

# Asia-express Logistics Holdings Limited 亞洲速運物流控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock code: 8620



**SHARE OFFER**

Sole Sponsor

Joint Bookrunners and Joint Lead Managers



South China Capital Limited



China Tonghai Securities Limited



Wealth Link Securities Limited



South China Securities Limited

# IMPORTANT

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

## Asia-express Logistics Holdings Limited

亞洲速運物流控股有限公司

(incorporated in the Cayman Islands with limited liability)

### LISTING ON GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF SHARE OFFER

Number of Offer Shares	:	120,000,000 Shares
Number of Placing Shares	:	108,000,000 Shares (subject to reallocation)
Number of Public Offer Shares	:	12,000,000 Shares (subject to reallocation)
Offer Price	:	Not more than HK\$0.58 per Offer Share and expected to be not less than HK\$0.42 per Offer Share plus brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027% (payable in full on application, subject to refund on final pricing)
Nominal value	:	HK\$0.01 per Share
Stock code	:	8620

Sole Sponsor



South China Capital Limited

Joint Bookrunners and Joint Lead Managers



China Tonghai Securities Limited



Wealth Link Securities Limited



South China Securities Limited

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, together with the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection — Documents Delivered to the Registrar of Companies" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

Investors applying for the Public Offer Shares must pay, on application, the indicative maximum Offer Price of HK\$0.58 per Offer Share together with brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027%, subject to refund. The Offer Price is expected to be fixed by the Price Determination Agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on or about Thursday, 9 April 2020. If, for any reason, the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by that date or such later date, the Share Offer will not become unconditional and will lapse immediately. In such case, an announcement will be published by our Company on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of our Company at [www.asia-expresslogs.com](http://www.asia-expresslogs.com) not later than the morning of the last day for lodging applications under the Public Offer. The Offer Price is expected to be not more than HK\$0.58 per Offer Share and not less than HK\$0.42 per Offer Share. The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, with the prior consent of our Company, reduce the indicative Offer Price range below that as stated in this prospectus at any time prior to the Price Determination Date. In such a case, a notice of the reduction in the indicative Offer Price range will be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of our Company at [www.asia-expresslogs.com](http://www.asia-expresslogs.com) not later than the morning of the last day for lodging applications under the Public Offer.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus and the related Application Forms, including but not limited to the risk factors set out in the section headed "Risk Factors" in this prospectus.

Prospective investors of the Share Offer should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreements by notice in writing to be given by the Joint Bookrunners (for themselves and on behalf of the Underwriters) upon the occurrence of any of the events set forth in the section headed "Underwriting — Underwriting Arrangements and Expenses — The Public Offer — Grounds for Termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Joint Bookrunners (for themselves and on behalf of the Underwriters) terminate the Underwriting Agreements, the Share Offer will not proceed and will lapse.

31 March 2020

## CHARACTERISTICS OF GEM

*GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.*

*Given that companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to higher market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.*

*The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazette newspapers. Accordingly, prospective investors should note that they need to have access to the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) in order to obtain up-to-date information on GEM-listed issuers.*

## EXPECTED TIMETABLE

*If there is any change in the following expected timetable of the Share Offer, an announcement will be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of our Company at [www.asia-expresslogs.com](http://www.asia-expresslogs.com).*

**Date<sup>(1)</sup>**

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

Application Forms available from..... 9:00 a.m. on Tuesday,  
31 March 2020

Latest time to complete electronic applications under

**HK eIPO White Form** service through one of the below ways<sup>(2)</sup>

(1) the designated website [www.hkeipo.hk](http://www.hkeipo.hk)

(2) the IPO App, which can be downloaded by searching

“IPO App” in App Store or Google Play or

downloaded at [www.hkeipo.hk/IPOApp](http://www.hkeipo.hk/IPOApp)

or [www.tricorglobal.com/IPOApp](http://www.tricorglobal.com/IPOApp). . . . . 11:30 a.m. on Thursday,  
9 April 2020

Application Lists for Public Offer open<sup>(3)</sup> . . . . . 11:45 a.m. on Thursday,  
9 April 2020

Latest time for lodging **WHITE** and **YELLOW**

Application Forms . . . . . 12:00 noon on Thursday,  
9 April 2020

Latest time to give **electronic application**

**instructions** to HKSCC<sup>(4)</sup> . . . . . 12:00 noon on Thursday,  
9 April 2020

Latest time to complete payment of **HK eIPO White Form**

applications by effecting internet banking transfer(s) or

PPS payment transfer(s) . . . . . 12:00 noon on Thursday,  
9 April 2020

Application Lists for Public Offer close<sup>(3)</sup> . . . . . 12:00 noon on Thursday,  
9 April 2020

Expected Price Determination Date on or about<sup>(5)</sup> . . . . . Thursday, 9 April 2020

## EXPECTED TIMETABLE

**Date<sup>(1)</sup>**

Announcement of (i) the Offer Price; (ii) the indication of the level of interest in the Placing; (iii) the level of applications of the Public Offer; (iv) the basis of allocation of the Public Offer Shares; and (v) the number of Offer Shares reallocated, if any, between the Public Offer and the Placing to be published in our Company's website at <a href="http://www.asia-expresslogs.com">www.asia-expresslogs.com</a> and the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> on or before.....	Friday, 17 April 2020
Announcement of results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including our Company's website at <a href="http://www.asia-expresslogs.com">www.asia-expresslogs.com</a> and the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> (for further details, please refer to the section headed "How to Apply for the Public Offer Shares — 11. Publication of results" in this prospectus) on or before .....	Friday, 17 April 2020
Results of allocations in the Public Offer will be available at <a href="http://www.tricor.com.hk/ipo/result">www.tricor.com.hk/ipo/result</a> (or <a href="http://www.hkeipo.hk/IPOResult">www.hkeipo.hk/IPOResult</a> ) or at "Allotment Result" function in the IPO App with a "search by ID" function from.....	Friday, 17 April 2020
Despatch/collection of refund cheques and e-Auto Refund payment instructions in respect of wholly or partially unsuccessful applications and wholly or partially successful applications (if applicable) in case the final Offer Price is less than the maximum Offer Price paid for the applications pursuant to the Public Offer on or before <sup>(7, 8, 9 &amp; 10)</sup> .....	Friday, 17 April 2020
Despatch/collection of Share certificates in respect of wholly or partially successful applications pursuant to the Public Offer on or before <sup>(6, 7, 8, 9 &amp; 11)</sup> .....	Friday, 17 April 2020
Dealings in Shares on GEM expected to commence at 9:00 a.m. on .....	Monday, 20 April 2020

*The application for the Public Offer will commence on Tuesday, 31 March 2020 through Thursday, 9 April 2020. Such time period is longer than the normal market practice of four days. The application monies (including the brokerage, SFC transaction levy and Stock Exchange trading fee) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicant(s) without interest on Friday, 17 April 2020. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Monday, 20 April 2020.*

## EXPECTED TIMETABLE

*Notes:*

1. All times and dates refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus.
2. You will not be permitted to submit your application through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) or the IPO App after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the Application Lists close.
3. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above or an announcement of “extreme conditions” by the Government of Hong Kong in accordance with the revised “Code of Practice in Time of Typhoons and Rainstorms” issued by the Hong Kong Labour Department in June 2019 in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 9 April 2020, the Application Lists will not open on that day. For further details, please see the section headed “How to Apply for the Public Offer Shares — 10. Effect of bad weather and/or extreme conditions on the opening of the application lists” in this prospectus.
4. Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for the Public Offer Shares — 6. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
5. The Price Determination Date is expected to be on or about Thursday, 9 April 2020 or such later date as the Joint Bookrunners (for themselves and on behalf of the Underwriters) and the Company may agree. If, for any reason, the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by that date or such later date, the Share Offer will not proceed and will lapse accordingly.
6. Share certificates for the Public Offer Shares are expected to be issued on or before Friday, 17 April 2020 but will only become valid certificates of title at 8:00 a.m. on Monday, 20 April 2020 provided that (a) the Share Offer has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms.
7. Applicants for 1,000,000 Public Offer Shares or more on **WHITE** Application Form(s) or through **HK eIPO White Form** Service through the designated website [www.hkeipo.hk](http://www.hkeipo.hk) or the IPO App and have provided all information required may collect their refund cheques (where relevant) and/or Share certificates (where relevant) personally from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 17 April 2020 or any other day as announced by us as the date of despatch of Share certificates/refund cheques. Individuals who are eligible for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which are eligible for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.
8. Applicants for 1,000,000 Public Offer Shares or more on **YELLOW** Application Forms and have provided all information required may collect their refund cheques, if any, in person but may not collect their Share certificates personally which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participants’ stock accounts, as appropriated. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.
9. Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant’s own risk to the address specified in the relevant Application Form. For further information, applicants should refer to the section headed “How to Apply for the Public Offer Shares — 14. Despatch/collection of share certificates and refund monies” in this prospectus.

