

## BUSINESS

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### BUSINESS OVERVIEW

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

Our largest customer, Customer A, is a multi-national consumer goods company. As at the Latest Practicable Date, we have been maintaining 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. We work closely with reputable customers to develop logistics solutions that meet their unique requirements. For example, in respect of our provision of integrated logistics solution services to Customer A, we have enhanced our customisation services by setting up a special room with dust free environment for handling personal hygiene products. 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. Our service agreements with Customer A typically have a term of two to three years with an option to renew subject to further negotiation.

Led by our experienced management team, we have grown into an integrated logistics solutions service provider in Hong Kong, equipped with experienced staff, vehicle fleet and information technology support that enable us to handle larger amount of customer orders. As at 30 June 2015, we had over 240 employees. In order to increase the flexibility and cost effectiveness in carrying out our services, we engaged subcontractors for the provision of transportation services and value-added services in respect of container handling services. 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 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 to facilitate our customisation activities.

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Although our recent operating results would be affected by the economic condition in Hong Kong, we continued to be profitable. 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 [REDACTED] expenses of approximately HK\$[REDACTED]) respectively.

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

	Year ended 31 December				Six months ended 30 June			
	2013		2014		2014		2015	
	HK\$'000	%	HK\$'000	%	(unaudited)		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
	<u>135,694</u>	<u>100.0</u>	<u>134,812</u>	<u>100.0</u>	<u>68,856</u>	<u>100.0</u>	<u>57,493</u>	<u>100.0</u>

*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.

Hong Kong logistics industry is expected to grow notwithstanding the recent slowdown in the retail market in Hong Kong. According to the Euromonitor Report, Hong Kong logistics industry reached total revenue of approximately HK\$373.9 billion in 2014. The industry is expected to reach 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 providing integrated logistics solutions services in Hong Kong. As at the Latest Practicable Date, we did not have any plan to commence new business other than the logistics solutions services after [REDACTED].

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### COMPETITIVE STRENGTHS

Our Directors consider that we possess the following competitive strengths:

**We provide flexible and reliable integrated logistics solutions services to cater for customers’ needs**

We offer a wide range of integrated logistics solutions services to meet our customers’ supply chain needs which include transportation, warehousing, customisation services (mainly consist of repacking services and labeling services) as well as diversified value-added services (mainly consist of container handling services and assistance in preparation of shipping documentation services). These services are complementary to each other and our customers can enjoy the benefits of time and cost saving by using fewer service providers. Our range of services gives us a competitive advantage as many of the local logistics service providers in Hong Kong only offer limited types of services.

We will discuss with our customers in relation to (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 plan, including their shipping schedules and other specific logistics requirements, if any. Such information will be transmitted into our ERP systems to plan the supply chain process ahead and to ensure the provision of efficient flow of services.

We believe that our ability to provide integrated logistics solutions services would not only allow us to provide our customers with a flexible supply chain solution, but also enhance our collaborations and relationship with our customers.

**We maintain a diversified and solid customer base and long established relationship with our reputable customers**

We had successfully built up a diversified and solid customer base across various industries including FMCG, retailing, food and beverage and other 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 have 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 the changing needs and providing tailor-made solutions to cater for the unique specifications from customers of different industries from time to time. Therefore, our customer service personnel communicates with the customers regularly and collect feedback from them so as to enable us to respond to such feedback in a timely manner. We are therefore able to maintain stable business relationship with most of our customers. In particular, we have maintained business relationship with our five largest customers, apart from Customer A, for a period ranging from one to over 10 years on average as at the Latest Practicable Date. We believe that our business relationship with these customers has indicated 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.

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### **We have an experienced and capable management team**

We consider the strength of our management team to be fundamental to our success. Mr. Yeung (one of our founders, chairman and executive Director), Mr. Lee, (one of our founders and executive Director) and Mr. Luk (our executive Director) have on average more than 10 years of experience in the logistics industry, who all have strong knowledge of the 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 activities, he 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 document.

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

### **We place great emphasis on the quality of our services**

We are competent at meeting the stringent quality standards of our customers. We place great emphasis on the quality of our services. To ensure our services are performed to the highest quality standards, we had a dedicated quality assurance team comprising of two quality assurance officers, under which we had 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 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 the Group. The 10 quality control staff as a quality control team, who are supervised and led by the quality assurance officers, are responsible for monitoring the customisation services and undertaking quality inspection in 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 as requested. We have met the key performance indicators set by Customer A, our largest customer, since we started our business relationship with them and obtained awards from such customer in various years for our achievement of high quality standards. We have not experienced any material complaints in relation to the quality of our services by our customers during the Track Record Period. With the increasing demand by our customers on the logistics services, we believe that our emphasis on service quality has contributed to our success in gaining 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. Most of our five largest suppliers have business relationship with us for a period ranging from one to over 20 years as at the Latest Practicable Date. In order to maximize our flexibility, we have not entered into any fixed-term or exclusive agreements or arrangements with our subcontractors. Our Directors believe that such agreements with those subcontractors are not necessary, as we maintain strong business relationships with them.

