You should read the following discussion and analysis together with the audited combined financial statements of our Group and the notes thereto as of and for the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, included in the Accountant's Report set out in Appendix I to this document. The Accountant's Report has been prepared in accordance with HKFRS, which may differ in material respects from generally accepted accounting principles in other jurisdictions.

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

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

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.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 27 July 2015 under the Companies Law. The address of our registered office and the principal place of business is disclosed under the section headed "Corporate Information" in this document.

The companies now comprising the Group underwent a series of reorganisation. Prior to the Group Reorganisation, the companies comprising the Group were utlimately controlled by three indvidiuals, namely Mr. Yeung, Mr. Lee and Mr. Luk (collectively referred to as the "**Individual Shareholders**"). The companies now comprising the Group were beneficially and wholly owned by the Individual Shareholders collectively. On 15 July 2015, Real Runner acquired the shares of World-Link Roadway and World-Link Packing from the Individual Shareholders. After the said transfers, World-Link Roadway and World-Link Packing become a wholly-owned subsidiary of Real Runner.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Track Record Period have been prepared to present the results and cash flows of the companies now comprising the Group, as if the group structure upon the completion of the Reorganisation had been in existence throughout the Track Record Period. The combined statements of financial position of the Group as at 31 December 2013 and 2014 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates.

SIGNIFICANT FACTORS AFFECTING THE RESULTS OF OPERATIONS

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

Market demand

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. We are therefore dependent on our customers' business performance and developments in Hong Kong. If our customers' sales in Hong Kong decline, such decline will likely lead to a corresponding decrease in demand for our integrated logistics solutions services. Adverse developments in our customers' business performance in Hong Kong could therefore materially and adversely affect our business, financial condition and results of operations.

Our relationship with Customer A

Our revenue generated from 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. There is no assurance that there will be no deterioration in our relationship with Customer A and it will not terminate the agreement with our Group in the future. Any change or deterioration in our relationship or any change in business strategies of Customer A may cause a significant adverse effect to our business, financial condition and results of operations.

Exposure to the risks associated with the commercial real estate rental market

During the Track Record Period and up to the Latest Practicable Date, the properties occupied by us for our office and business purposes were rented from Independent Third Parties. Rental expenses accounted for approximately 17.8%, 23.3% and 29.6%, respectively, of our total revenue for the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015. Accordingly, we are susceptible to the rental fluctuation upon expiry. In the event that there is any significant increase in the rental expenses for our existing leased properties upon renewal, our operating expenses and pressure on our operating cash flows will increase, thereby materially and adversely affecting our business, results of operations, financial position and prospects.

Performance of the subcontractors

We subcontract some of our logistics services, including transportation services and container handling services, to our contractors who are Independent Third Parties. For the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, the subcontracting fees payable to the subcontractors accounted for approximately 49.9%, 43.9% and 38.1% of our total direct costs, respectively.

If our subcontractors' performance fails to meet our requirement, we may experience delay in delivering our services. We may have to source these services elsewhere at a price higher than anticipated. This could adversely affect the profitability of our business. Further, there is no assurance that we would be able to closely monitor the performance of our subcontractors. If the performance of our subcontractors does not meet our standards, the quality of our services may be adversely affected, thereby damaging our business reputation, and potentially exposing us to litigation and claims from our customers.

Notwithstanding our proven business relationship with our subcontractors, there is no assurance that we would be able to maintain such relationship in the future. Since we have not entered into any long-term service agreement with our subcontractors, they are not obliged to work for us on our future projects on similar terms and conditions. There is no assurance that we would be able to find alternative subcontractors with the requisite expertise, experience and capability that meet our service needs and work requirements to complete the services in accordance with the terms of the contracts on time and with competitive prices. If we are unable to timely engage such suitable alternative subcontractors when needed, our ability to complete services on time and with effective cost could be impaired, thereby damaging our business reputation and adversely affecting our operations and financial results.

For illustrative purpose only, the following table illustrates the sensitivity on our profit resulting from hypothetical fluctuation in our subcontracting expenses during the Track Record Period:

Hypothetical fluctuations	**+/-5%**	**+/-10%**
	HK$'000	*HK$'000*
Increase/decrease in subcontracting expenses		
Year ended 31 December 2013	+/-1,247.9	+/-2,495.8
Year ended 31 December 2014	+/-1,270.6	+/-2,541.2
Six months ended 30 June 2015	+/-536.5	+/-1,073.0
Decrease/increase in net profit		
Year ended 31 December 2013	-/+1,247.9	-/+2,495.8
Year ended 31 December 2014	-/+1,270.6	-/+2,541.2
Six months ended 30 June 2015	-/+536.5	-/+1,073.0

SIGNIFICANT ACCOUNTING POLICIES

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts.

Revenue from service income is recognised when the services are delivered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Property, plant and equipment

Property, plant and equipment are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Our financial information for the Track Record Period has been prepared in accordance with HKFRS, management is required to make judgments, estimates and assumptions that affect the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors are considered to be relevant. Actual results may differ from our estimates. No material deviation of our estimates as compared to actual result were noted in the past and no material changes were made to our estimates in the past. These key assumptions and estimates are set forth in note 4 to the Accountants' Report as set out in Appendix I to this document.

We believe that the following critical accounting estimates and assumptions involve the most significant or subjective judgments and estimates used in the preparation of the financial information.

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimated future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2013 and 2014 and 30 June 2015, the carrying amount of trade receivables is approximately HK$32.2 million and HK$34.7 million and HK$26.6 million, respectively. No impairment loss on trade receivables was recognised during the Track Record Period.

RESULTS OF OPERATIONS

The following table sets forth our combined statements of profit or loss and other comprehensive income for the periods indicated, as derived from the Accountant's Report in Appendix I to this document.

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December		Six months ended 30 June	
	2013	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue	135,694	134,812	68,856	57,493
Other income	11	23	5	83
Employee benefits expenses	(37,807)	(36,986)	(18,765)	(16,109)
Depreciation of property, plant and equipment	(2,328)	(2,072)	(1,082)	(979)
Operating lease rentals in respect of rented premises	(24,118)	(31,450)	(14,584)	(17,039)
Sub-contracting expenses	(24,958)	(25,412)	(12,250)	(10,730)
Operating lease rentals in respect of plant, machinery and equipment	(877)	(1,326)	(613)	(814)
Interest expense on bank borrowings	(61)	–	–	–
[REDACTED] expenses	–	–	–	**[REDACTED]**
Other expenses	(11,635)	(12,496)	(6,490)	(5,220)
Profit before taxation	33,921	25,093	15,077	3,294
Income tax expenses	(5,801)	(3,677)	(2,031)	(1,104)
Total profit and comprehensive income for the year/period	28,120	21,416	13,046	2,190

PRINCIPAL INCOME STATEMENT COMPONENTS

Revenue

We are an established integrated logistics solutions service provider in Hong Kong. We offer a wide range of integrated logistics solutions services to meet our customers' supply chain needs. These services can be broadly catergorised into (i) transportation services; (ii) warehousing services; (iii) customisation services; and (iv) value-added services.

