along their supply chains. Our business performance therefore, to a large extent, is affected by our customers' business performance and developments in Hong Kong. The demands for our services would fluctuate in correspondence to the fluctuations in the demands for our customers' products. Demand for our services is generally stronger during the second half of the year, especially in the few months leading to the Mid-Autumn Festival and the Christmas holidays, and the few weeks leading to the Chinese New Year holidays. Accordingly, comparison of sales and operating results from different periods in any given financial year may not be relied upon as indicators of our performance.

SALES AND MARKETING

Due to our long history in the logistics industry in Hong Kong and our well-established relationship with our existing customers, we are able to rely on our existing customer base, our reputation in the industry and client referrals to expand our business so that we do not need to rely heavily on promotional activities.

However, to maintain market awareness of our brand and our services and taking into account that our services are rendered to different kinds of customers in different locations in Hong Kong, our staff are required to put on staff uniform when they are at work. We also put the banners with our Group's names and logos are hanged on our fleet of vehicles.

We consider maintaining constant business relationships with our customers and potential customers in the logistics industry is important for our Group to explore new and potential business opportunities. We intend to enhance our sales and marketing strategy in order to promote our brand awareness through various means, including advertising on magazines and participating in promotional activities, for example trade fair. For more details, please refer to the paragraph headed "Business Strategies" in this section.

QUALITY CONTROL

Our Directors consider that the ability to maintain the quality of our logistics services is crucial to the long term growth of our Group.

Our quality control measures are implemented by our quality assurance team comprising of two quality assurance officers, who would supervise a quality control team comprising of 10 quality control staff. Our quality assurance team including quality control team are required to receive specialised training. Our quality assurance officers are responsible for formulating and implementing systematic quality control policies and standard operating procedures integrated into our operational processes in order to maximise the overall quality consistency of our services. They also oversee, in general, compliance of the quality control policies and procedures by different departments of our Group. Our quality assurance team also monitors our Group's quality of services to Customer A to ensure compliance with the specific performance indicators set by Customer A at all times. Our quality control team is supervised and led by the quality assurance officers, is responsible for monitoring the customisation services and undertaking quality inspection in the entire customisation services process. In addition, our quality control team is also responsible for carrying out sample checks and inspections to identify quality defects.

Our quality control policy mainly includes the following processes:

– Purchase of packing materials – Unless specified by our customers, we usually select our suppliers for packing materials based on the quality of their packing materials supplied, pricing and our internal procurement standards of raw materials.

– Operation – Every stage of our operation process is monitored by our quality assurance team to ensure that the operation process conforms to specific quality control requirements. Supervisors of different operation processes also carry out regular inspection.

– Machinery and equipment management – Regular inspections and maintenance are carried out by us to ensure the up-to-standard performance of our machinery and equipment.

– Staff quality awareness – Regular trainings and continuous assessments of the performance of staff are conducted.

As at the Latest Practicable Date, World-Link Roadway and World-Link Packing, the subsidiaries of our Company, have obtained certificate of ISO9001:2008. The ISO9001 certification is an internationally recognised standard for quality management.

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

ENVIRONMENTAL PROTECTION, HEALTH AND WORK SAFETY

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

Our Group has established procedures to provide our staff with a safe and healthy working environment by setting out a series of work safety rules in the staff manual for our staff to follow. In addition, our Group provides our employees with occupational safety education and trainings to enhance their awareness of safety issues. Our Group follows the health and safety-related rules and regulations in accordance with the Occupational Safety and Health Ordinance and devise a series of requirements for workplace environmental control and hygiene at workplaces pursuant to the Occupational Safety and Health Ordinance. During the Track Record Period, our Group did not experience any significant incidents or accidents in relation to workers' safety or any non-compliance with the applicable laws and regulations relevant to the work safety and health issues.