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### BUSINESS STRATEGIES

We aim to strengthen our position as an integrated logistics solutions 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 an integrated logistics solutions service provider, we are well-positioned to provide logistics services to our customers. In light of this, we intend to improve our existing facilities by installing more air-conditioner and expand our scope of services by providing a high quality cold chain logistics services to our customers in order to capture the growing opportunities in the demand for this service in Hong Kong. According to Euromonitor, revenue generated from warehousing services, including the refrigerated warehouses in Hong Kong amounted to approximately HK\$6,213 million in 2014, registering a CAGR of 10.7% from 2010 to 2014. From 2015 to 2019, the growth will moderate but the revenue generated from warehousing services will still have CAGR of 4.9%, bringing revenue generated from such services to approximately HK\$7,929 million for the industry by 2019. Some of our major customers have requested for the cold chain logistics services, 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. We target to implement the strategies by the following steps:

- (a) Install air-conditioner in a designated area in our Group’s existing warehouse so as to store more wine, eggs, canned food, cheese 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 and renovate the same as a cold storage warehouse which includes purchase of freezers, chillers and install 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; and
- (c) Purchase of refrigerator vehicles to transport chilled and frozen food.

To pursue this strategy, we expect to use approximately HK\$[REDACTED], representing approximately [REDACTED] of the net proceeds from the [REDACTED].

**(ii) Enhancing our sales and marketing effort**

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

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The marketing activities are mainly conducted by our Directors and senior management and in view of our business nature, we do not maintain a team solely for sales and marketing activities. For instance, our executive Directors and senior management may, from time to time, send to prospective clients our Group’s brochures for marketing. 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 to further promote our brand awareness through various means, including advertising on magazines and participating in promotional activities, for example trade fair.

To pursue this strategy, we intend to use approximately HK\$[REDACTED], representing approximately [REDACTED] of the net proceeds from the [REDACTED].

**(iii) Further strengthen our information technology and systems**

We intend to consolidate, upgrade and maintain the ERP systems across various departments and functions with more comprehensive functions. We plan to integrate and maintain 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 operational and management efficiency. We also plan to implement a comprehensive warehouse management system to cater for our growing integrated logistics solutions 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 will provide 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\$[REDACTED], representing approximately [REDACTED] of the net proceeds from the [REDACTED].

**(iv) Continue to attract and retain talented and experienced personnel**

We believe that 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 appropriate expertise and dedication to us. We will continue to offer to our staff competitive compensation packages, a caring corporate culture and the opportunity for staff 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\$[REDACTED], representing approximately [REDACTED] of the net proceeds from the [REDACTED].

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

Our Group will continue to maintain our performance within the 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 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 [REDACTED].

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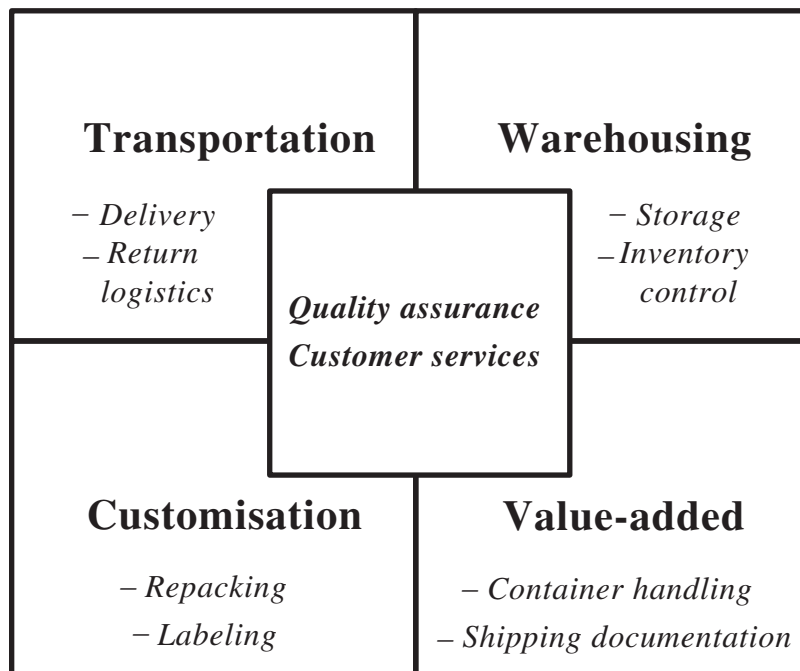
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Selection of our acquisition targets and determination of the consideration will be based on (i) the acquisition price and the related costs; (ii) the financial performance of the potential target; (iii) the potential target’s relevant experience within 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 integrated logistics solutions services to meet our customers’ supply chain needs. These include transportation, warehousing, customisation services (mainly consist of repacking services and labeling services) as well as diversified value-added services (mainly consist of container handling services and assistance in preparation of shipping documentation services). The scope of integrated logistics solutions 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 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 integrated logistics solutions business:



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

	Year ended 31 December				Six months ended 30 June			
	2013		2014		2014		2015	
	HK\$'000	%	HK\$'000	%	(unaudited)		HK\$'000	%
Transportation	30,344	22.4	32,386	24.0	15,900	23.1	14,786	25.7
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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
	<u>135,694</u>	<u>100.0</u>	<u>134,812</u>	<u>100.0</u>	<u>68,856</u>	<u>100.0</u>	<u>57,493</u>	<u>100.0</u>

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 locations. 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 we deliver the goods to the customers' designated locations. We charge our customers at a premium for such services. As at 30 June 2015, we had eight employees responsible for the transportation services and our vehicle fleet had over 30 vehicles, out of which 11 vehicles were self-owned. The vehicles are of various tonnages 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 to ensure timely delivery of the products to our customers.



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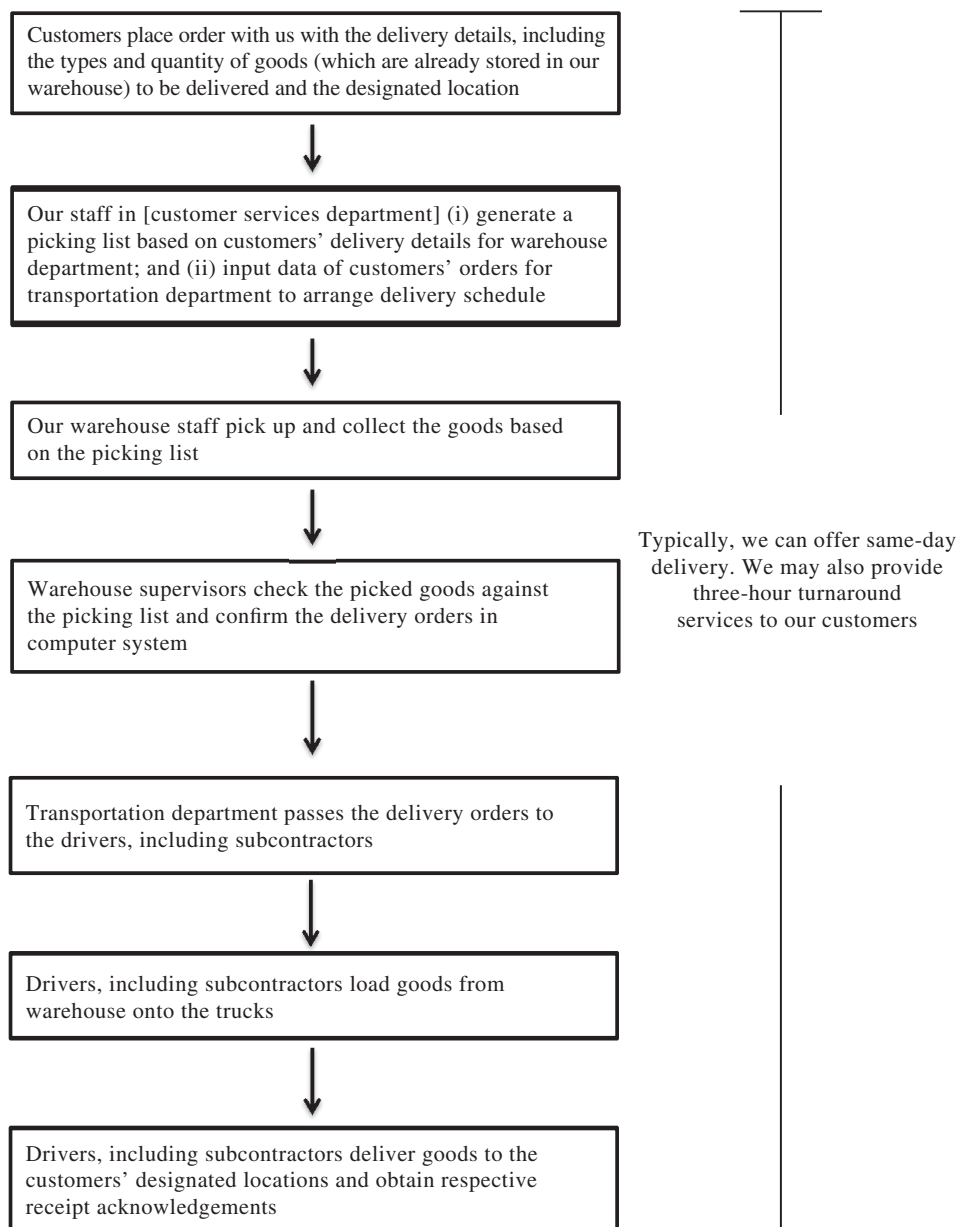
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We also provide return logistics services to our customers, such as handling returned products from retail stores. We collect returned products or out-of-season products from points of sale, transport them back to our warehouses and we will re-tag 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:



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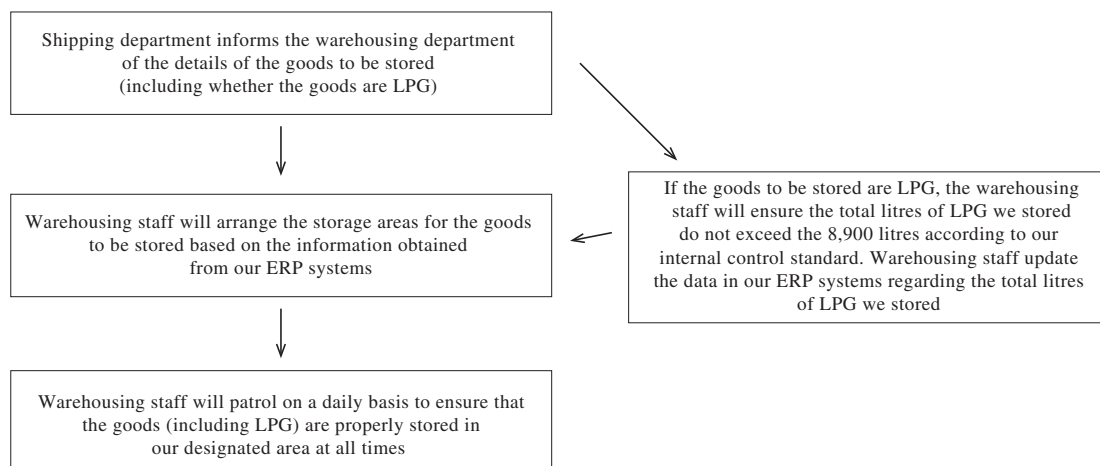
### Warehousing

We offer inventory storage to our customers as part of our integrated logistics solutions services. We have a total of approximately 400,000 sq.ft. warehousing 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 include consumer products, food and beverages, rice, packing materials, electronic items, cosmetics and LPG. We possess dangerous goods licences issued by the Electrical and Mechanical Services Department which are required to be renewed annually for the storage of LPG, and 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 section headed “Business – Licences and Permits” in this document 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:



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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 this 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, which accounted for approximately 36.6%, 39.7% and 47.0% of our total revenue for the corresponding period, respectively.

### **Customisation services**

As an integrated logistics solutions service provider, we not only offer transportation services and warehousing services to our customers, but also offer 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 with the customers’ marketing and promotional activities. We have designated areas with approximately 30,000 sq.ft. in our warehouses as the customisation centres for customisation activities. We are also equipped with the necessary machinery such as shrink packing machines, belt conveyors and sealing machines to facilitate 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.