## EXPECTED TIMETABLE

10. Refund cheques will be despatched in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the maximum Offer Price of HK\$0.58 per Offer Share.
11. Share certificates will only become valid certificates of title provided that (i) the Share Offer has become unconditional in all respects; and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

**For further details of the structure and conditions of the Share Offer, you should refer to the section headed “Structure and Conditions of the Share Offer” in this prospectus.**

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### IMPORTANT NOTICE TO INVESTORS

*This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Offer Shares offered by this prospectus pursuant to the Share Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer in any other jurisdiction or in any circumstances.*

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

*Information contained in our website, located at [www.asia-expresslogs.com](http://www.asia-expresslogs.com), does not form part of this prospectus.*

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## SUMMARY

*This summary aims to give you an overview of the information contained in this prospectus. Since this is a summary, it does not contain all the information that may be important to you, and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read this prospectus in its entirety including the appendices hereto before you decide to invest in the Offer Shares.*

*There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

## OVERVIEW

We are an established air cargo ground handling services provider in Hong Kong. Our air cargo ground handling services principally cover (i) air cargo terminal operation; (ii) transportation; and (iii) warehousing and other value-added services. We utilise our full suite of services to deliver integrated solutions to global express carriers, air cargo terminal operators, freight forwarders and corporates domestically and regionally. Having over 20 years of experience in the air cargo ground handling services industry with our headquarters in Hong Kong (being the world’s largest international air cargo airport in 2018 according to the Airports Council International), we have extended our geographical coverage to Shenzhen, Guangzhou, Shanghai and Chengdu (which are major air cargo hubs across multiple high-growth economic regions in China such as the Greater Bay Area, the Yangtze River Region and Western China). Leveraging on our proven track record and deep local expertise in these high growth regions, our Directors believe that we are well positioned to capture emerging business opportunities driven by the completion of the Hong Kong-Zhuhai-Macau bridge, the Shenzhen-Zhongshan bridge as well as the “Belt and Road” and the “Greater Bay Area” initiatives introduced by the PRC government.

According to the Frost and Sullivan Report, we were the third largest air cargo terminal operation services provider in Hong Kong, accounting for approximately 15.1% market share in 2018. Up to the Latest Practicable Date, we have been able to continuously secure contracts from Top Global Express Carrier for operation of its air cargo terminal inside AAT of the Hong Kong International Airport (being the world’s largest air cargo airport in 2018) for over 15 years, and provided air cargo terminal operation services to Hong Kong Air Cargo Terminal Operator inside Super Terminal 1 of the Hong Kong International Airport for five years. Leveraging on our solid air cargo terminal operation experience, since 2006, we have also been providing such services to Top Global Express Carrier inside Shenzhen international express courier operations centre of the Shenzhen Bao’an International Airport (being one of the five largest air cargo airports in China in 2018). As an integral part to our full suite of air cargo terminal operation services, we also provide ancillary delivery services of air cargo goods handled to our customers’ designated locations in Hong Kong or Shenzhen or Guangzhou, the PRC. We commenced providing domestic transportation and warehousing and other value-added services to a member of Top Global Logistics Company since 2018.

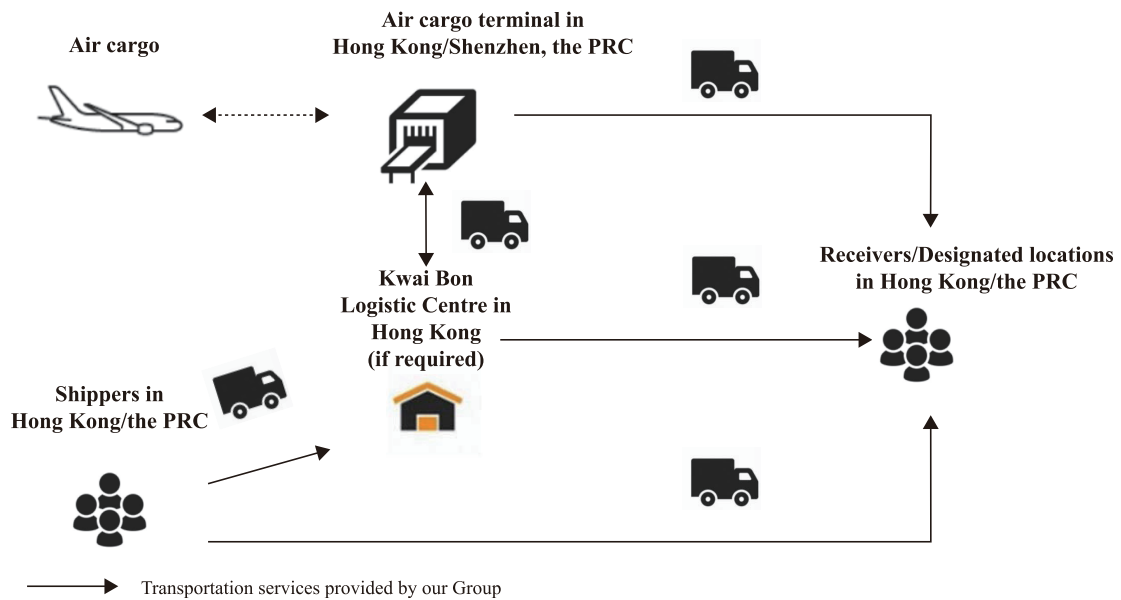
Our integrated service offerings are supported by our sizeable resources. As at the Latest Practicable Date, we carried a large fleet of 168 self-owned transportation vehicles of various sizes and tonnages, ranging from below 5.5-tonnes light goods trucks, 5.5-tonnes to 9-tonnes medium goods trucks, 16-tonnes light heavy goods trucks and 24-tonnes or above heavy goods trucks to private cars. In addition, some of our self-owned transportation fleet are registered with Intermodal Transshipment Facilitation Scheme in Hong Kong and Quick Pass mode in China for non-stop Guangdong-Hong Kong transportation to ensure secure and timely cross-border delivery. Meanwhile, we had a sizable labour force of 226 full-time employees as at the Latest Practicable Date. In order to increase our operational flexibility, we engage independent contractors to carry out part of our transportation services and provide dispatch labour where the need arises. These enable us to not only capable of offering efficient ancillary delivery services to customers of our air cargo terminal operation services, but also allow us completing point-to-point transportation

## SUMMARY

services within the same day or the next business day domestically within or near Hong Kong, Shenzhen, Guangzhou, Shanghai and Chengdu, as well as two-way non-stop cross-border transportations between Hong Kong and Guangdong Province, the PRC. In addition, we leased the Kwai Bon Logistics Centre, the whole block of an industrial building in Kwai Chung, Hong Kong with a total gross floor area of over 70,000 sq. ft. for warehousing and other value-added services. Our Directors believe that our readily available resources enhance our operational capabilities, allow us to provide customers with cost-efficient air cargo ground handling services, and strengthen our ability to offer timely, reliable and flexible services.