COMPETITION

According to the Euromonitor Report, the logistics industry is fragmented and competitive. In 2013, Hong Kong had over 5,000 logistics service providers. According to Census and Statistics Department of Hong Kong SAR, there are 663 logistics service providers in Hong Kong with business receipts above HK$50 million in 2013. We primarily compete with the competitors based on the quality of services (including reliability, responsiveness, expertise and convenience) and price. Leading logistics service providers in Hong Kong generally have more resources and business connections to secure global servicing contracts with multi-national companies, they tend to provide a comprehensive range of services from freight forwarding, supply chain management solutions, customs clearance, freight tracking and monitoring, to distribution solutions.

INFORMATION TECHNOLOGY

Our existing ERP systems are tailored to cater for our various operational and functional needs, including delivery route planning, cargo receiving, online shipping documentation, tracking and tracing and purchase order management. However, in light of our growth and expansion, we intend to upgrade our ERP systems by including barcode scanners. We believe that the increased level of automation enhances our cost efficiency. For more details, please refer to the paragraph headed "Business Strategies" in this section.

In respect of our inventory management, our ERP systems with barcode scanners enable us and our customers to keep track of, and input stock data, discrepancy levels, reordering levels, and control expiry-date products. These features allow efficient inventory management and effective inventory replenishment planning.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any failure in our operation systems which caused material disruptions to our operations.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, our Group was the registrant of two domain names. Our Group had registered a trademark in Hong Kong and had also submitted application for registration of two trademarks in Hong Kong. The said applications were still being processed as at the Latest Practicable Date.

Detailed information of our intellectual property rights is set out in the paragraph headed "Statutory and General Information – B. Further information about the business of our Group – 2. Intellectual property rights of our Group" in Appendix IV to this prospectus.

Our Directors confirmed that we had not experienced any infringement to our intellectual property during the Track Record Period which had a material adverse effect on our business, results of operations, financial condition and prospects. Our Directors further confirmed that we had not received any infringement claims nor had we filed any infringement claims against any third parties during the Track Record Period and up to the Latest Practicable Date.

PROPERTIES

As at the Latest Practicable Date, we rented several floors and units in two industrial buildings in Hong Kong with an approximate total area of 400,000 sq.ft. All of our leases were entered into with Independent Third Parties.

No	Location of property	Gross floor area (sq.ft.)	Landlord	Date of expiry of lease
1	Portion of ground floor, 2/F to 6/F and 4 lorry parking spaces, Allied Cargo Centre, 150-164 Texaco Road, Tsuen Wan, New Territories, Hong Kong	117,070	Supplier A	30 June 2016
2	14/F to 19/F, 21/F, 22/F, 24/F, Allied Cargo Centre, 150-164 Texaco Road, Tsuen Wan, New Territories, Hong Kong	185,040	Supplier A	30 June 2016
3	23/F, Allied Cargo Centre, 150-164 Texaco Road, Tsuen Wan, New Territories, Hong Kong	20,660	Supplier A	30 June 2016
4	Units A, B, C, D and E on 4/F, Block 1 and factory units F and G on 4/F, Block 2, Leader Industrial Centre, 200 Texaco Road, Tsuen Wan, New Territories, Hong Kong	24,885	Independent Third Party	30 June 2017
5	Unit F, 1/F and L7 parking space, Block 2, Leader Industrial Centre, 200 Texaco Road, Tsuen Wan, New Territories, Hong Kong	10,423	Independent Third Party	31 May 2016
6	Units F, G, H, J, K on 10/F and car park no. 2P6 on 1/F, Block 2, Leader Industrial Centre, 200 Texaco Road, Tsuen Wan, New Territories, Hong Kong	17,713	Independent Third Party	9 March 2017
7	Units F, G, H, J, K on 3/F, Block 2, Leader Industrial Centre, 200 Texaco Road, Tsuen Wan, New Territories, Hong Kong	17,713	Independent Third Party	31 December 2015 *(Note)*

Note: Our Group was in negotiation with the landlord for renewal of the lease as at the Latest Practicable Date.