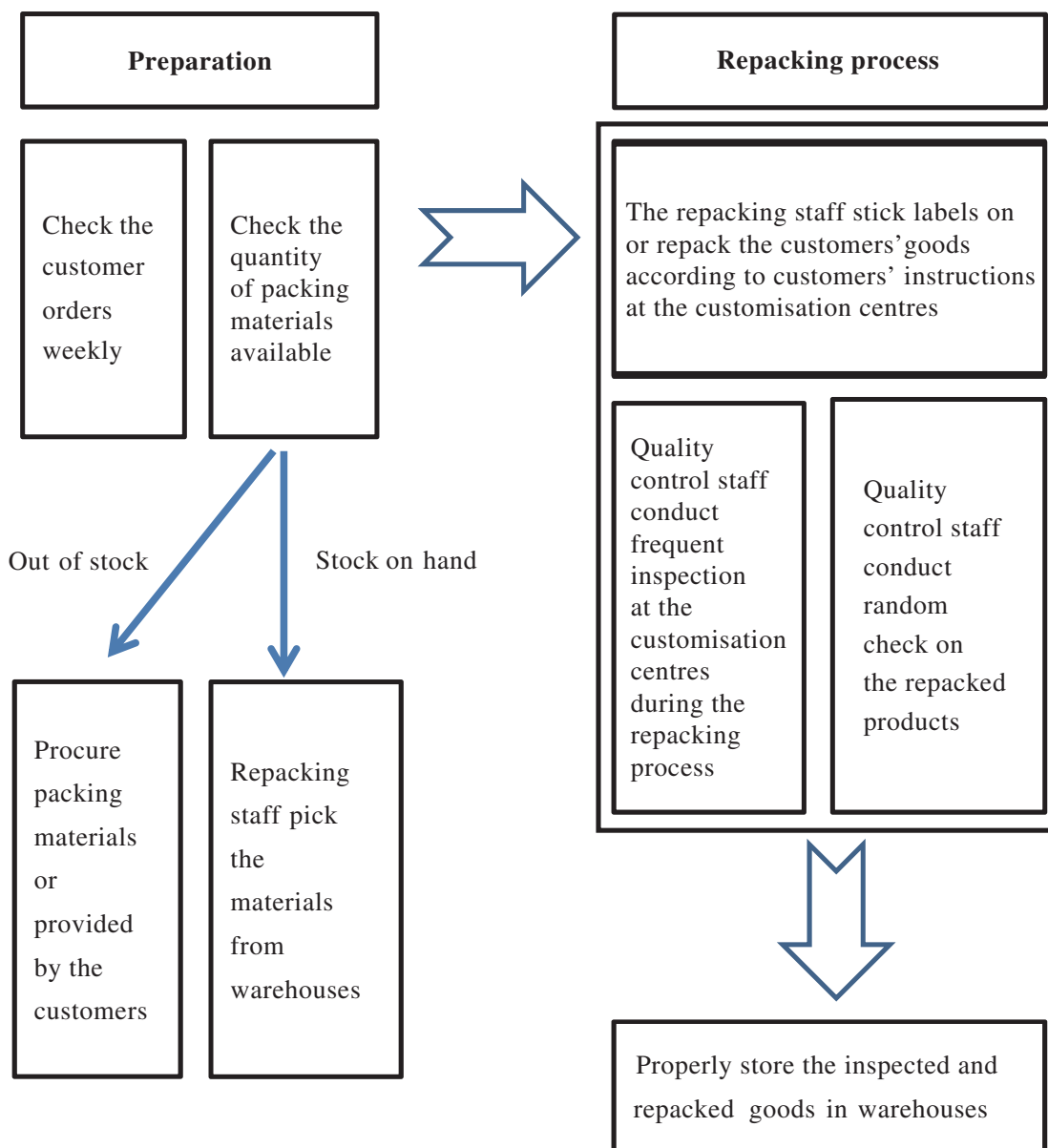
Our customers in general provide the packing materials, including plastic bags, wrapping papers and product labels to us to process the customisation activities. Our customers will be solely responsible for the accuracy of the representations and contents stated in the product labels and other packing materials. We may also procure packing materials on behalf of our customers following the packing instruction provided by the customers. The procurement 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 meet our quality standards. In addition, we conduct final inspection to ensure 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.

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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, 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:



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### Value-added services

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

In respect of container handling services, once the containers arrived at the port terminal, 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.

In respect of the shipping documentation services, it is the primary responsibility of our customers to prepare proper documentation for customs clearance. Upon special request by our customers, we may prepare such documentation on their behalf. 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. To avoid any potential legal risk, it is our policy that we do not verify the description of the cargo against the actual physical content of the cargo and we do not handle the labelling of any cargo. As such, we would not be held liable if the cargo contains any illegal items.

If the relevant cargo contains dangerous goods such as drugs, chemicals or explosives, 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, 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.

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### CUSTOMERS

We serve a wide and diversified customer base comprising customers in various industries, mainly including FMCG, retailing, food and beverage and other industries.

Our FMCG customers include Customer A and other customers whose principal business is the sale of FMCG which include (i) baby and family care products, such as diapers and tissues; (ii) household products, such as laundry detergent and softener; (iii) beauty products, such as cosmetics and face cleanser; and (iv) health and grooming products, such as toothbrush and razor blades. These types of products are generally sold in grocery stores, drug stores and department stores. Our Directors believe that the slowdown of the retail market in Hong Kong due to the Occupy Central movement and the change in the government policy with regard to the limitation of PRC residents to visit Hong Kong have a direct impact on FMCG customers.

Our retailing customers are the 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 the 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	
	HK\$'000	%	HK\$'000	%	(unaudited)		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
	<u>135,694</u>	<u>100.0</u>	<u>134,812</u>	<u>100.0</u>	<u>68,856</u>	<u>100.0</u>	<u>57,493</u>	<u>100.0</u>

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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 the reliance on Customer A.

### **General terms of agreements with customers**

We typically enter into services 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 including but not limited to transportation, warehousing and customisation services. Additionally, the service agreement may also specify the conditions of storage.