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

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

Notes:

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

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

Our total revenue amounted to approximately HK$135.7 million, HK$134.8 million and HK$57.5 million for the years ended 31 December 2013 and 2014 and six months ended 30 June 2015 respectively.

Revenue for the year ended 31 December 2014 slightly decreased by approximately 0.7% or approximately HK$0.9 million as compared to that for the year ended 31 December 2013. Revenue for the six months ended 30 June 2015 decreased by approximately 16.5% or approximately HK$11.4 million as compared to that for the six months ended 30 June 2014. The significant decrease in revenue for the six months ended 30 June 2015 was attributable to the decrease in revenue generated from our customisation services provided to Customer A.

The weakened demand from our largest customer, Customer A, brought by the slowdown of the retail market recently 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, affected our revenue performance for the six months ended 30 June 2015. Our Directors are of the view that the impact by Customer A is short-term and the retail market in Hong Kong is expected to grow steadily. Please refer to the paragraph headed "Recent financial developments" for details of the financial performance of our Group after Track Record Period.

According to the Euromonitor Report, the total retail sales increased steadily from HK$325.0 billion in 2010 to HK$494.5 billion in 2013. However, the retail sales dropped by 1.3 billion from HK$494.5 billion in 2013 to HK$493.2 billion in 2014.

Transportation

Our revenue from the transportation services accounted for 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 respectively. Revenue from transportation services mainly consists of delivery fee. Such revenue is driven by the volume of goods delivered, and the numbers and types of customers served, among other factors. For the year ended 31 December 2014, we served over 1,500 delivery points in 18 districts in Hong Kong.

Warehousing

Our revenue from the warehousing services was our largest source of income which accounted for approximately HK$49.6 million, HK$53.5 million and HK$27.0 million for the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015 respectively. Revenue from warehousing services consists of storage and handling fee for leasing of our warehouses. Such revenue is primarily driven by the gross floor area and the rates of fees, among other factors. As at 30 June 2015, the total gross floor area managed by us was approximately 400,000 sq.ft.

	As at 31 December		**As at 30 June**
	2013	**2014**	**2015**
Gross floor area managed by us (sq.ft.)	385,945	393,504	393,504

Customisation

Our revenue from the customisation services accounted for approximately HK$43.7 million, HK$39.3 million and HK$12.1 million for the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015 respectively. Revenue from customisation services consists of packing, repacking and inspection fee. Such revenue is primarily driven by the number of items processed and time involved in processing such items, among other factors.

The following table sets out the total number of items processed for the periods indicated:

	Year ended 31 December		**Six months ended 30 June**
	2013	**2014**	**2015**
Total (HK$' million)	37.2	37.4	16.2

In addition, the total working hours for the customisation services was approximately 367,763, 337,975 and 118,858 for the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015 respectively. Our Directors believe that due to the weaken demand from Customer A driven by the slowdown of the retail market and the change in the marketing strategies of Customer A, the demand for our customisation services of Customer A dropped and accordingly the total working hours of our employees in such services decreased.

Value-added

Our revenue from the value-added services accounted for approximately HK$12.1 million, HK$9.6 million and HK$3.6 million for the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015 respectively. Revenue from value-added services primarily consists of shipping documentation fee and container handling fee. Such revenue is primarily driven by the number of cargo handled and the types of container handling services delivered, among other factors.

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*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
FMCG	119,883	88.3	107,127	79.5	56,444	82.0	41,222	71.7
Retailing	14,716	10.8	16,756	12.4	4,219	6.1	6,002	10.4
Food and beverage	393	0.3	6,333	4.7	6,508	9.5	7,687	13.4
Electronic, Health and Beauty Accessories	52	0.0	1,481	1.1	11	0.0	1,711	3.0
Others	650	0.6	3,115	2.3	1,674	2.4	871	1.5
	135,694	100.0	134,812	100.0	68,856	100.0	57,493	100.0

During the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, the revenue contributed by the FMCG customers, mainly Customer A, accounted for approximately HK$119.9 million, HK$107.1 million and HK$41.2 million respectively, which accounted for approximately 88.3%, 79.5% and 71.7% of our total revenue for the corresponding period, respectively.

During the Track Record Period, a substantial amount of our income was derived from Customer A. The level of this reliance had been decreasing during the Track Record Period, with our revenue from Customer A representing approximately 81.6%, 72.5% and 65.9% of our total revenue for each of the two years ended 31 December 2014 and the six months ended 30 June 2015 respectively. The decreasing reliance was due to the fact that (i) the revenue from other customers increased during the Track Record Period; and (ii) the Company has from time to time identified potential customers to cooperate with.

Revenue contributed by the retailing customers accounted for approximately HK$14.7 million, HK$16.8 million and HK$6.0 million respectively, which accounted for approximately 10.8%, 12.4% and 10.4% of our total revenue for the corresponding period, respectively. In addition, revenue contributed by the food and beverages customers accounted for approximately HK$0.4 million, HK$6.3 million and HK$7.7 million respectively, which accounted for approximately 0.3%, 4.7% and 13.4% of our total revenue for the corresponding period, respectively. The increasing trend of our revenue contributed by the food and beverage customers and retailing customers during the Track Record Period showed our considerable efforts to diversify our customer base and reduce the reliance on Customer A.

During the Track Record Period, our Group had successfully attracted several new customers, including but not limited to, a Hong Kong based supplier of food, including meat, vegetables, frozen meats and dairy products (i.e. Customer F) and a Hong Kong based food distributor (i.e. Customer K). The revenue generated from new customers obtained during the Track Record Period amounted to approximately HK$0.3 million, HK$9.4 million and HK$8.0 million for the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015 respectively which accounted for approximately 0.2%, 7.0% and 13.9% of our total revenue in the respective periods.