### OUR BUSINESS MODEL

According to the Frost and Sullivan Report, as a result of the ongoing trend of airlines, express carriers, aircraft operators and airport terminal operators outsourcing various parts of air cargo logistics activities, the reliability and quality of services provided by local and regional air cargo ground handling services providers are vital to the overall quality of air cargo services within the logistics chain. In light of the increasing global air cargo movements primarily driven by the growth in international trade and e-commerce activities, we strategically position ourselves to offer quality air cargo ground handling services to customers with special emphasis on higher processing speed, greater operational efficiency, specialised and customised services, time-definite delivery and costs reduction. The diagram below is the general business model of our air cargo ground handling services:



### OUR SERVICES

Our air cargo ground handling services enable our clients to focus on their core competencies while we leverage our operational capabilities and expertise, workforce, transportation fleet and readily available resources to reduce our customers' costs and shorten their lead time to market. We have three principal service categories, namely (i) air cargo terminal operation services; (ii) transportation services; and (iii) warehousing and other value-added services, each with a number of key service lines that can be provided on a single, multi-service or integrated basis.

## SUMMARY

The following table sets out our revenue by services segments during the Track Record Period:

	For the year ended 31 March						For the six months ended 30 September			
	2017		2018		2019		2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)									
Air cargo terminal operation services										
— Ground handling	91,114	29.5	103,851	32.3	108,713	31.0	58,814	33.8	54,076	33.8
— Ancillary delivery	68,880	22.3	63,322	19.7	79,968	22.8	37,105	21.4	34,416	21.5
	159,994	51.8	167,173	52.0	188,681	53.8	95,919	55.2	88,492	55.3
Transportation services	117,001	37.8	120,960	37.6	135,132	38.5	64,882	37.3	57,353	35.8
Warehousing and other value-added services	32,227	10.4	33,752	10.4	27,324	7.7	13,000	7.5	14,322	8.9
<b>Total</b>	<b>309,222</b>	<b>100.0</b>	<b>321,885</b>	<b>100.0</b>	<b>351,137</b>	<b>100.0</b>	<b>173,801</b>	<b>100.0</b>	<b>160,167</b>	<b>100.0</b>

The following table sets out the cargo volume processed/number of trips completed for our air cargo terminal operation services and transportation services during the Track Record Period:

	For the year ended 31 March			For the six months ended 30 September	
	2017	2018	2019	2018	2019
	('000)	('000)	('000)	('000)	('000)
Air cargo terminal operation services					
— Ground handling ( <i>tonnes</i> )		196	220	222	110
— Ancillary delivery ( <i>number of trips completed</i> )		119	95	118	54
Transportation services ( <i>number of trips completed</i> )		118	105	148	74

The decrease in the number of trips completed for our ancillary delivery services and transportation services from the year ended 31 March 2017 to the year ended 31 March 2018 was primarily due to the taking up of more high value transactions for domestic transportation services in Hong Kong as a result of high utilisation rate of our own transportation fleet. As a result, our average revenue per trip for our ancillary delivery services and transportation services increased by approximately 15.1% and 16.2% for the year ended 31 March 2018, respectively.

The increase in the number of trips completed for ancillary delivery service for the year ended 31 March 2019 compared to the year ended 31 March 2018 was primarily due to the increase in the annual cargo volume for Top Global Express Carrier whereby our Group is the sole transportation service provider, and two new routes exclusively assigned to our Group by Top Global Express Carrier pursuant to the air cargo terminal operation contract in Hong Kong which was renewed in June 2018.

The increase in the number of trips completed for transportation services for the year ended 31 March 2019 compared to the year ended 31 March 2018 was primarily due to a formal contract for domestic transportation services in Hong Kong entered into with German-based Express Carrier which was offset by the decrease in the number of trips completed for other customers in respect of domestic transportation services due to no additional capacity of our own transportation fleet and costly external transportation fees.

## SUMMARY

The decrease in the number of trips completed for transportation services for the six months ended 30 September 2019 compared to the six months ended 30 September 2018 was mainly due to the decrease in the number of trips for the provision of transportation services to German-based Express Carrier as we have not renewed the service agreement upon its expiry in February 2019.

The table below sets forth the breakdown of our revenue by geographical locations based on the location of the operation, and based on the location where the contract is negotiated and effected for revenue from cross-border transportation services for the periods indicated:

	For the year ended 31 March						For the six months ended 30 September			
	2017		2018		2019		2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)									
Hong Kong	257,773	83.4	272,869	84.8	309,424	88.1	152,299	87.6	140,789	87.9
The PRC <sup>(Note)</sup>	51,449	16.6	49,016	15.2	41,713	11.9	21,502	12.4	19,378	12.1
Total	<u>309,222</u>	<u>100.0</u>	<u>321,885</u>	<u>100.0</u>	<u>351,137</u>	<u>100.0</u>	<u>173,801</u>	<u>100.0</u>	<u>160,167</u>	<u>100.0</u>

*Note:* This principally covers Shenzhen, Shanghai and Guangzhou, the PRC.

### Air cargo terminal operation

Our air cargo terminal operation services are provided primarily to Top Global Express Carrier and Hong Kong Air Cargo Terminal Operator and can be broadly categorised into (i) onsite import and export ground handling services to process a large volume of time-critical shipments on a daily basis, including loading, unloading, building up and breaking down of ULDs/packages, export cargo consolidation and palletisation, and sorting of packages inside AAT and Super Terminal 1 of the Hong Kong International Airport, and Shenzhen international express courier operations centre of the Shenzhen Bao'an International Airport; and (ii) ancillary delivery services including picking up and delivering cargoes from the air cargo terminals to either the designated distribution centres or locations in Hong Kong or Guangdong Province, the PRC and *vice versa*.

The service contracts we entered into for the provisioning of our air cargo terminal operation services generally range from two to three years with high renewal rates as costs for our customers to switch services provider are typically significant given our operations and employees are integrated into our customers' operations. We have continuously renewed our service agreement with Top Global Express Carrier for over 15 years through winning of tender for the provision of air cargo terminal operation services.

### Transportation

We primarily provide transportation services to global express carriers, freight forwarders, corporates and individual customers to transport a wide range of freight types on a scheduled and *ad hoc* basis. Our transportation services mainly include (i) point-to-point transportation services within Hong Kong; (ii) point-to-point transportation services within or adjacent to Shenzhen, Shanghai, Guangzhou and Chengdu, the PRC (being four of the top five largest air cargo airports in China in 2018 and major cities in the Greater Bay Area, the Yangtze River region and Western China); and (iii) two-way non-stop transportation services across the borders of Hong Kong and Guangdong Province, the PRC. We are generally capable of completing the transportation services within the same day or the next business day.

## SUMMARY

### **Warehousing and other value-added services**

We offer warehousing and other value-added services at our Kwai Bon Logistics Centre as part of our integrated services primarily to global express carriers, freight forwarders, corporates and individual customers. Our warehousing and other value-added services mainly include warehousing and storage, weighing, loading and unloading, palletising, and repackaging and labelling services.

### **Contracting and Pricing**

During the Track Record Period, we secured contracts for air cargo terminal operation services through tender invitations while we obtained contracts for our transportation, warehousing and value-added services through quotations. For the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019, approximately 51.7%, 52.6%, 62.4% and 60.5% of our revenue was secured by tendering and the remaining 48.3%, 47.4%, 37.6% and 39.5% of our revenue was secured by quotation.

We generally adopt a “cost-plus” pricing model for our services. Depending on the type of services, we typically charge service fees on a fixed fee basis at pre-determined lump sum or a fixed fee or rate per the number of trips, the weight of cargoes handled and the duration of services rendered. Our service fees are generally determined based on a number of factors, including (i) the nature, type and scope of services required; (ii) the estimated operating costs to be incurred; (iii) estimated number and types of labour and transportation vehicles required; (iv) availability of our resources; (v) the length of the contracts and the urgency of the intended timetable; (vi) customers’ profile and their credibility; (vii) prevailing market prices of similar services and market conditions; and (viii) our expected profit margins. We generally charge our customers on a monthly basis or upon completion of services.