Reliance on Supplier A

As at the Latest Practicable Date, over 82% of the gross floor area of our leased properties were leased from our largest supplier, Supplier A, which is a subsidiary of a Hong Kong listed company and is principally engaged in the property investment business.

Up to the Latest Practicable Date, we had been maintaining business relationship with this largest supplier for over 20 years. We believe that our stable relationship with Supplier A was mainly due to our reputation in the industry and our good payment record since we commenced business relationship with Supplier A. The total operating lease rentals in respect of rented premises payable to Supplier A amounted to approximately HK$18.5 million, HK$24.2 million and HK$13.1 million for the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, respectively, which accounted for approximately 36.9%, 41.9% and 37.8% of our total direct costs for the corresponding period, respectively.

Based on our Directors' experience, the renewal negotiation with Supplier A and other landlords usually commences six months prior to the expiry of the tenancy agreements. Our Group intends to renew all the leases upon expiry. In respect of the status of the renewal of leases with Supplier A, referring to the tenancy agreements with Supplier A, we have an option to renew the tenancy agreements, in which Supplier A has the obligation to renew the option term upon the exercise of the option by us in writing subject to the terms and conditions stipulated in the tenancy agreements. As our Directors consider that the operating lease rentals in respect of rented premises or rentals in industrial premises are expected to decrease or at least remain stable in the nearer future, in particular, there is an increasing number of news which contained the views that there is downward pressure in the property market in Hong Kong, we are cautious in exercising the option and will commence the negotiation with Supplier A one to two months prior to the expiry of the tenancy agreements although Supplier A would like to start the negotiation of renewal with us in December 2015. We are not aware of any difficulty in renewing these leases.

The tenancy agreements typically have a term of three years and the rentals under our current tenancy agreements with Supplier A would increase on an annual basis according to the terms in the tenancy agreements. We did not have significant difficulties in renewing our tenancy agreements in a timely manner during the Track Record Period. In the event that Supplier A or other landlords do not renew the tenancy agreements with us, our Directors are of the view that it would not have any material and adverse impact on our business and operations because (i) we can find comparable properties to relocate the relevant logistics facilities, if necessary; and (ii) we do not anticipate any material practical difficulties in relocating these facilities and the estimated time and cost for relocation are not substantial.

Our Directors estimate that, in case of expiry or early termination of the tenancy agreements with Supplier A, our Group would be able to relocate our logistics facilities with minimal disruption to our operations. The relocation covers the following aspects: (i) details of the property identified; (ii) time for relocation; and (iii) estimated costs of the relocation.

Property identified – To the best knowledge of our Directors and after due enquiries with property agencies, there are other alternative industrial buildings in Tsuen Wan for lease of comparable size and rent for similar usage.

Time for relocation – Our Directors estimate that the time to relocate our logistics facilities are estimated to be within five months including the time for locating the substitute property.

Cost for relocation – Our Directors estimate the total costs for relocation will be approximately HK$2.3 million, comprising approximately (i) HK$1.0 million for the installation of air-conditioner; (ii) HK$0.2 million for setting up drive-in racking, raised platform and shelving system; and (iii) HK$1.1 million for the general renovation costs and setting up office. All costs of relocation will be borne by us.

As at 30 June 2015, none of the properties leased by us has a carrying amount of 15% or more of our combined total assets. Accordingly, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous) Ordinance which require a valuation report with respect to all our Group's interests in land or buildings.