As such, our Directors are of view that although during the Track Record Period our Group has been reliant upon Customer A, and the contribution by Customer A in terms of the proportion of income contribution to our Group's total revenue will be further reduced.

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.

Other income

Other income of approximately HK$11,000, HK$23,000 and HK$83,000 for the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015 respectively which comprised of bank interest income and other miscellaneous income.

Employee benefits expenses

Employee benefits expenses consist primarily of wages and salaries, medical benefits, and other allowances and benefits. For the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, our employee benefits expenses amounted to approximately HK$37.8 million, HK$37.0 million and HK$16.1 million respectively. Our Group had a total of 308, 271 and 248 full-time employees as at 31 December 2013, 2014 and 30 June 2015 respectively.

Depreciation of property, plant and equipment

For the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, our depreciation of property, plant and equipment amounted to approximately HK$2.3 million, HK$2.1 million and HK$1.0 million respectively. Our property, plant and equipment are depreciated on a straight-line basis and our depreciation expenses mainly include the depreciation of our plant and equipment over 20% per annum.

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, our operating lease rentals in respect of rented premises amounted to approximately HK$24.1 million, HK$31.5 million and HK$17.0 million respectively. Our rented premises include the warehouses and office premises.

Sub-contracting expenses

Our sub-contracting expenses represented the amount paid to our subcontractors for the provision of logistics services including transportation services and container handling services. For the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, our sub-contracting expenses amounted to approximately HK$25.0 million, HK$25.4 million and HK$10.7 million respectively. In general, the subcontractors charged 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.

Operating lease rentals in respect of plant, machinery and equipment

For the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, our operating lease rentals in respect of plant, machinery and equipment amounted to approximately HK$0.9 million, HK$1.3 million and HK$0.8 million respectively.

Interest expense on bank borrowings

For the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, our interest expense on bank borrowings amounted to approximately HK$61,000, nil and nil respectively.

Other expenses

Other expenses mainly include other operating cost for warehousing and value-added services, electricity, repair and maintenance, consumables, entertainment, rates and scrapping disposal expenses. For the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, our other expenses amounted to approximately HK$11.6 million, HK$12.5 million and HK$5.2 million respectively.

The following table sets forth the breakdown of other expenses for the periods indicated:

	For the year ended 31 December		For the six months ended 30 June	
	2013	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other operating cost for warehousing and value-added services	2,424	1,189	961	220
Other transportation expenses	1,522	1,938	942	958
Packing materials	939	980	490	349
Electricity & Water	1,432	1,658	707	777
Repairs and maintenance	496	620	270	281
Consumable	967	840	436	298
Entertainment	1,255	846	358	290
Rates	336	415	192	225
Scrapping disposal	283	427	295	173
Others *(Note)*	1,981	3,583	1,839	1,649
	11,635	12,496	6,490	5,220

Note: Others include building management fee, cleaning expenses, insurance and other miscellaneous expenses.

Taxation

The taxation represents the provision of Hong Kong profits tax calculated at 16.5% of the estimated profits during the Track Record Period. For the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, the tax expense incurred by our Group amounted to approximately HK$5.8 million, HK$3.7 million and HK$1.1 million respectively.

[REDACTED] EXPENSES

We expect that our total **[REDACTED]** expenses, which are non-recurring in nature, will amount to approximately HK$**[REDACTED]**, of which approximately HK$**[REDACTED]** is directly attributable to the issue of new Shares in the **[REDACTED]** and to be accounted for as a deduction from equity upon completion of **[REDACTED]** in the year ending 31 December 2015. Approximately HK$**[REDACTED]** has been recognised and charged to the consolidated statements of profit or loss and comprehensive income during the six months ended 30 June 2015. The remaining estimated **[REDACTED]** expenses of approximately HK$**[REDACTED]** will be charged to the consolidated statements of comprehensive income upon **[REDACTED]**.

Accordingly, the financial results of our Group for the year ending 31 December 2015 are expected to be materially affected by the estimated expenses in relation to the **[REDACTED]**. Our Directors would like to emphasise that such cost is a current estimate for reference only and the final amount to be recognised in the combined statements of profit or loss and comprehensive income of our Group for the year ending 31 December 2015 is subject to adjustment based on audit and the then changes in variables and assumptions.

Six months ended 30 June 2015 compared to six months ended 30 June 2014

Revenue

Our total revenue decreased by approximately HK$11.4 million or 16.5% from approximately HK$68.9 million for the six months ended 30 June 2014 to approximately HK$57.5 million for the six months ended 30 June 2015. The decrease was primarily due to a considerable drop in orders placed by our largest customer, Customer A, especially the orders for our customisation services for the six months ended 30 June 2015. Our Directors believe that the decrease in the orders from Customer A was mainly attributable to a number of factors, such as the slowdown in the retail market in Hong Kong, changes in their marketing strategies or plans or their direction of product emphasis. As Customer A does not have any minimum order commitments with us which has resulted in variation of purchase orders that Customer A may place with us from time to time. The revenue generated from Customer A decreased by approximately 26.0% from approximately HK$51.2 million for the six months ended 30 June 2014 to approximately HK$37.9 million for the six months ended 30 June 2015.

The decrease was partially offset by the increase in revenue generated from other customers apart from Customer A. Our Directors believe that the slowdown in the retail market in Hong Kong recently has relatively less impact on customers other than Customer A as those customers are in food and beverage industry or other industries which are not heavily relied on the retail market in Hong Kong and the number of visitors from the PRC. The revenue generated from customers other than Customer A increased by 31.5% from approximately HK$12.4 million for the six months ended 30 June 2014 to approximately HK$16.3 million for the six months ended 30 June 2015. Our Group would continue to maintain close business relationship with these customers and identify potential customers, which we consider has good market potential with reference to the industry insights of our Directors.

Revenue from transportation services

Our revenue from transportation services decreased by approximately HK$1.1 million or 6.9% from approximately HK$15.9 million for the six months ended 30 June 2014 to approximately HK$14.8 million for the six months ended 30 June 2015. The decrease was primarily attributable to the combined effect of the above factors.

Revenue from warehousing services

Our revenue from warehousing services decreased by approximately HK$0.6 million or 2.2% from approximately HK$27.6 million for the six months ended 30 June 2014 to approximately HK$27.0 million for the six months ended 30 June 2015. The decrease was primarily attributable to the combined effect of the above factors.