### **OUR CUSTOMERS**

With over 20 years of experience in the air cargo ground handling services industry and our established relationship with our existing customers, we expand our business by relying on our existing customer base, industry reputation and word of mouth. Our customers are mainly global express carriers, air cargo terminal operators, freight forwarders, corporates and individual customers primarily based or with operations in Hong Kong and the PRC. For the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019, the revenue attributable to our top five customers in aggregate accounted for approximately 83.0%, 82.2%, 81.5% and 82.3% of our total revenue, respectively, and the revenue attributable to our largest customer, Top Global Express Carrier, accounted for approximately 65.9%, 61.8%, 62.0% and 64.0% of our total revenue, respectively. All these five largest customers are Independent Third Parties. Up to the Latest Practicable Date, we had relationship with our five largest customers ranging from approximately less than one to 16 years.

According to the Frost and Sullivan Report, it is not uncommon for air cargo ground handling service providers in Hong Kong to have customer concentration mainly because there are only three major global express carriers in the world today and they dominate the international air cargo freight market. As such, our Directors consider that despite such customer concentration, our business is sustainable, having regard to, among other factors, (i) we have successfully won the tender again and renewed our major air cargo terminal operation services agreement in Hong Kong with Top Global Express Carrier for another three years ending in June 2021; (ii) our mutual and complementary business relationship and cooperation with our major customers; (iii) the positive outlook of the air cargo terminal operation industry; and (iv) our ability to introduce and secure new customers.

### **OUR SUPPLIERS**

Our suppliers mainly include (i) dispatched work agencies providing dispatched labour; (ii) external transportation services providers providing transportation services; (iii) companies supplying packaging materials and the lease of crane trucks; and (iv) landlords of our logistics

## SUMMARY

centre and offices. For the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019, costs incurred attributable to our five largest suppliers in aggregate accounted for approximately 17.6%, 20.6%, 26.0% and 21.4% of our Total Operating Costs, being less than 30% of our Total Operating Costs, and costs incurred attributable to our largest supplier accounted for approximately 6.6%, 8.1%, 13.5% and 11.0% of our Total Operating Costs, respectively. All these five largest suppliers are Independent Third Parties. During the Track Record Period and up to the Latest Practicable Date, we had relationship with our five largest suppliers ranging from approximately one year to 11 years.

### COMPETITIVE STRENGTHS

We believe that our success is attributable to, among other things, the following competitive strengths: (i) a long-established reputation in the industry with integrated service offerings; (ii) long-term business relationship with worldwide and regional renowned customers; (iii) strong transportation fleet and sizeable labour force with extensive network of other service providers; and (iv) our professional and experienced management team.

### BUSINESS STRATEGIES

We intend to strengthen our market position and achieving a sustainable growth by pursuing the following strategies: (i) expansion and upgrading of our transportation fleet to capture business opportunities; (ii) facilitation of the replacement of our transportation fleet to comply with the latest environment laws and regulations and maintain our competitiveness; (iii) expansion of our value-added service business in providing cargos-screening services; (iv) expansion of our labour force for our business growth; and (v) investments in and upgrading of our information technology systems.

### COMPETITIVE LANDSCAPE

According to the Frost and Sullivan Report, the air cargo terminal operation services market in Hong Kong is considered to be concentrated with only less than 20 players in 2018. The total revenue generated from the air cargo terminal operation services increased steadily at a CAGR of 4.4% from approximately HK\$1,007.7 million in 2013 to approximately HK\$1,250.8 million in 2018. In contrast, transportation and warehousing services market in Hong Kong is considered as a highly fragmented market with more than 11,000 service providers of various scale of operation in Hong Kong in 2018. The transportation sector has over 7,400 land freight transportation establishments and more than 200 operators with cross-border capability in Hong Kong in 2018. For further details, please refer to the section head “Industry Overview” in this prospectus.

### SUMMARY OF FINANCIAL INFORMATION

The tables below are summaries of our Group’s consolidated results for the Track Record Period, which were extracted from the Accountants’ Report as set out in Appendix I to this prospectus.

#### Summary of consolidated statements of profit or loss and other comprehensive income

	For the year ended 31 March			For the six months ended 30 September	
	2017	2018	2019	2018	2019
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
				(Unaudited)	
Revenue	309,222	321,885	351,137	173,801	160,167
Profit (loss) before tax	5,731	8,614	2,287	(492)	4,250
Net profit (loss) for the year/period	4,210	6,438	(149)	(1,899)	3,384

## SUMMARY

Our overall revenue increased by approximately HK\$12.7 million or approximately 4.1% from approximately HK\$309.2 million for the year ended 31 March 2017 to approximately HK\$321.9 million for the year ended 31 March 2018 mainly due to (i) increase in the revenue from air cargo terminal operation services by approximately HK\$7.2 million primarily due to increased volume of cargo handled on the ground inside air cargo terminals by approximately 12.2% which was offset against the decrease in revenue of ancillary delivery services by approximately 8.1%; and (ii) increase in the revenue from transportation services by approximately HK\$4.0 million primarily due to the increase in the average revenue per trip. Our revenue increased by approximately HK\$29.2 million or 9.1% from approximately HK\$321.9 million for the year ended 31 March 2018 to approximately HK\$351.1 million for the year ended 31 March 2019 mainly due to increase in revenue from transportation services by approximately HK\$14.2 million primarily due to increased number of trips handled by approximately 41.0%. Our revenue decreased by approximately HK\$13.6 million or 7.8% from approximately HK\$173.8 million for the six months ended 30 September 2018 to approximately HK\$160.2 million for the six months ended 30 September 2019 which was mainly due to the decrease in the cargo volume for Top Global Express Carrier and the decrease in number of trips for the provision of transportation services to German-based Express Carrier.

Our net profit increased from approximately HK\$4.2 million for the year ended 31 March 2017 to approximately HK\$6.4 million for the year ended 31 March 2018 as our revenue increased while most of our Total Operating Costs and other expenses remained relatively stable. Our net profit changed from a net profit position of approximately HK\$6.4 million for the year ended 31 March 2018 to a net loss position of approximately HK\$0.1 million for the year ended 31 March 2019 mainly due to the non-recurring listing expenses.

For the six months ended 30 September 2019, our net profit was approximately HK\$3.4 million compared to a net loss of approximately HK\$1.9 million for the six months ended 30 September 2018, which was mainly due to the decrease in non-recurring listing expenses; and partially offset by (i) the decrease in our overall revenue; and (ii) the increase in depreciation of right-of-use assets and finance costs.

### Summary of statements of financial position

	As at 31 March			As at 30 September
	2017	2018	2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets	56,839	48,948	48,489	64,523
Current assets	59,266	70,790	88,731	90,337
Current liabilities	63,343	52,541	78,041	85,942
Net current (liabilities) assets	(4,077)	18,249	10,690	4,395
Non-current liabilities	8,246	5,879	9,560	21,654
Net assets/Total equity	44,516	61,318	49,619	47,264

We recorded net current liabilities of approximately HK\$4.1 million as at 31 March 2017, and changed to a net current assets of approximately HK\$18.2 million as at 31 March 2018, which was mainly due to (i) the issue of shares for pre-IPO investment of approximately HK\$7.0 million in March 2018; and (ii) dividend payment of approximately HK\$15.0 million paid for the year ended 31 March 2017 but no dividend was paid or declared in year ended 31 March 2018.

We recorded net assets of approximately HK\$44.5 million as at 31 March 2017. Our net assets increased to approximately HK\$61.3 million as at 31 March 2018, which was mainly due to (i) total comprehensive income for the year ended 31 March 2018 of approximately HK\$9.8 million; and (ii) issue of shares for the same year of approximately HK\$7.0 million. Our net assets decreased to approximately HK\$49.6 million as at 31 March 2019, which was mainly due to (i)



## SUMMARY

total comprehensive expense incurred for the year ended 31 March 2019 of approximately HK\$1.9 million; and (ii) dividend recognised as distribution for the same year of approximately HK\$9.0 million. Our net assets decreased to approximately HK\$47.3 million as at 30 September 2019, which was mainly due to (i) repurchase of ordinary shares for the six months ended 30 September 2019 of approximately HK\$3.1 million; and partially offset by (ii) total comprehensive income for the period of approximately HK\$1.1 million.