The following table sets forth the information relating to the breakdown of the total and average monthly operating lease rentals in respect of rented premises for the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015:

	For the year ended 31 December		**For the six months ended 30 June**
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Total operating lease rentals	24,118	31,450	17,039
Average monthly operating lease rentals	2,010	2,621	2,840

Our total operating lease rentals in respect of rented premises for the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015 amounted to approximately HK$24.1 million, HK$31.5 million and HK$17.0 million respectively. Our average monthly operating lease rentals in respect of rented premises increased from approximately HK$2.0 million for the year ended 31 December 2013 to approximately HK$2.6 million for the year ended 31 December 2014 and further increased to approximately HK$2.8 million for the six months ended 30 June 2015. Our Directors are of the view that the increase in the average monthly operating lease rentals in respect of rented premises was in line with the overall increase in the property market in Hong Kong.

INSURANCE

Our Group maintains insurance policies against loss or damage to its office and business interruption. Apart from those specifically provided in the contract with our customers, and in the absence of any negligence or willful act on the part of our Group, our Group will not be liable for the loss of or damage to arisen from fire or accidents to the customers' goods which are delivered by our Group or stored in our Group's warehouse. Nevertheless, our Group has maintained insurance policies against such loss or damage. Our Directors believe that the insurance coverage taken out by us is in line with industry norms in Hong Kong and is adequate and sufficient for our operations. Our Directors have confirmed that we were not subject to any material insurance claims or liabilities arising from our operation during the Track Record Period.

AWARDS

In recognition of our commitment to quality services and we have met the key performance indicators set by Customer A since the commencement of our business relationship, Customer A (being our largest customer) gave us a number of awards and appreciation letters. Apart from Customer A, other customers also gave us appreciation letters in recognition of our commitment to quality services. The major of which are set out below:

Year of grant	Name of awards/appreciation letters	Awading customers
2015	Appreciation Letter for the outstanding service	Customer A
	Appreciation Letter for the outstanding service	Customer S *(Note 1)*
	Appreciation Letter for the outstanding service	Customer V *(Note 2)*
2014	Appreciation Letter for the outstanding distribution service	Customer A
	Appreciation Letter for the outstanding service	Customer F *(Note 3)*
2013	Appreciation Letter for the outstanding service	Customer E *(Note 4)*
2011	Appreciation of Providing Excellence and Dedicated Services in the 20 Years of Partnership Award	Customer A
2007	Distribution Service Centre of the Year	Customer A
2005	100% QAC Award – Quality Assurance	Customer A
2001	Third-level Pinnacle Award	Customer A
1997-2000	Quality Assurance Pinnacle Award	Customer A

Notes:

1. Customer S is a company specialising in the sale of canned food, food and hospitality food.

2. Customer V is a well-known Hong Kong listed company which produces a wide variety of beverages.

3. Customer F is a Hong Kong based supplier of food, including meat, vegetables, frozen meats and dairy products. It was one of our five largest customers for the year ended 31 December 2014 and the six months ended 30 June 2015.

4. Customer E is a Hong Kong based supplier and distributor of a wide range of food, FMCG, frozen and chilled meat and seafood. It was one of our five largest customers for the year ended 31 December 2013 and 2014 and the six months ended 30 June 2015.

LICENCES AND PERMITS

Taking into accounts the views of our HK Legal Advisers, our Directors confirmed that our Group have obtained all necessary licences, approvals and permits that are material to our business, all of which are valid and current save as disclosed in this prospectus, and we have been in compliance in all material respects with the applicable laws and regulations in Hong Kong since our commencement of business operations. The details of the approval obtained by our Group for our business are as follows:

Approval	Issuing body	Date of grant	Date of expiry
Construction approval of a store for storing disposable LPG cylinders	The Electrical and Mechanical Services Department	16 August 1999	Until cancellation
Notice of approval as rice storage place	The Trade and Industry Department	21 May 2015	Until cancellation

RISK MANAGEMENT

In the course of conducting our business, we are exposed to various types of risks, including credit risks, operational risks, market risks, liquidity risks and regulatory risks, the details of which have been disclosed under the section headed "Risk factors" in this prospectus. In addition, we also face various financial risks. Please refer to the section headed "Financial Information – Quantitative and qualitative disclosure of market risks" of this prospectus for further details.