Revenue from customisation services

Our revenue from customisation services decreased by approximately HK$8.3 million or 40.7% from approximately HK$20.4 million for the six months ended 30 June 2014 to approximately HK$12.1 million for the six months ended 30 June 2015. The decrease was primarily attributable to the decrease in orders for customisation services from Customer A which may due to a number of factors, such as the slowdown in the retail market in Hong Kong, changes in their marketing strategies or plans or their direction of product emphasis.

Revenue from value-added services

Our revenue from value-added services decreased by approximately HK$1.3 million or 26.5% from approximately HK$4.9 million for the six months ended 30 June 2014 to approximately HK$3.6 million for the six months ended 30 June 2015. The decrease was primarily attributable to the decrease in the number of containers shipped to Hong Kong by Customer A due to the weaken demand in the retail market in Hong Kong which in turn led to the decrease in demand for our shipping documentation services and container handling services. The total number of containers, which were shipped by Customer A, we handled are over 1,200 containers and 900 containers for the six months ended 30 June 2014 and 2015 respectively.

Other income

Our other income increased by approximately HK$78,000 or 1,560% from approximately HK$5,000 for the six months ended 30 June 2014 to approximately HK$83,000 for the six months ended 30 June 2015.

Employee benefits expenses

Our employee benefits expenses decreased by approximately HK$2.7 million or 14.4% from approximately HK$18.8 million for the six months ended 30 June 2014 to approximately HK$16.1 million for the six months ended 30 June 2015. The decrease was primarily attributable to the decrease in the number of staff engaged in the customisation services.

Depreciation of property, plant and equipment

Our depreciation of property, plant and equipment decreased by approximately HK$0.1 million or 9.1% from approximately HK$1.1 million for the six months ended 30 June 2014 to approximately HK$1.0 million for the six months ended 30 June 2015. The decrease was primarily attributable to the full depreciation of certain furniture and equipment during the year.

Operating lease rentals in respect of rented premises

Our operating lease rentals in respect of rented premises increased by approximately HK$2.4 million or 16.4% from approximately HK$14.6 million for the six months ended 30 June 2014 to approximately HK$17.0 million for the six months ended 30 June 2015. The increase was primarily attributable to the increase in rental according to the terms in the tenancy agreements.

Sub-contracting expenses

Our sub-contracting expenses decreased by approximately HK$1.6 million or 13.0% from approximately HK$12.3 million for the six months ended 30 June 2014 to approximately HK$10.7 million for the six months ended 30 June 2015. The decrease was primarily attributable to the decrease in fees paid to our sub-contractors for delivery services which was in line with the decreasing trend of our transportation services.

Operating lease rentals in respect of plant, machinery and equipment

Our operating lease rentals in respect of plant, machinery and equipment increased by approximately HK$0.2 million or 33.3% from approximately HK$0.6 million for the six months ended 30 June 2014 to approximately HK$0.8 million for the six months ended 30 June 2015. The increase was primarily attributable to the increase in the number of forklift rented.

Other expenses

Our other expenses decreased by approximately HK$1.3 million or 20.0% from approximately HK$6.5 million for the six months ended 30 June 2014 to approximately HK$5.2 million for the six months ended 30 June 2015. The decrease was primarily attributable to the decrease in other operating cost for warehousing and value-added services.

Income tax expenses

Our income tax decreased by approximately HK$0.9 million or 45.0% from approximately HK$2.0 million for the six months ended 30 June 2014 to approximately HK$1.1 million for the six months ended 30 June 2015. The decrease was in line with the decrease in profit before taxation.

Profit for the period

The significant decrease of the net profit for the six months ended 30 June 2015 from HK$13.0 million to HK$2.2 million comparing to the net profit for the six months ended 30 June 2014 is mainly, in the opinion of our Directors, because of the (i) weakened demand from our largest customer, Customer A, brought by the slowdown of the retail market recently due to the Occupy Central movement and the change of the government policy with regard to the limitation of PRC residents to visit Hong Kong, changes in their marketing strategies or plans or their direction of product emphasis; (ii) increase in rental expenses; and (iii) the one-off non-recurring **[REDACTED]** expenses of approximately HK$**[REDACTED]**, which are charged to our combined statement of comprehensive income for the six months ended 30 June 2015.

Year ended 31 December 2014 compared to year ended 31 December 2013

Revenue

Our total revenue decreased by approximately HK$0.9 million or 0.7% from approximately HK$135.7 million for the year ended 31 December 2013 to approximately HK$134.8 million for the year ended 31 December 2014. The decrease was primarily attributable to the net effect of the following factors:

(i) Decrease in revenue generated from the customisation services – Our revenue from customisation services decreased by approximately HK$4.4 million or 10.0% from approximately HK$43.7 million for the year ended 31 December 2013 to approximately HK$39.3 million for the year ended 31 December 2014. Our Directors believe that such decrease was primarily driven by the drop in orders for our customisation services placed by our largest customer, Customer A, due to the slowdown in retail market in the late 2014 driven by the Occupy Central movement in Hong Kong;

(ii) Decrease in revenue generated from the value-added services – Our revenue from value-added services decreased by approximately HK$2.5 million or 20.7% from approximately HK$12.1 million for the year ended 31 December 2013 to approximately HK$9.6 million for the year ended 31 December 2014. Our Directors believe that such decrease was primarily driven by the decrease in the number of containers shipped to Hong Kong by Customer A due to the slowdown in the retail market in late 2014 as mentioned above; and

(iii) Increase in revenue generated from our transportation services and warehousing services – Our revenue from transportation services increased by approximately HK$2.1 million or 6.9% from approximately HK$30.3 million for the year ended 31 December 2013 to approximately HK$32.4 million for the year ended 31 December 2014. Our revenue from warehousing services increased by approximately HK$3.9 million or 7.9% from approximately HK$49.6 million for the year ended 31 December 2013 to approximately HK$53.5 million for the year ended 31 December 2014. The increase was driven by the organic growth from our existing customers.

Other income

Our other income increased by approximately HK$12,000 or 109.1% from approximately HK$11,000 for the year ended 31 December 2013 to approximately HK$23,000 for the year ended 31 December 2014.

Employee benefits expenses

Our employee benefits expenses decreased by approximately HK$0.8 million or 2.1% from approximately HK$37.8 million for the year ended 31 December 2013 to approximately HK$37.0 million for the year ended 31 December 2014. The decrease was primarily attributable to the decrease in the number of the staff engaged in the customisation services.