### Impact of adoption of HKFRS 16

Our Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at 1 April 2019. By adopting HKFRS 16, our profit after tax increased by approximately HK\$47,000 and HK\$553,000 and decreased by approximately HK\$303,000 comparing with the result of adopting previous HKAS 17 for the years ended 31 March 2017, 2018 and 2019, respectively, and our total equity decreased by approximately HK\$628,000, HK\$75,000 and HK\$378,000 comparing with the result of adopting previous HKAS 17 for the years ended 31 March 2017, 2018 and 2019, respectively. The adoption of HKFRS 16 increases the current liabilities and may have the associated risk of resulting in net current liabilities should the current assets be not sufficient to cover the increase in current lease liabilities while there is no impact on our cash flow position. For further details, please refer to the sections headed “Risk Factors — Risks relating to our business — The adoption of HKFRS 16 affected our statement of financial position, statement of profit or loss and certain key financial ratios due to our operating lease arrangements” and “Financial Information — Key sources of estimation uncertainty — HKFRS 16 “Leases” in this prospectus.

### Summary of consolidated statements of cash flows

	For the year ended 31 March			For the six months ended 30 September	
	2017	2018	2019	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Operating cash flows before movements					
in working capital	14,675	16,465	8,984	2,495	11,598
— Movements in working capital	3,913	(885)	(1,802)	(9,060)	(7,042)
— PRC Enterprise Income Tax paid	(101)	(292)	(48)	(42)	(7)
Net cash from/(used in) operating activities <sup>(Note)</sup>	18,487	15,288	7,134	(6,607)	4,549
Net cash (used in)/from investing activities	(1,254)	2,078	(17,905)	(12,270)	(347)
Net cash (used in)/from financing activities	(21,271)	(11,674)	11,621	19,595	(3,395)
Net (decrease) increase in cash and cash equivalents	(4,038)	5,692	850	718	807
Effect of foreign exchange rate changes	(631)	1,490	(820)	(1,062)	(893)
Cash and cash equivalents at the beginning of the year/period	15,984	11,315	18,497	18,497	18,527
Cash and cash equivalents at the end of the year/period	11,315	18,497	18,527	18,153	18,441

*Note:* We recorded negative cashflows from operating activities for the six months ended 30 September 2018, which was mainly due to (i) the decrease in our operating cash flows before movements in working capital as we were in a net loss before tax position for the six months ended 30 September 2018 of approximately HK\$0.5 million primarily attributable to incurrence of non-recurring listing expenses; and (ii) the negative movements in working capital primarily attributable to the increase in trade and other receivables as at 30 September 2018, which was in line with our business growth as evidenced by the increase in revenue during the period.

## SUMMARY

### Key financial ratios<sup>(Note)</sup>

	As at/for the year ended 31 March			As at/for the six months ended 30 September
	2017	2018	2019	2019
	Net profit margin (%)	1.4	2.0	(0.0)
Return on equity (%)	9.5	10.5	(0.3)	7.2
Return on assets (%)	3.6	5.4	(0.1)	2.2
Current ratio ( <i>times</i> )	0.9	1.3	1.1	1.1
Gearing ratio (%)	41.6	14.8	65.0	123.1
Debt to equity ratio (%)	10.5	net cash	27.7	84.1
Interest coverage ( <i>times</i> )	7.6	15.9	3.8	4.7

*Note:* For formulae of the above financial ratios, please refer to the section headed “Financial Information — Key financial ratios” in this prospectus.

We had relatively thin net profit margins during the Track Record Period which was mainly attributable to our service portfolio and corresponding cost structure whereby we incurred significant transportation costs, dispatch labour costs and employee benefits expenses for the provision of our services. Our net profit margin increased from approximately 1.4% for the year ended 31 March 2017 to approximately 2.0% for the year ended 31 March 2018 which was mainly because our revenue increased significantly but most of our Total Operating Costs and other expenses remained stable. Our net profit margin decreased to approximately 0.0% for the year ended 31 March 2019 primarily due to the increase in non-recurring listing expenses. Please refer to the section headed “Risk Factors — We have relatively thin net profit margins and may not be able to sustain our historical profitability in future.” in this prospectus for details.

### LEGAL PROCEEDINGS

Save as disclosed in the section headed “Business — Litigation and claim” in this prospectus, during the Track Record Period and up to the Latest Practicable Date, our Group was not engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial conditions.

### SHAREHOLDERS’ INFORMATION

#### Controlling Shareholders

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon exercise of any options which may be granted under the Share Option Scheme), our Company will be owned as to approximately 68.8% by 3C Holding, which is owned as to 95% by Mr. LB Chan and as to 5% by Mr. Chan Yu, respectively. As 3C Holding, Mr. LB Chan and Mr. Chan Yu are directly or indirectly entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of our Company immediately following the Listing, 3C Holding, Mr. LB Chan and Mr. Chan Yu will be regarded as a group of Controlling Shareholders under the GEM Listing Rules.

#### Pre-IPO Investment

On 23 March 2018, Diligent City entered into the Subscription Agreement with, among others, our Company pursuant to which Diligent City agreed to subscribe for and our Company agreed to allot and issue 30 new Shares, representing approximately 13.0% of the enlarged issued share capital of our Company (upon completion of the Pre-IPO Investment but before the repurchase of shares by Diligent City from Maia Global and Solution Lion, the repurchases of shares by our Company from Maia Global and Solution Lion, the Capitalisation Issue and the Share Offer) at the subscription price of HK\$7.0 million. The pre-IPO investment by Diligent City was completed on

## SUMMARY

23 March 2018. Immediately after completion of the Capitalisation Issue and the Share Offer and assuming any options that may be granted under the Share Option Scheme are not exercised, the shareholding of Diligent City will represent 6.2% of the issued share capital of our Company. For further details, please refer to the section headed “History, Reorganisation and Corporate Structure — Reorganisation” in this prospectus.

### DIVIDENDS

During the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019, dividends of HK\$15.0 million, nil, HK\$9.0 million and nil respectively were declared by Kwai Bon (HK) and the Company, and distributed to the then shareholder and were settled in full.

As at the Latest Practicable Date, our Group did not have any dividend policy. While we currently have no plans to pay dividends to the Shareholders in the foreseeable future, we may distribute dividends by way of cash or by other means that our Directors consider appropriate. A decision to declare or pay any dividend in the future and the amount of any dividends depends on a number of factors, including but not limited to our results of operations, financial condition, working capital, capital requirements and other factors our Board may deem relevant. Our Board has the absolute discretion to decide whether to declare or distribute dividends in any year. Please refer to the section headed “Financial Information — Dividends and Distributable Reserves” in this prospectus for further details.

### SHARE OFFER STATISTICS

Market capitalisation at Share Offer <sup>(Note 1)</sup>	:	HK\$201.6 million to HK\$278.4 million
Offer size	:	25.0% of the enlarged issued share capital of our Company
Offer Price per Offer Share	:	HK\$0.42 to HK\$0.58 per Offer Share
Number of Offer Shares	:	120,000,000 Shares
Number of Public Offer Shares	:	12,000,000 Shares (subject to reallocation)
Number of Placing Shares	:	108,000,000 Shares (subject to reallocation)

	<b>Based on the Offer Price of HK\$0.42 per Share (low-end of Offer Price)</b>	<b>Based on the Offer Price of HK\$0.58 per Share (high-end of Offer Price)</b>
Unaudited pro forma adjusted consolidated net tangible asset per Share <sup>(Note 2)</sup>	HK\$0.15	HK\$0.19

#### Notes:

1. The calculation of market capitalisation of the Shares is based on 480,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer.
2. Please refer to the notes in the section headed “Unaudited Pro Forma Financial Information — A. Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets of the Group” in Appendix II to this prospectus for further details.