#### *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 have not experienced any material misdelivery, delay in delivery or failure of delivery.

#### *Termination*

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

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### 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 include: (i) type of services required; (ii) prevailing market rates offered by other logistics solutions service providers; (iii) cost analysis taking into account potential increases in wages, fees for any third party service provider and the location; and (iv) our budget and determination of a reasonable profit margin. We may offer discounts to the customers of 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 price range for our services is indicated in the following tables:

<b>Types of services</b>	<b>HK\$</b>
Transportation	400-8,400 per trip
Warehousing	135-400 per unit (per month)
Customisation	1-75 per piece

The rather wide price range for our services was mainly attributable to the significant variation among our customers in the scope of services required and the additional services or works incurred. For example, our fee for transportation services can range from HK\$400 to HK\$8,400 per trip, subject to the locations, the volume of goods we delivered and the turnaround time needed. Our Directors consider that the above ranges are in line with the industry norm.

### Credit policy

We generally grant 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.



## BUSINESS

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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 as to the appropriate follow-up actions having regard to the customer's normal payment processing procedures, our relationship with the customer, its history of making payments, its financial position as well as the 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 legal actions (where appropriate). In addition, we review the recoverable amount of each individual trade receivable balance at the end of each reporting period to ensure 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.

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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

<b>Customer</b>	<b>Background</b>	<b>Length of relationship with us</b>	<b>% of our total revenue</b>	<b>Credit period</b>
Customer A	a group company of a multi-national consumer goods company listed in US	Over 20 years	65.9%	45 days ( <i>Note</i> )
Customer B	a group company of a Hong Kong-style chain restaurant listed in Hong Kong	4	9.8%	15 days
Customer F	a Hong Kong based supplier of food, including meat, vegetables, frozen meats and dairy products	1	7.6%	15 days
Customer C	a FMCG distributor of multi-national famous brands	13	4.0%	nil
Customer E	a Hong Kong based supplier and distributor of a wide range of food, FMCG, frozen and chilled meat and seafood	3	3.3%	10 days

*Note:* Since 1 July 2015, the credit period offered to Customer A was extended to 75 days.

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**BUSINESS**

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For the year ended 31 December 2014

<b>Customer</b>	<b>Background</b>	<b>Length of relationship with us</b>	<b>% of our total revenue</b>	<b>Credit period</b>
Customer A	a group company of a multi-national consumer goods company listed in US	Over 20 years	72.5%	45 days
Customer B	a group company of a Hong Kong-style chain restaurant listed in Hong Kong	3	7.9%	15 days
Customer C	a FMCG distributor of multi-national famous brands	13	5.2%	nil
Customer F	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	a Hong Kong based supplier and distributor of a wide range of food, FMCG, frozen and chilled meat and seafood	3	3.0%	10 days

For the year ended 31 December 2013

<b>Customer</b>	<b>Background</b>	<b>Length of relationship with us</b>	<b>% of our total revenue</b>	<b>Credit period</b>
Customer A	a group company of a multi-national consumer goods company listed in US	Over 20 years	81.6%	45 days
Customer B	a group company of a Hong Kong-style chain restaurant listed in Hong Kong	2	6.2%	15 days
Customer C	a FMCG distributor of multi-national famous brands	12	4.3%	nil
Customer D	a Hong Kong based supplier of organic food	2	2.5%	nil
Customer E	a Hong Kong based supplier and distributor of a wide range of food, FMCG, frozen and chilled meat and seafood	2	2.1%	10 days

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We had not less than three years of business relationship with most of our five largest customers 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) has any interest in any of the five largest customers during the Track Record Period.

### **Our relationship with 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. 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.

As at the Latest Practicable Date, we have been maintaining business relationship with this largest customer and to the best knowledge of our Directors, we are the sole logistics solutions 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. Our service agreements with Customer A typically have a term of two to three years with an option to renew subject to further negotiation. Our Directors confirm that our service agreements with Customer A had not been stopped or suspended since we commenced business relationship with Customer A.

We consider that it is commercially beneficial for us to build up a close and long-term business relationship with Customer A. 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 solutions services in Hong Kong. We believe that Customer A could benefit from us to maintain a broad market reach at a lower operating cost. 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. Moreover, our long-term business relationship with renowned Customer A can show as a credit of our high quality services to other customers which in turn can attract more potential customers. As such, we 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. 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.

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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.

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	
	HK\$'000	%	HK\$'000	%	(unaudited)		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
	<u>135,694</u>	<u>100.0</u>	<u>134,812</u>	<u>100.0</u>	<u>68,856</u>	<u>100.0</u>	<u>57,493</u>	<u>100.0</u>

It is noted that, based on the financial information set out above, the percentage of the 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 due to our efforts to diversify our customer base and attract new customers.