Depreciation of property, plant and equipment

Our depreciation of property, plant and equipment decreased by approximately HK$0.2 million or 8.7% from approximately HK$2.3 million for the year ended 31 December 2013 to approximately HK$2.1 million for the year ended 31 December 2014. The decrease was primarily attributable to the full depreciation of certain plant and equipment during the year.

Operating lease rentals in respect of rented premises

Our operating lease rentals in respect of rented premises increased by approximately HK$7.4 million or 30.7% from approximately HK$24.1 million for the year ended 31 December 2013 to approximately HK$31.5 million for the year ended 31 December 2014. The increase was primarily attributable to the increase in rental upon renewal of tenancy agreements.

Sub-contracting expenses

Our sub-contracting expenses increased by approximately HK$0.4 million or 1.6% from approximately HK$25.0 million for the year ended 31 December 2013 to approximately HK$25.4 million for the year ended 31 December 2014. The increase was primarily attributable to the increase in fees paid to our sub-contractors for delivery services, which was in line with our growth in transportation services.

Operating lease rentals in respect of plant, machinery and equipment

Our operating lease rentals in respect of plant, machinery and equipment increased by approximately HK$0.4 million or 44.4% from approximately HK$0.9 million for the year ended 31 December 2013 to approximately HK$1.3 million for the year ended 31 December 2014. The increase was primarily attributable to the increase in the number of forklift truck rented.

Other expenses

Our other expenses increased by approximately HK$0.9 million or 7.8% from approximately HK$11.6 million for the year ended 31 December 2013 to approximately HK$12.5 million for the year ended 31 December 2014. The increase was primarily attributable to the increase in other miscellaneous expenses including computer expenses, cleaning expenses and promotion expenses.

Income tax expenses

Our income tax decreased by approximately HK$2.1 million or 36.2% from approximately HK$5.8 million for the year ended 31 December 2013 to approximately HK$3.7 million for the year ended 31 December 2014. The decrease was in line with the decrease in profit before taxation.

Profit for the year

The net profit for the year decreased by HK$6.7 million from HK$28.1 million for the year ended 31 December 2013 to HK$21.4 million for the year ended 31 December 2014 is mainly because of the increase in rental expenses of approximately HK$7.4 million during the year ended 31 December 2014.

LIQUIDITY AND CAPITAL RESOURCES

We finance our liquidity requirements primarily through our current cash and cash equivalents and cash flows from operations. Upon **[REDACTED]**, our sources of liquidity will be satisfied using a combination of cash generated from operating activities, short-term or long-term indebtedness.

Cash flow

The following table sets forth a summary of net cash flow for the periods indicated:

	Year ended 31 December		Six months ended 30 June	
	2013	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Net cash generated from operating activities	25,748	16,208	15,056	12,073
Net cash used in investing activities	(1,157)	(431)	(232)	(346)
Net cash used in financing activities	(14,209)	(27,969)	(15,405)	(9,992)
Net increase/ (decrease) in cash and cash equivalents	10,382	(12,192)	(581)	1,735
Cash and cash equivalents at the beginning of the year/period	12,050	22,432	22,432	10,240
Cash and cash equivalents at the end of the year/period	22,432	10,240	21,851	11,975

Operating activities

During the Track Record Period, our net cash flows from operating activities mainly represented our profit before tax, being adjusted for depreciation, interest income, interest expense, the effects of movements in working capital and Hong Kong profits tax paid.

Year ended 31 December 2013

Our net cash from operating activities was approximately HK$25.7 million for the year ended 31 December 2013, primarily as a result of operating cash flows of approximately HK$36.3 million before net negative changes in working capital of approximately HK$3.7 million and tax payment of approximately HK$6.8 million. Change in working capital primarily consisted of combined effects of (i) the increase in rental deposits of approximately HK$2.3 million due to the renewal of tenancy agreements; (ii) the increase in trade and other receivable of approximately HK$2.7 million; (iii) the increase in trade and other payables and accrued expenses of approximately HK$1.1 million; and (iv) the decrease in amounts due to directors of approximately HK$0.2 million due to the repayments to directors. Explanations of fluctuations of the aforesaid items from the combined statements of financial position are set out in the paragraph headed "Analysis of selected combined statements of financial position items" in this section.

Year ended 31 December 2014

Our net cash from operating activities was approximately HK$16.2 million for the year ended 31 December 2014, primarily as a result of operating cash flows of approximately HK$27.1 million before net negative changes in working capital of approximately HK$3.8 million and tax payment of approximately HK$7.1 million. Change in working capital primarily consisted of combined effects of (i) the increase in rental deposits of approximately HK$0.1 million; (ii) the increase in trade and other receivable of approximately HK$2.2 million; (iii) the decrease in trade and other payables and accrued expenses of approximately HK$1.9 million; and (iv) the increase in amounts due to directors of approximately HK$0.4 million due to the repayments to directors. Explanations of fluctuations of the aforesaid items from the combined statements of financial position are set out in the paragraph headed "Analysis of selected combined statements of financial position items" in this section.

Six months ended 30 June 2015

Our net cash generated from operating activities was approximately HK$12.1 million for the six months ended 30 June 2015, primarily as a result of operating cash flows of approximately HK$4.3 million before net negative changes in working capital of approximately HK$7.8 million. Change in working capital primarily consisted of combined effects of (i) the increase in rental deposits of approximately HK$70,000; (ii) the increase in trade and other receivable of approximately HK$7.3 million; (iii) the increase in trade and other payables and accrued expenses of approximately HK$0.4 million; and (iv) the decrease in amounts due to directors of approximately HK$0.2 million due to the repayments to directors. Explanations of fluctuations of the aforesaid items from the combined statements of financial position are set out in the paragraph headed "Analysis of selected combined statements of financial position items" in this section.

Investing activities

Year ended 31 December 2013

Our net cash used in investing activities was approximately HK$1.2 million for the year ended 31 December 2013, primarily attributable to the purchase of property, plant and equipment.

Year ended 31 December 2014

Our net cash used in investing activities was approximately HK$0.4 million for the year ended 31 December 2014, primarily attributable to the purchase of property, plant and equipment.

Six months ended 30 June 2015

Our net cash generated from investing activities was approximately HK$0.3 million for the six months ended 30 June 2015, primarily attributable to the purchase of property, plant and equipment.

Financing activities

Year ended 31 December 2013

Our net cash used in financing activities was approximately HK$14.2 million for the year ended 31 December 2013, primarily attributable to the repayment to directors for dividend of approximately HK$10.6 million and the repayment of bank borrowings of approximately HK$3.6 million.