### REASONS FOR LISTING

In view of the growing business opportunities in the air cargo ground handling service industry, our Directors believe that the implementation plan of our business strategies, particularly for expansion, upgrading and facilitation of the replacement of our own transportation fleet as well as acquisition of new cargos-screening systems, is a key driver for our sustainable business growth which involves significant capital outlay that will require considerable financial resources. Our Directors consider that internal resources available and funding from bank borrowings and external

## SUMMARY

financing as well as pre-IPO financing available to our Group is only sufficient for our current scale of operations. In order to fulfil capital requirement for our business plan and taking into account the limited financial resources currently available to us, our Group is required to seek other sources of financing to reduce or delay capital expenditures or forego business opportunities. Our Directors believe that the Listing will enable us to raise additional financial resources immediately and provide a platform for our fund raising through equity financing in the future. Our Directors also believe that a Listing status could help enhance our creditworthiness to banks to facilitate our future financing needs at more competitive terms, thereby improving our overall profitability. For further details, please refer to the sections headed “Business — Business Strategies” and “Future Plans and Use of Proceeds” in this prospectus.

### USE OF PROCEEDS

Our Directors estimate that the net proceeds from the Share Offer (after deducting estimated expenses borne by our Company in connection with the Share Offer) will be HK\$17.8 million based on an Offer Price of HK\$0.50 per Offer Share (being the mid-point of the indicative Offer Price range between HK\$0.42 and HK\$0.58 per Offer Share). We intend that the net proceeds will be applied as follows:

- (i) approximately HK\$6.2 million, representing approximately 34.6% of the net proceeds from the Share Offer, to be used to acquire new trucks for expanding and upgrading our own transportation fleet;
- (ii) approximately HK\$4.4 million, representing approximately 24.7% of the net proceeds from the Share Offer, will be used to expand our labour force by recruiting operational staff;
- (iii) approximately HK\$3.7 million, representing approximately 21.0% of the net proceeds from the Share Offer, to be used to acquire x-ray screening systems; and
- (iv) approximately HK\$3.5 million, representing approximately 19.7% of the net proceeds from the Share Offer, to be used for investments in and upgrading of our information technology systems.

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

### LISTING EXPENSES

Listing expenses represent professional fees, underwriting commission, SFC transaction levy and Stock Exchange trading fee incurred in connection with the Share Offer and the Listing. The total estimated listing expenses in connection with the Share Offer are approximately HK\$42.2 million (based on the mid-point of the Offer Price of HK\$0.50 per Offer Share), of which approximately HK\$19.2 million is directly attributable to the issue of new Shares and to be accounted for as a deduction from the equity. Out of the remaining HK\$23.0 million, approximately HK\$16.4 million had been charged to our profit and loss account for the Track Record Period and the remaining amount of approximately HK\$6.6 million is expected to be recognised in our consolidated statements of profit or loss and other comprehensive income for the year ending 31 March 2020. The abovementioned total estimated expenses represent approximately 70.3% of the gross proceeds from the Share Offer (based on the mid-point of the Offer Price of HK\$0.50 per Offer Share). The actual amounts to be recognised to the profit and loss of our Group or to be capitalised are subject to adjustments based on audit and changes in variables and assumptions. **Prospective investors should note that our financial results for the year ending 31 March 2020 will be adversely affected by the non-recurring listing expenses described above, and may not be comparable to the financial performance of our Group in the past.**

## SUMMARY

### RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

#### Impact of the trade war between the PRC and the United States on our Group

Our business operations and financial results may be adversely affected by the recent trade-war between the PRC and the United States. As the trade negotiation between the two countries ended without reaching a deal in May 2019, the United States announced to raise punitive tariffs on US\$200 billion of imports from China from 10% to 25% which took effect on 10 May 2019, and in response, the PRC government announced that it will impose tariffs ranging from 5% to 25% on US\$60 billion worth of US goods from 1 June 2019. In August 2019, the United States announced a 10% tariffs on US\$300 billion worth of Chinese imports with effect from 1 September 2019, and subsequently delayed the tariffs on about half of the Chinese products to 15 December 2019. In response, China announced it will impose additional retaliatory tariffs against about US\$75 billion worth of U.S. goods. On 15 January 2020, the United States and the PRC government signed the phase one agreement aimed at easing the Sino-U.S. trade war. Pursuant to such agreement, among others, U.S. tariffs on approximately US\$370 billion Chinese goods remain in place. On 6 February 2020, the PRC officials announced that tariffs that the Chinese government imposed on some United States goods since 1 September 2019 would be cut from 10% to 5%, and on others from 5% to 2.5%. The second phase agreement anticipated to be entered into between the PRC and the United States has not been concluded as at the Latest Practicable Date. According to Frost and Sullivan, the recent trade war between the United States and the PRC may have a negative impact to the freight forwarding and transportation industries. With the United States' imposition of tariffs on certain Chinese imports and China's imposition of tariffs on certain United States imports, the trade volume between the United States and the PRC may significantly decrease, thus reducing the demand for air freight forwarding services, which will in turn adversely affect the demand for the air cargo ground handling services. This would adversely affect our business operations and financial results. For further details, please see the section headed "Risk Factors — Tariffs recently proposed by the United States and PRC governments against the counterpart's products may adversely affect our revenue and profit." in this prospectus.

#### Impact of the recent outbreak of COVID-19 on our Group

According to the Frost and Sullivan Report, the outbreak of the COVID-19 is anticipated to bring a major short-term impact to the global economy, particularly in the PRC in 2020. Several provinces in the PRC, including Hubei, Anhui, Zhejiang, Liaoning, Jiangxi and Guangdong have imposed temporary restrictions on business operations and travelling after the Lunar New Year holidays, leading to limited operations in a number of industries such as tourism, public transportation, food and beverage, manufacturing and logistics. Major cities including Beijing, Shanghai, Tianjin, Hangzhou, Guangzhou, Shenzhen implemented semi-city lockdown (半封城狀態) and/or close door community management (社區封閉式管理). Over 80 cities in the PRC have imposed city lockdown measures including forbidding non-residents of the communities from entry, road blocks and closure of public venues. The global supply chain was also adversely affected as hundreds of manufacturers in the PRC have temporarily suspended or limited the scale of their operations. Also, a large number of workers are unable to work due to travel restrictions across cities in the PRC or imposition of the isolation measures by the central government. Therefore, the logistics industry has been negatively affected by a reduction in international and inter-provincial flow of goods and unavailability of workers across the PRC. Based on the Frost and Sullivan Report, subject to further instructions from the relevant PRC authorities, companies of various industries including freight forwarders in the PRC may be required to further postpone the resumption of their operations or suspend their operations.

On 11 March 2020, the WHO announced the COVID-19 outbreak a pandemic and more and more countries are now experiencing clusters of cases or community transmission. As at the Latest Practicable Date, Europe has become the epicenter of the pandemic, and more than 330,000 cases of COVID-19 from over 190 countries and territories have been reported to the WHO. A number of governments have issued entry restrictions for foreign travelers, including among others, (i) the U.S. implementing a travel ban applicable to non-Americans who have been in the Schengen

## SUMMARY

border-free travel area, United Kingdom and Ireland within 14 days of travelling to the U.S.; and (ii) Singapore would not allow all short-term visitors (from anywhere in the world) to enter with effect from 23 March 2020. In March 2020, the government of Spain announced that their citizens are confined to their homes for 15 days unless they need to leave home for essential reasons, while Germany announced it will ban entrances from France, Switzerland and Australia. The Italian government also imposed nationwide restrictions to curb the spread of the COVID-19, including closing schools, shops and sporting events and ordering people to stay home, except for essential travel. The European Union announced that it is banning the non-essential entry of all foreign nationals, and only residents, family members and essential staff, such as healthcare workers and medical experts, will be exempt from the measures, to be imposed for 30 days initially, subject to the agreement by the European Union members. The European Commission currently estimated that the COVID-19 will lead to a -1% real GDP growth in the European Union and euro area in 2020, with a substantial but not complete rebound in 2021. Aside from Europe, the U.S. government has received proposals and is considering on possible measures to curb the economic downturn, including payroll tax cuts, expansion and streamlining of loan programmes for small businesses, and loans and/or tax relief for airline companies. On 18 March 2020, the U.S. government announced that the land border between Canada and U.S. would be temporarily closed to all non-essential travels. Subsequently, on 23 March 2020, the prime minister of Canada issued a stern warning to Canadians to stay home and left open the possibility that the Canadian government may take more extreme measures as the number of confirmed COVID-19 cases continues to rise. Quebec of Canada also announced that all restaurant dining rooms, shopping malls, hair salons and schools will remain closed until 1 May 2020.