We have established a set of risk management policies and measures to identify, evaluate and manage risks arising from our operations. The following table sets out some of the primary operational risks our business faces and our risk management measures and procedures:

(a) Risk of reliance on Customer A

In order to reduce our reliance on Customer A, we had made considerable effort to diversify our customer base and attract new customers. For further details, please refer to the paragraph headed "Our relationship with on Customer A" in this section.

(b) Risk of reliance on Supplier A

As at the Latest Practicable Date, over 82% of the gross floor area of our leased properties were leased from our largest supplier, Supplier A. Our Directors believe that we can find comparable properties to relocate the relevant logistics facilities, if necessary; and we do not anticipate any material practical difficulties in relocating these facilities and the estimated time and cost for relocation are minimal. For further details, please refer to the paragraph headed "Reliance on Supplier A" in this section.

(c) Risk of reliance on subcontractors

We would be liable for the loss and damages caused by our subcontractors. To minimise the risk of reliance on our subcontractors for the provision of services, we have established a selection and control system as follows:

– to closely monitor to ensure our subcontractors' performance meets our standards at all times;

– to evaluate our subcontractors' performance in terms of their efficiency, service quality, responsiveness to our requests and fee levels from time to time; and

– to continuously explore potential new subcontractors.

On-going measures to implement the risk management policies

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

– segregating duties and functions of the respective operational departments of our Group;

– reviewing systems and procedures to identify, measure, manage and control risks; and

– updating the staff handbook, internal control manual and compliance manual where there are changes to business environment or regulatory guidelines.

We will continuously monitor and improve our risk management measures to ensure that effective operation of those measures is in line with the growth of our business.

TAXATION

As all our operations take place in Hong Kong, we are subject to corporate profits tax for our operations in Hong Kong. In general, we are chargeable to tax on all assessable profits (excluding profits arising from the sale of capital assets) arising in or derived from Hong Kong from such trade, profession or business. Other than such corporate profits tax, our Group is not subject to any other taxes under Hong Kong tax laws. The corporate profits tax rate of Hong Kong was 16.5% during the Track Record Period. Our Directors consider that we have fully satisfied all our tax obligations in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

CONNECTED TRANSACTIONS

During the Track Record Period, other than the transactions as set out in note 22 to the Accountant's Report in Appendix I to this prospectus, we did not enter into any other connected transactions. As at the Latest Practicable Date, we did not have any connected transactions which will be continued or carried out by us after the Listing which will be subject to reporting, announcement and shareholders' approvals requirements under the GEM Listing Rules.

EMPLOYEES

Our Group had a total of 308, 271 and 248 full-time employees as at 31 December 2013, 31 December 2014 and 30 June 2015 respectively. A breakdown of our full-time employees by function as at 30 June 2015 is set forth below.

	As at 30 June 2015
Management	4
Transportation	8
Shipping	3
Warehouse	59
Customisation	146
Quality assurance	12
Finance and accounting	3
Customer services	7
Human resources and administration	6
	248

Relationship with staff

We maintain good working relationship with our staff. Our Directors believe that our working environment and benefits offered to our employees have contributed to building good staff relations and retention. During the Track Record Period, we did not experience any strike or labour dispute with our staff which had a material effect on our business or results of operations.

Employee compensation insurance

Our Group maintains employee compensation insurance for all our employees as required under the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) and other applicable laws and regulations in Hong Kong. Our Directors consider that our employee compensation insurance coverage is sufficient and in line with the normal commercial practice in Hong Kong.

Recruitment policies and training

Our Group intends to use our best effort to attract and retain appropriate and suitable personnel to serve our Group. Our Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with our business development. With the aim to encourage our employees to continuously develop themselves by further education, we provide our employees with on-the-job training relevant to their current roles in our Group. We also provide training regarding the safety awareness and also the computer and information security. We value our employees as our assets in which we invest our resources in order for them to make a greater contribution to our success. We have not experienced any material difficulties in recruiting new staff.