Year ended 31 December 2014

Our net cash used in financing activities was approximately HK$28.0 million for the year ended 31 December 2014, primarily attributable to the repayment to directors for dividend of approximately HK$28.0 million.

Six months ended 30 June 2015

Our net cash generated from financing activities was approximately HK$10.0 million for the six months ended 30 June 2015, primarily attributable to the repayment to directors for dividend of approximately HK$10.0 million.

NET CURRENT (LIABILITIES)/ASSETS

We had net current liabilities of approximately HK$8.4 million as at 31 December 2013 and net current assets of approximately HK$14.0 million, HK$16.7 million and HK$[16.7] million as at 31 December 2014 and 30 June 2015 and 31 July 2015 respectively. The following table sets forth our current assets and current liabilities as at the dates indicated:

	As at 31 December		As at 30 June	As at 31 July
	2013	**2014**	**2015**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Current assets				
Trade and other receivables	33,845	36,086	28,835	[27,398]
Tax recoverable	–	1,494	818	[818]
Bank balances and cash	22,432	10,240	11,975	[13,357]
	56,277	47,820	41,628	[40,573]
Current liabilities				
Trade and other payables and accrued expenses	5,672	3,691	4,027	[5,278]
Amount due to directors	57,694	30,136	20,338	[17,838]
Tax payables	1,310	–	529	[773]
	64,676	33,827	24,894	[23,889]
Net current (liabilities)/assets	(8,399)	13,993	16,734	[16,684]

Our current financial position turnaround from net current liabilities of approximately HK$8.4 million as at 31 December 2013 to net current assets of approximately HK$14.0 million as at 31 December 2014. The improvement was mainly due to the decrease in amounts due to directors of approximately HK$27.6 million, the decrease in trade and other payables and accrued expenses of approximately HK$2.0 million, the increase in trade and other receivables of approximately HK$2.3 million, partially offset by the decrease in bank balances and cash of approximately HK$12.2 million.

Our net current assets further increased by approximately HK$2.7 million or 19.3% from approximately HK$14.0 million as at 31 December 2014 to approximately HK$16.7 million as at 30 June 2015. The increase was mainly due to decrease in amounts due to directors of approximately HK$9.8 million, the increase in bank balances and cash of approximately HK$1.8 million, partially offset by the decrease in trade and other payables and accrued expanses of approximately HK$0.3 million.

ANALYSIS OF SELECTED COMBINED STATEMENTS OF FINANCIAL POSITION ITEMS

Trade and other receivables

Our trade and other receivables mainly represented the balances due from our customers, prepayments, deposits and other receivables. Our trade and other receivables amounted to approximately HK$33.8 million, HK$36.1 million and HK$28.8 million as at 31 December 2013 and 2014 and 30 June 2015 respectively.

The following table sets forth our trade and other receivables as at the dates indicated.

	As at 31 December		As at 30 June
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	32,207	34,665	26,575
Prepayments, deposits and other receivables	1,638	1,421	2,260
Total	33,845	36,086	28,835

Trade receivables

The trade receivables increased from approximately HK$32.2 million to HK$34.7 million as at 31 December 2013 and 2014 respectively. The increase was mainly due to the delayed settlements from our customers. The trade receivables decreased to approximately HK$26.6 million as at 30 June 2015 as the increase in payments from our customers to settle their overdue balances.

The following table sets out the aged analysis of our trade receivables, net of impairment losses, as at the dates indicated:

	As at 31 December		As at 30 June
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
0 – 30 days	15,300	12,780	19,917
31 – 60 days	13,458	11,693	144
61 – 90 days	2,934	7,535	6,195
Over 90 days	515	2,657	319
	32,207	34,665	26,575

The following table sets out the trade receivables turnover days for the Track Record Period:

	For the year ended 31 December		For the six months ended 30 June
	2013	2014	2015
Trade receivables turnover days *(note)*	83.5	90.5	96.3

Note: Trade receivables turnover day equals average balance of trade receivables divided by revenue for the relevant year/period multiplied by the number of days in the relevant year/period. Average balance is calculated as the sum of beginning balance and ending balance for the relevant year/period divided by two.

We generally grant our customers a credit period ranging from 0 to 45 days from the invoice date. Trade receivables turnover days for the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015 were 83.5 days, 90.5 days and 96.3 days respectively. Our trade receivable turnover days exceeded our Group's maximum credit period of 45 days as we had experienced delayed settlement from our customers. To the best knowledge of our Directors, the delayed settlement mainly related to the corresponding change in the internal policy or practice of certain customers of our Group, which would require considerable length of time to go through their internal approval procedures in relation to settlement of our bills. Based on the above and the fact that these customers have been continuously settling our bills without default, our Directors considered that there was no collectability issue in relation to such outstanding trade receivables and, accordingly, no provision had been made. Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, none of these customers had defaulted their payments to our Group.

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.

As at 31 August 2015, approximately HK$21.5 million or 80.8% of our trade receivables as at 30 June 2015 were subsequently settled.

Prepayments, deposits and other receivables

Our prepayments, deposits and other receivables mainly represented the deposits for utilities.

Trade and other payables and accrued expenses

Our trade and other payables and accrued expenses primarily relate to the payables to our suppliers, provision for long service payments, accrued employee benefits and other payables and accrued expenses. Our trade and other payables and accrued expenses amounted to approximately HK$5.7 million, HK$3.7 million and HK$4.0 million as at 31 December 2013 and 2014 and 30 June 2015 respectively.

The following table sets forth our trade and other payables and accrued expenses as at the dates indicated.

	As at 31 December		As at 30 June
	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*
Trade payables aged within 30 days	2,002	492	2,330
Provision for long service payments	339	363	375
Accrued employee benefits	3,235	2,400	1,028
Other payables and accrued expenses	96	436	294
Total	5,672	3,691	4,027

Trade payables

Our trade payables decreased from approximately HK$2.0 million as at 31 December 2013 to approximately HK$0.5 million as at 31 December 2014, and increased from approximately HK$0.5 million as at 31 December 2014 to approximately HK$2.3 million as at 30 June 2015.

The following table sets out the trade payables turnover days for the Track Record Period:

	For the year ended 31 December		For the six months ended 30 June
	2013	2014	2015
Trade payables turnover days *(note)*	10.5	7.9	9.0

Note: Trade payables turnover day equals average balance of trade payables divided by total direct costs for the relevant year/period multiplied by the number of days in the relevant year/period. Average balance is calculated as the sum of beginning balance and ending balance for the relevant year/period divided by two.