On 13 March 2020, Hong Kong announced that (i) the red outbound travel alert was issued to 26 European countries (Schengen Area) including France, Italy and Spain; (ii) with effect from 14 March 2020, people arriving in Hong Kong who have been to Italy, certain regions in France, Germany and Spain, and Hokkaido in Japan will be subject to compulsory home quarantine; and (iii) with effect from 17 March 2020, people arriving in Hong Kong who have been to the South Korea and the Schengen Area in Europe in the past 14 days will be subject to compulsory home quarantine. On 23 March 2020, the Hong Kong Government further announced that it will ban all foreign visitors and transit passengers from entry into Hong Kong for a two-week period commencing from 25 March 2020, and extended its compulsory 14-day quarantine requirements to visitors from Macau and Taiwan.

According to the Frost and Sullivan Report, on the assumption that (i) the expert opinions on the possible tapering off of the spread of COVID-19 upon the arrival of warmer weather are accurate; and (ii) the adoption of policies to cancel large public gatherings and confine citizens to stay at home and avoid social contact by European countries are effective, and having considered the number of confirmed cases of the COVID-19 in the PRC appeared to have slowed down gradually in March 2020 after the PRC has adopted semi-city lockdown and/or close door community management measures, the outbreak of COVID-19 is likely to be effectively controlled in mid-2020, hence the outbreak of it is expected to cause a short-term economic slowdown but may not affect the markets in Hong Kong and the PRC in the long-run. Frost and Sullivan also remained positive to the growth of these markets and maintain their estimation of the growth in market size in the Frost and Sullivan Report in the industry as disclosed in the section headed “Industry Overview” in this prospectus.

### ***The impact of the COVID-19 on our Group’s operations***

The COVID-19 has affected our Group’s operations the PRC in the short term. Although our Group was allowed to resume its operations in the PRC on 3 February 2020 (i.e. three days delay from the original Lunar New Year holidays), in order to minimise the risk of possible community transmission of the COVID-19, our Group implemented flexible rotation arrangements for our staff in the PRC, and as such our Group’s operations in the PRC only resumed to its full capacity by the end of February 2020.

## SUMMARY

### *The impact of the COVID-19 on our Group's financial position*

Our Directors expect that the recent outbreak of COVID-19 has some degree of impact on the financial position of our Group in the short term. As hundreds of manufacturers in the PRC have temporarily suspended or limited the scale of their operations, it would delay the delivery schedule of the products and would in turn affect the delivery schedule of air cargos by our customers, such as global express carriers, air cargo terminal operators and freight forwarders. This would lead to a decrease in demand in our services and affect our Group's financial position.

Furthermore, the potential global economic downturn resulting from the outbreak of the COVID-19 may lead to an adverse change in the macro-economic situation or economic downturn globally, negatively affect consumer confidence and purchasing behavior and lead to a drop in the air cargo throughput. As certain countries in Europe such as Italy, Spain, France, Germany and United Kingdom, the U.S., Quebec of Canada and Australia have adopted temporary general business shut down measures, city lock down and/or confinement of citizens to stay at home save for essential duties, it may lead to a decrease in economic activities and private consumer spending from those regions and a reduction in global air cargo throughput. As a result, the operations of our Group's customers such as global express carriers, air cargo terminal operators and freight forwarders may shrink as the demand from certain of their end customers drops, leading to a decrease in demand on our services.

Also, travel ban restrictions imposed by certain countries may lead to a drop in the availability of passenger aircrafts for the transport of air cargos, which may affect the global air cargo throughput and the operations of our customers, such as express carriers (excluding Top Global Express Carrier which has its own cargo aircrafts) and freight forwarders who do not possess their own aircrafts. As a result of possible reduction of supply of passenger flights, it may increase the costs of operations of express carriers and freight forwarders and negatively affect their financial performance. They may adopt cost control measures and reduce their purchase orders with our Group should our competitors offer a more competitive pricing. To the best knowledge and belief of our Directors after making all reasonable enquiries, it is expected that the revenue of the Group for the first quarter of 2020 would decrease by approximately 9% compared with the corresponding period in 2019.

We expect that the negative impact on the financial position of our Group in the short term will be mitigated by the subsidy to be provided by the Hong Kong Government. In mid-March 2020, the Transport Department of the Hong Kong Government announced that eligible owners of, among others, private cars and goods vehicles would be given a one-off non-accountable subsidy of HK\$10,000 per vehicle. We anticipate that subject to the Hong Kong Government's approval, approximately 134 of our self-owned vehicles would be eligible for the subsidy and our Group would receive the subsidy in the aggregate amount of approximately HK\$1.3 million.

Notwithstanding the short term impact that the COVID-19 is expected to bring to our Group's operations and financial position, our Directors currently expect that the COVID-19 would not have a material adverse impact to the sustainability of our Group's business in the long foreseeable future as:

- (i) our Group's operations in the PRC resumed to its full capacity by the end of February 2020;
- (ii) as at the Latest Practicable Date, the government of Hong Kong has not imposed any regulation requiring (a) suspension of operations for all enterprises in Hong Kong; (b) the operations inside AAT or Super Terminal 1 of the Hong Kong International Airport; nor (c) suspension of cross-border logistics services between Hong Kong and the PRC;
- (iii) the Chief Secretary of Administration of Hong Kong has exempted cross-boundary goods vehicle drivers and necessary accompanying personnel from a 14-day compulsory quarantine and as such, our provision of cross-border transportation services was not affected;

## SUMMARY

- (iv) there was no cessation of our operations in Hong Kong (including the provision of air cargo ground handling services inside AAT or Super Terminal 1 of the Hong Kong International Airport) subsequent to the Track Record Period and up to the Latest Practicable Date;
- (v) we have not encountered any material supply chain disruption subsequent to the Track Record Period and up to the Latest Practicable Date;
- (vi) our Directors anticipate an expected increase in public consumption due to considerable growth of government spending on health care and medical supplies in the coming months, as well as increase in private sector spending on certain categories of consumer goods such as face masks and sanitary products. Frost and Sullivan also confirmed that there has been a surging demand for medical and sanitary products amid the overall decline of trading of goods in the first quarter of 2020, and that amid the outbreak of the COVID-19 across the world, daily necessities and goods for urgent relief such as medical supplies and sanitary products are of high demand and these goods have a tendency of being transported through express delivery by air transport due to the urgency of the situation. The above will partially offset the adverse impact of the shrink of the operations of our Group's customers brought by a drop in general private consumer spending, and as such, the demand on our Group's services and the volume of goods our Group handled for its customers may not necessarily drop significantly;
- (vii) a gradual shift to online shopping on consumer goods as a result of reduced social contact will drive the growth of air cargo delivery and increase the demand of our Group's services from global express carriers and air cargo terminal operations. We may also capture business opportunities from e-commerce retailers and provide transportation services and warehousing and other value-added services to them as a result of increasing online shopping spending on consumer goods from the private sector;
- (viii) the travel ban imposed by countries as at the Latest Practicable Date generally focus on restrictions on passenger travels across countries and not on air cargo transportation;
- (ix) after the PRC has adopted semi-city lockdown and/or close door community management measures, our Directors observed, and agreed by Frost and Sullivan, that the surging number of confirmed cases of the COVID-19 in the PRC appeared to have slowed down gradually in March 2020, and the aggregate confirmed new cases in the PRC for the period between 19 March 2020 to 23 March 2020 were less than 450. According to WHO, the PRC and other countries are demonstrating that the spread of the COVID-19 can be slowed down and impact reduced through the use of universally applicable actions, such as working across society to identify people who are sick, bringing them to care, following up on contacts, preparing hospitals and clinics to manage a surge in patients, and training health workers. Taking into account the estimated time required for the pace of confirmed COVID-19 cases in the PRC to slowdown and on the assumption that the European or America countries adopt similar measures to cancel large public gatherings and confine citizens to stay at home and avoid social contact are effective, our Directors believe, and based on (a) the expert opinions on the possible tapering off of the spread of COVID-19 upon the arrival of warmer weather; (b) the abovementioned slowing down of the rapid increase of COVID-19 cases in the PRC; and (c) European countries are imposing nationwide policies with the aim to minimise community outbreak and import cases of COVID-19 including travel ban on foreigners, cancellation of public events, confinement of citizens to stay at home, Frost and Sullivan is of the view that the rapid increase in confirmed COVID-19 cases in Europe and America may take two to three months to slow down from its peak, and be controlled in mid 2020;