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.

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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		Six months
	31 December		ended
	2013	2014	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue generated from new customers obtained during the Track Record Period:</b>			
Customer V	170	179	–
Customer F	–	5,972	4,364
Customer K	–	–	1,345
Others	82	3,251	2,259
	<u>252</u>	<u>9,402</u>	<u>7,968</u>
% 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 solutions 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: We are currently the sole logistics solutions service provider of Customer A in Hong Kong. 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. In addition, 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.
- (ii) Industry landscape: The Group is well-positioned in the logistics market. According to the Euromonitor Report, the revenue for the logistics solutions services in Hong Kong is expected to maintain 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

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Directors are of the view that notwithstanding the recent slowdown in the retail market in Hong Kong, there are plenty of market opportunities available for the 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 integrated logistics solutions 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.

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- (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 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 be expired in June 2016. The major salient terms are set out below:

- |                                   |  |
|-----------------------------------|--|
| <i>Services offered</i>           | – The agreement specifies the types of services we provide including but not limited to transportation, warehousing and customisation services.  |
| <i>Payment term</i>               | – 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.  |
| <i>Credit period</i>              | – 45 days from the invoice date. This credit period was extended to 75 days since 1 July 2015.   |
| <i>Termination clause</i>         | – 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.                     |
| <i>Key performance indicators</i> | – 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. |



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### **Accounts receivables financing arrangement**

In May 2015, our Group has entered into a receivables purchase agreement with a 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. 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, our Group had not sold any accounts receivables to any financial institution and our Directors confirmed that as at the Latest Practicable Date, our Group [had sold HK\$10.0 million] of the accounts receivables of Customer A to the financial institution in [December 2015] prior to [REDACTED] as our Directors considered that it can strengthen our working capital for future growth opportunities.

### **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 solution services due to our reputation and track record. Upon receiving enquiry of our services, 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 plan, including their shipping schedules and other specific logistics requirements, if any, to evaluate our existing schedule and feasibility.

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

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

We recognise that good customer services are crucial to enhance our image and reputation in the market and 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 the customer service department.

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We have 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
	2013	2014	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	2015 <i>HK\$'000</i>
Operating lease rentals in respect of rented premises	24,118	31,450	17,039
Sub-contracting expenses	24,958	25,412	10,730
Packing materials	939	980	349
Total direct costs	<u>50,015</u>	<u>57,842</u>	<u>28,119</u>

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	Length of relationship with us	Locations of business operations	% 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	Hong Kong	4.1%
Supplier G	our landlord	less than 1 year	Hong Kong	3.4%
Supplier F	our landlord	2	Hong Kong	2.7%

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For the year ended 31 December 2014

<b>Supplier</b>	<b>Principal business with our Group</b>	<b>Length of relationship with us</b>	<b>Locations of business operations</b>	<b>% of our total direct costs</b>
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	Hong Kong	4.3%
Supplier C	our subcontractor for container handling services	2	Hong Kong	3.7%
Supplier F	our landlord	1	Hong Kong	3.2%

For the year ended 31 December 2013

<b>Supplier</b>	<b>Principal business with our Group</b>	<b>Length of relationship with us</b>	<b>Locations of business operations</b>	<b>% of our total direct costs</b>
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	Hong Kong	4.5%
Supplier D	our landlord	5	Hong Kong	4.3%
Supplier E	our subcontractor for transportation services	4	Hong Kong	4.2%

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We have developed close business relationship with our five largest suppliers for a period ranging from one to over 20 years 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, sub-contracting expenses and packing materials, and our largest supplier accounted for approximately 37%, 41.9% and 46.6%, respectively, of our total direct costs during the same period.

During the Track Record Period, our five largest suppliers are 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 the Company) has 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 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 and the terms of each transaction (such as price, payment terms and delivery schedule) will be set out in the purchase order of each transaction. Our Directors are of the view that the subcontracting arrangement is common within the logistics industry. We maintained a cordial and 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. The salient terms of a typical master subcontracting agreement are set out below:

<i>Terms or duration:</i>	Master agreements do not contain any standard fixed duration.
<i>Obligations:</i>	The subcontractors provide services with their own vehicles and machineries (where relevant).

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*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 the 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 selects and maintains a list of approved subcontractors, which is reviewed and updated on a continuous basis. Once the most 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 the subcontractor have sufficient resources and skills to fulfill our requirements. If the subcontractors repeatedly fail to meet our quality standards, we will terminate the master subcontracting agreement with the subcontractors with immediate effect without compensation and we will not engage such subcontractors again.
- (iii) *Licences check* – We will check whether the subcontractors possess the relevant licences for operating their own vehicles or machineries.