Remuneration

For the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, the remuneration payable to our employees included fees, salaries, retirement benefit scheme contributions and other benefits was approximately HK$37.8 million, HK$37.0 million and HK$16.1 million, respectively. We determine the employee's remuneration based on factors such as qualification, duty, contributions and years of experience. We provide a defined contribution to the Mandatory Provident Fund as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for our eligible employees in Hong Kong. The key principles of the remuneration policy are to remunerate employees in a manner that is market competitive. We regularly carry out staff evaluation to assess their performance.

Share Option Scheme

Our Company has conditionally adopted the Share Option Scheme in which certain eligible participants may be granted options to acquire Shares. Our Directors believe that the Share Option Scheme will assist our recruitment and retention of quality executives and employees. A summary of the principal terms of the Share Option Scheme is set out in the paragraph headed "Share Option Scheme" in Appendix IV to this prospectus.

LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any litigation, claim, administrative action or arbitration which had a material adverse effect on the operations or financial condition of our Group.

COMPLIANCE

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, there was no non-compliance incident the nature of which is material impact non-compliance or systemic non-compliance. Our Directors also confirmed that during the Track Record Period and up to the Latest Practicable Date, our Group had obtained all necessary permits, approvals and licences to operate its existing business in Hong Kong from relevant governmental bodies.

Deed of Indemnity

Our Controlling Shareholders have entered into the Deed of Indemnity in favour of our Group to provide indemnities on a joint and several basis in respect of, among other matters, all claims, payments, suits, damages, settlements, payments, fines, actions, liabilities and any associated costs and expenses which may be incurred or suffered by our Group directly or indirectly, from or on the basis of or in connection with any litigation, arbitration and/or legal proceedings against any member of our Group which was issued and/or accrued and/or arising from any act, non-performance, omission or otherwise of any member of our Group occurred at any time on or before the Listing Date. This further protects our Group from any material adverse consequence due to any claims incurred on or before the Listing Date. Further details of the Deed of Indemnity are set out in the Appendix IV to this prospectus.

Our Directors are satisfied that our Controlling Shareholders have sufficient financial resources to honour their obligations to provide indemnities in respect of the aforesaid outstanding claim against our Group under as stated in the Deed of Indemnity. Our Directors, after carrying out enquiries on the facts and circumstances leading to the non-compliances, considered that the non-compliances have no material financial and operational impact on our Group.

Corporate governance measures to ensure on-going compliance with applicable laws and regulations

Our Group has taken the following measures to on-going ensure compliance with various applicable laws and regulations:

a) We engaged internal control consultants to review our Group's internal control systems and procedures in June 2015. We will adopt measures and policies to improve our internal control systems based on their review and recommendations.

b) A detailed memorandum prepared by the HK Legal Advisers, setting out the ongoing regulatory requirements of our Directors after the Listing had been distributed to and reviewed by our Directors in September 2015.

c) Our Directors and senior management of our Group had attended training sessions conducted by the HK Legal Advisers in September 2015 on the on-going obligations and duties of directors of a publicly listed company, including among others, sessions on connected transactions, codes of corporate governance, dealing in securities, disclosure of inside information and notifiable transactions.

d) Our Company has appointed Ms. Leung Ho Yee as our company secretary, who is responsible for the day-to-day compliance matters of our Group. She is also responsible for monitoring the timing for convening annual general meetings of our Company.

e) An audit committee has been established to review the internal control systems and procedures for compliance with the requirements of the GEM Listing Rules.

f) Our Company has appointed Octal Capital as our compliance adviser to advise on compliance matters in accordance with the GEM Listing Rules.

Our Directors are of the view that the internal control measures adopted by our Group are adequate and effective in significantly reducing the risk of future non-compliance with legal and regulatory requirements in Hong Kong.