Trade payables turnover days for the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015 were 10.5 days, 7.9 days and 9.0 days respectively.

As at 31 August 2015, approximately HK$2.3 million or 98.7% of the trade payables as at 30 June 2015 has been subsequently settled by our Group.

Other payables and accrued expenses

Other payables and accrued expenses mainly included the service fee payable for the information system.

During the Track Record Period, we had not experienced material defaults in payment of our trade and other payables and accrued expenses.

Amounts due to directors

As at 31 December 2013 and 2014 and 30 June 2015, the amounts due to directors amounted to approximately HK$57.7 million, HK$30.1 million and HK$20.3 million respectively. The following table sets forth the details of amounts due to directors:

	As at 31 December		**As at 30 June**
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Mr. Yeung	–	58	–
Mr. Lee	57,614	29,583	19,595
Mr. Luk	80	495	743
	57,694	30,136	20,338

The amounts due to directors primarily represented the dividends paid to the shareholders.

The amounts due to directors were unsecured, interest free and repayable on demand, and the amounts were fully settled prior to the **[REDACTED]**. We [had obtained] a bank loan of HK$[25.0] million from a financial institution in Hong Kong in [December 2015]. The bank loan bears interest rate of 2.25% plus 3 months HIBOR per annum and will mature in [June 2018]. The bank loan is secured by the corporate guarantee of the Company. We [have fully settled] the amount due to the directors with this bank loan before **[REDACTED]** and parts of such bank loan will be repaid by parts of the net proceeds from the **[REDACTED]**.

OTHER MAJOR FINANCIAL RATIOS DISCUSSION

The following table sets forth certain financial ratios as at the dates indicated.

	For the year ended/ As at 31 December		**For the six months ended/ As at 30 June**
	2013	**2014**	**2015**
Net profit margin	20.7%	15.9%	3.8%
Return on equity *(Note 1)*	1,785.4%	93.1%	8.7%
Return on total assets *(Note 2)*	42.1%	37.3%	4.3%
Current ratio *(Note 3)*	0.9	1.4	1.7
Quick ratio *(Note 4)*	0.9	1.4	1.7

Notes:

1. Return on equity is calculated by dividing profit for the year/period by the total equity as at the end of the respective period. It is not applicable to calculate the return on equity based on the net profit for the six months ended 30 June 2015. For the six months ended 30 June 2015, the calculation of return on equity is based on the profit for the year divided by the total equity, multiplied by 365/180, and then multiplied by 100%.

2. Return on total assets is calculated by dividing profit for the year/period with the total assets as at the end of the respective period. It is not applicable to calculate the return on total assets based on the net profit for the six months ended 30 June 2015. For the six months ended 30 June 2015, the calculation of return on total assets is based on the profit for the year divided by the total assets, multiplied by 365/180, and then multiplied by 100%.

3. Current ratio is calculated by dividing current assets with current liabilities as at the end of respective year/period.

4. Quick ratio equals current assets less inventories divided by current liabilities as at the end of the year. Quick ratio is the same as current ratio in our case as we did not have any inventories.

Net profit margin

The net profit margin decreased from approximately 20.7% for the year ended 31 December 2013 to approximately 15.9% for the year ended 31 December 2014 and further decreased to approximately 3.8% for the six months ended 30 June 2015. The decrease was mainly attributable to the increase in rental expense for warehouses, customisation processing sites and office, and the one-off non-recurring **[REDACTED]** expenses of approximately HK$**[REDACTED]**, which are charged to our combined statement of comprehensive income for the six months ended 30 June 2015.

Return on equity

Our return on equity was approximately 1,785.4%, 93.1% and 8.7% as at 31 December 2013 and 2014 and 30 June 2015 respectively. Our total equity was approximately HK$1.6 million as at 31 December 2013, which subsequently increased to approximately HK$23.0 million as at 31 December 2014 as a result of profit recognised during the year ended 31 December 2014. Due to the high base effect, our return on equity for the year ended 31 December 2014 was significantly lower than that of 2013. Due to the recognition of **[REDACTED]** expenses for the six months ended 30 June 2015 and the continued increase in our equity base generated from our retained earnings, our return on equity further dropped to approximately 8.7%.

Return on total assets

As at 31 December 2013, our total assets were amounted to approximately HK$66.8 million, which subsequently decreased to approximately HK$57.5 million as at 31 December 2014, primarily as a result of our decrease in our cash and cash equivalents due to the repayment of amounts due to directors during the year ended 31 December 2014. With the decrease of our total assets during the year ended 31 December 2014, our return on assets decreased from approximately 42.1% as at 31 December 2013 to approximately 37.3% as at 31 December 2014. Due to the recognition of **[REDACTED]** expenses for the six months ended 30 June 2015 and the continued decrease in our total assets due to the repayment of amounts due to directors, our return on assets further dropped to 4.3%.

Current ratio and quick ratio

Due to the nature of our business, we do not have any inventories. As such, our current ratio equals to our quick ratio. Our current ratio as well as quick ratio as at 31 December 2013 and 2014 and 30 June 2015 were approximately 0.9 time, 1.4 times and 1.7 times, respectively. The increase in current ratio and quick ratio during the year ended 31 December 2014 was principally attributable to the repayment of the amounts due to directors which decreased our total current liabilities from approximately HK$64.7 million as at 31 December 2013 to approximately HK$33.8 million as at 31 December 2014, or a decrease of 47.8%. While our current assets also decreased by 15.1% from approximately HK$56.3 million as at 31 December 2013 to approximately HK$47.8 million as at 31 December 2014 primarily resulting from the decrease in cash and cash equivalents, the magnitude of its decrease is less than the decrease of current liabilities. Our current ratio as well as quick ratio as at 30 June 2015 increased to 1.7 times, which was mainly due to the decrease in our amounts due to directors. Our Directors believe that our current ratio as well as quick ratio were maintained at a healthy level during the Track Record Period.

INDEBTEDNESS

The following table sets out our indebtedness as at the dates indicated:

	As at 31 December		As at 30 June	As at 31 July
	2013	2014	2015	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amount due to directors	57,694	30,136	20,338	17,870
	57,694	30,136	20,338	17,870

As at the Latest Practicable Date, our Group had no outstanding borrowings.