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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 any material difficulties in sourcing new subcontractors for replacement as there are many comparable subcontractors in the market.

### **SEASONALITY**

As an integrated logistics solutions 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 fluctuate in accordance with 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 rely heavily on promotional activities.

However, to maintain market awareness of our brand and taking into account that our services are rendered to customers in different locations in Hong Kong, our staff are required to put on staff uniform and banners with the 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 to further 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 solutions services is crucial to the long term growth of our Group.

Our quality control is conducted by our quality assurance team comprising of two quality assurance officers, under which we have 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

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## BUSINESS

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departments of the 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. 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, the 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, we are in the process of applying for the 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 providing 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.

## **BUSINESS**

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### **COMPETITION**

According to Euromonitor, the logistics industry is fragmented and competitive. In 2013, Hong Kong had over 5,000 logistics service providers. In 2014, total revenue of the logistics industry amounted to approximately HK\$373.9 billion. We primarily compete with the competitors based on the quality of service (including reliability, responsiveness, expertise and convenience) and price. The leading logistics service providers have more business resources to sign global servicing contract 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 has registered our domain name, [www.world-linkasia.com](http://www.world-linkasia.com), in Hong Kong. Our Group had also submitted application for registration of trademarks in Hong Kong. The applications were still being processed as at the Latest Practicable Date.

Detailed information of our intellectual property rights is set out in the section headed “Intellectual property rights” in Appendix IV to this document.

Our Directors confirm 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. During the Track Record Period, our Directors confirmed that we had not received any infringement claims nor had we filed any infringement claims against any third parties.



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**BUSINESS**

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**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, Nos. 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, Nos. 150-164 Texaco Road, Tsuen Wan, New Territories, Hong Kong	185,040	Supplier A	30 June 2016
3	23/F, Allied Cargo Centre, Nos. 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

## BUSINESS

### 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 have 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, which accounted for approximately 37%, 41.9% and 46.6% 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 6 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, negotiation for the renewal of the leases with Supplier A has been commenced as at the Latest Practicable Date. We are not aware of any difficulty in renewing these leases.

The tenancy agreements typically have a term of three years. 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 minimal.

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 document 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:

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

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## BUSINESS

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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. 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:

<b>Year of grant</b>	<b>Name of awards/appreciation letters</b>	<b>Awarding customers</b>
2015	Appreciation Letter for the outstanding service	Customer A
	Appreciation Letter for the outstanding service	Customer S <i>(Note 1)</i>
	Appreciation Letter for the outstanding service	Customer V <i>(Note 2)</i>
2014	Appreciation Letter for the outstanding distribution service	Customer A
	Appreciation Letter for the outstanding service	Customer F <i>(Note 3)</i>
2013	Appreciation Letter for the outstanding service	Customer E <i>(Note 4)</i>
2011	Appreciation of Providing Excellence and Dedicated Services in the 20 Years of Partnership Award	Customer A

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## BUSINESS

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Year of grant	Name of awards/appreciation letters	Awarding customers
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 specializing 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

Our HK Legal Advisers have 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 document, 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 licences and approval obtained by our Group for our business are as follows

Licences	Issuing body	Date of grant	Date of expiry
Dangerous goods licence	Electrical and Mechanical Services Department	1999	Until cancellation
Notice of approval as rice storage	Trade and Industry Department	21 May 2015	Until cancellation

## BUSINESS

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### 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 document. In addition, we also face various financial risks. Please refer to the section headed “Financial Information — Quantitative and qualitative disclosure of financial risks” of this document 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 (ii) 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.

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### **On-going measures to implement the risk management policies**

In order to continuously improve our Group’s internal control and risk management system upon [REDACTED], 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 document, 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 [REDACTED] which will be subject to reporting, announcement and shareholders’ approvals requirements under the GEM Listing Rules.

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## BUSINESS

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### 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.

	<b>As at 30 June 2015</b>
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
	<hr/>
	248
	<hr/> <hr/>

### 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.

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## BUSINESS

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### 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 document.

### 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 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 has 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 [REDACTED] Date. This further protects our Group from any material adverse consequence due to any claims incurred on or before the [REDACTED] Date. Further details of the Deed of Indemnity are set out in the Appendix IV to this document.



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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, have 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 [REDACTED] has been distributed to and reviewed by our Directors.
- c) Our Directors and senior management of our Group have attended training sessions conducted by the HK Legal Advisers on the on-going obligations and duties of directors of a publicly listed company, including sessions on connected transactions, code of corporate governance, dealing in securities, disclosure of price-sensitive information, notifiable transactions and dissemination of information.
- d) Our Company has appointed Ms. Leung Ho Yee, as the 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 will be 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.