Except as disclosed in this paragraph headed "Indebtedness" in this section, our Group did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as at the Latest Practicable Date. Our Directors confirm that there has not been any material change in our indebtedness as at the Latest Practicable Date.

CONTINGENT LIABILITIES

Our Group did not have any material contingent liabilities as at 30 June 2015 and as at the Latest Practicable Date.

CONTRACTUAL COMMITMENTS

Operating lease commitments

The contractual commitments of our Group are primarily related to plant, vehicle and the lease of its warehouses and office buildings.

Our Group's operating lease commitments amounted to approximately HK$78.2 million, HK$54.9 million and HK$42.3 million as at 31 December 2013 and 2014 and 30 June 2015, and the Latest Practicable Date respectively. The following table sets out the future minimum lease payments payable by our Group as at the dates indicated under non-cancellable operating leases.

As at 31 December 2013 and 2014 and 30 June 2015, our Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises and plant, machinery and equipment which fall due as follows:

	As at 31 December		As at 30 June
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Rented premises			
Within one year	29,911	33,985	36,885
In the second to fifth year inclusive	46,413	19,625	4,412
	76,324	53,610	41,297
Plant, machinery and equipment			
Within one year	892	766	623
In the second to fifth year inclusive	945	572	374
	1,837	1,338	997
	78,161	54,948	42,294

Operating lease payments represent rentals payable by the Group for its office premises, warehouses, plant, machinery and equipment. Leases are negotiated for a term of one to three years.

Other than operating lease commitments, our Group had no other capital commitments as at 31 December 2013 and 2014 and 30 June 2015.

Disclaimer

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables, we did not have outstanding borrowings and indebtedness such as loan capital issued and outstanding or agreed to be issued, bank overdraft, loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, guarantees or other material contingent liabilities at the close of business as at the Latest Practicable Date.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We have not entered into any off-balance sheet guarantees or other commitments to guarantee the payment obligations of any third parties.

We do not have any interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development or other services with us.

QUANTITATIVE AND QUALITATIVE DISCLOSURE OF MARKET RISKS

Credit risk

Our Group's maximum exposure to credit risk which will cause a financial loss to our Group due to failure to discharge an obligations by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position of the Group.

Our Group's credit risk is primarily attributable to its trade receivables. In order to minimise the credit risk, the management of our Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, our Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that our Group's credit risk is significantly reduced.

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

As at 31 December 2013 and 2014 and 30 June 2015, our Group has concentration of credit risk as 85% and 78% and 74% respectively of the total trade receivable was due from the Group's largest customer. Our Group's concentration of credit risk on the top five largest customers accounted for 97% and 93% and 95% of the total trade receivable as at 31 December 2013 and 2014 and 30 June 2015, respectively. The management of our Group considered their the credit risk of amounts due from these customers is insignificant after considering their historical settlement record, credit quality and financial positions.

Liquidity risk

In managing of the liquidity risk, our Group monitors and maintains levels of cash and cash equivalents deemed adequate by the management to finance our Group's operations and mitigate the effects of fluctuations in cash flows. Our Group relies on advances from related parties, including directors and controlling shareholder as significant sources of liquidity.

RECENT FINANCIAL DEVELOPMENTS

We have continued to focus on strengthening our market position in the logistics industry. As far as we are aware, our industry remained relatively stable after the Track Record Period. There was no material adverse change in the general economic and market conditions in the industry in which we operate that had affected or would affect our business operations or financial condition materially and adversely.

Our revenue and cost structure have remained unchanged since 30 June 2015. Based on our unaudited financial information, our unaudited revenue for the one month ended 31 July 2015 was higher than the unaudited revenue for the one month ended 31 July 2014. It was primarily due to the higher revenue generated from our customisation services and our new customers in 2015. We had entered into a service agreement with a new customer in July 2015. Such customer is a global healthcare company that researches and develops a broad range of innovative medicines and brands.

Repayment of amounts due to directors

As at the Latest Practicable Date, our Group had an outstanding amount due to directors of approximately HK$20.3 million, which represented the dividends paid to our shareholders. We [had obtained] a bank loan of HK$[25.0] million from a financial institution in Hong Kong in [December 2015]. The bank loan bears interest rate of 2.25% plus 3 months HIBOR per annum and will mature in June 2018. The bank loan is secured by the corporate guarantee of the Company. We [have fully settled] the amount due to the directors with this bank loan before **[REDACTED]** and parts of such bank loan will be repaid by parts of the net proceeds from the **[REDACTED]**. Details of which are further described in the section headed "Future plans and use of proceeds" in this document.

SUFFICIENCY OF WORKING CAPITAL

Taking into account the financial resources available to our Group, including the internally generated funds, available bank loans and the estimated net proceeds of the **[REDACTED]**, our Directors are of the opinion that our Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the Latest Practicable Date.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that our Group (i) has not encountered any difficulty in obtaining external borrowings; (ii) has not been recalled or requested for early repayment of borrowings; (iii) has not had any delay or default in repayment of trade and non-trade payables and bank borrowings, and/or breaches of other covenants under its borrowings; and (iv) has not breached of any finance covenants.

OTHER MATERIAL ARRANGEMENTS

We do not have any outstanding derivative instruments, other guarantees or foreign currency forward contracts. We do not engage in trading activities involving non-exchange trade contracts.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial or trading position or prospects since 30 June 2015, being the date of our last audited financial statement as set out in Appendix I to this document, up to the date of this document.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in the Accountants' Report in Appendix I to this document, our Directors confirm that these transactions were conducted on normal commercial terms and/or on terms not less favourable than terms available from Independent Third Parties, which are considered fair, reasonable and in the interest of our shareholders as a whole.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to any disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

DISTRIBUTABLE RESERVES

Our Company has no reserves available for distributable to the Shareholders as at 30 June 2015.

DIVIDEND POLICY

Our Group may distribute dividends by way of cash or by other means that the Directors consider appropriate. A decision to declare and pay any dividend would require the approval of the Directors and will be at their discretion. In addition, any final dividend for a financial year will be subject to shareholders' approval.

During the year ended 31 December 2013, World-Link Roadway and World-Link Packing declared dividends of HK$13,000,000 and HK$15,000,000, respectively to the individual shareholders. In [December 2015], we [declared and paid] a dividend of HK$[18,000,000] to our shareholders. Our distribution of dividends, in the future, if any, will depend on the results of our operations, cash flows, financial conditions, statutory and regulatory restrictions as aforementioned and other factors that we may consider relevant, and is subject to our discretion.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Please see the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this document for further details.