## SUMMARY

- (x) the air cargos which our Group handles for its customers are consumer goods in general such as courier packages, vulnerable cargoes and electronic goods, which a considerable portion are in general believed to be originated from the PRC; and the goods that our Group handles in the transportation business segment are consumer goods in general, which are also in general believed to be originated from the PRC; and
- (xi) the operation of the global economy and international trade relies on the logistics industry which supports the international flow of consumer goods, and as the combating of COVID-19 requires international and coordinated efforts such as the urgent transport of testing equipment, sanitary products and medical supplies across the globe to countries in need, the negative impact brought to our Group due to a decrease in private consumer spending would be mitigated by the increase in air cargo throughput as a result of the express delivery of certain consumer goods for relief purposes.

Furthermore, as at 31 January 2020, we had bank borrowings of approximately HK\$30.0 million and none of our lenders have claimed default against the Group under any of the terms in the bank borrowing agreements, and that as at the Latest Practicable Date, there was no loss of our major customers and our Group continued to be able to discharge its obligations under all existing contracts after receiving the orders placed by our customers from time to time. Our Directors were not aware of any material delay on our ability in providing our services or imposition of penalties or termination of existing contracts by our customers due to our failure in meeting the KPIs set by our customers.

As such, our Directors are of the view that our operations in Hong Kong was not materially affected by the outbreak of COVID-19 and although our operations in the PRC was affected which may have a negative impact on our revenue in the PRC in the short term, we do not consider that it will have a significant impact on our operation and financial position as a whole. Nonetheless, if the outbreak of the COVID-19 prolongs and the operations of our Group in the PRC is completely disrupted; our Directors estimate that our cash and cash equivalents and trade receivables as at 31 January 2020 are sufficient to maintain our Group's financial viability for the coming 24 months in settling our estimated monthly fixed costs (including rentals and staff costs), trade payables and finance costs from bank borrowings outstanding as at 31 January 2020. If, in addition to the above unlikely and extreme events, we are unable to maintain our operations in the PRC and Hong Kong from March 2020 onwards, our Directors estimate that our cash and cash equivalents and trade receivables as at 31 January 2020 are sufficient to maintain our Group's financial viability for the coming seven months in settling our estimated monthly fixed costs, trade payables and finance costs from bank borrowings outstanding as at 31 January 2020.

After discussion with the Sole Sponsor and Deloitte Touche Tohmatsu, our Reporting Accountants, our Directors are of the view that the outbreak of COVID-19 has no significant impact on the measurement, recognition and disclosure of the relevant historical financial information of our Group as set out in the Accountants' Report in Appendix I to this prospectus and will not constitute an adjusting event after the reporting period pursuant to HKAS/IAS 10 "Events after the reporting period". Disclosure for the management's assessment on the impact of COVID-19 is included in the Accountants' Report in Appendix I to this prospectus and our Directors considered that our Company's current financial information is in compliance with HKAS/IAS 10 "Events after the reporting period".

### *Contingency plan and precautionary measures*

In response to the COVID-19 outbreak, we have discussed with our independent contractors on their ability to meet our demands and requirements to ensure the stability and consistency of our services, identified potential new independent contractors needed for our operations to reduce any disruptions that may cause, and implemented flexible rotation arrangements for our staff with an aim to control and minimise possible community transmission of the COVID-19 to ensure a stable workforce available.

## SUMMARY

We have also implemented the following measures in response to the outbreak of the COVID-19 to minimise novel coronavirus infections at its workplace, including (i) providing sanitary masks to employees and require them to wear sanitary masks at workplace mandatorily; (ii) measure and record the temperature of our employees (including despatch labour) at workplace daily; (iii) requiring our employees (including despatch labour) to submit a health declaration form to our human resources department if they have travelled to the PRC during the Lunar New Year holidays; (iv) requiring employees to attend to near-by hospitals for diagnosis and treatment immediately if they develop any respiratory disease symptoms; and reminding our employees to be aware of the importance of health protection. We estimate that the additional costs for implementing these enhanced measures would have no significant impact on our Group's financial position for the year ending 31 March 2020.

Our Directors would consider to implement cost control measures in future as part of our contingency plan, including reducing the Group's staff costs, not renewing our existing tenancy agreements upon their respective expiry and/or exercising the early termination clause in the tenancy agreement of the Kwai Bon Logistics Centre, and selling part of our self-owned transportation fleet.

### *Risks relating to the outbreak of the COVID-19*

**In the event that the various measures adopted by the governments worldwide are ineffective to contain the COVID-19, it may lead to skepticism in the recovery of the global economy, and resulting in further drop in consumer confidence, private spending and business transactions, and as such our Group's financial performance will be adversely affected due to reduced demand from our customers. Please refer to the section headed "Risk Factors — Risks relating to our business — The outbreak of any severe communicable disease, in particular the COVID-19, if uncontrolled, could adversely affect our results of operations" in this prospectus for further details.**

### **Other recent development**

Subsequent to the Track Record Period and up to the Latest Practicable Date, we continued to focus on our provision of our air cargo ground handling services and our business model remains unchanged, and have entered into a service contract with a new customer, being a logistics company in Hong Kong, for the provision of transportation and warehousing and other value added services for one of its customers. The service contract does not have a specific contract amount, has an indefinite term but can be terminated by the new customer by giving not less than 30 days written notice.

With the introduction of a new policy direction issued by the International Civil Aviation Organisation ("ICAO") to progressively increase the required screening percentage of known cargos from 1% to 100% by 30 June 2021, we expect strong demand for cargos-screening services from our existing customer network and intend to strengthen our warehousing and other value-added services by offering our customers with cargos-screening services. In late June 2019, we have entered into a non-legally binding memorandum (the "**Memorandum**") of understanding with a member of Global Port Business Trust, an entity listed on the Singapore Exchange (the "**Licensor**"), whereby the Licensor intends to license our Group to operate its air freight container freight station warehouse (the "**Air Freight CFS Warehouse**") in Kwai Chung starting no later than December 2019, and work together to develop the Air Freight CFS Warehouse as a Regulated Air Cargo Screening Facility ("**RACSF**") which complies with all the licensing and qualification requirement of the Civil Aviation Department of the Hong Kong Government. Pursuant to the Memorandum, (i) the Licensor shall secure the Air Freight CFS Warehouse for a period of three years commencing from its date of commencement of operations, and it shall approve the improvement works of the Air Freight CFS Warehouse as proposed by our Group; and (ii) our Group shall propose improvement works of the Air Freight CFS Warehouse, as well as assisting the Licensor to obtain RACSF status for the Air Freight CFS Warehouse. Thereafter, our Group shall carry out warehousing and cargos-screening services inside the Air Freight CFS Warehouse for our

## SUMMARY

customers. The Licensor shall charge a fixed service fee per tonnage of goods from our Group. There is no financing commitment required of the Licensor and our Group nor a profit sharing mechanism between the Licensor and our Group on the revenue generated from the Air Freight CFS Warehouse. In October 2019, the Licensor and our Group entered into a legally-binding agreement (the “**Agreement**”) for a term of three years, pursuant to which the Licensor shall provide warehousing and related logistics services to our Group whereby the Licensor designated an area at the Air Freight CFS Warehouse for us to carry out our operations, and our Group shall install one set of x-ray screening system in such designated area inside the Air Freight CFS Warehouse to carry out warehousing and cargos-screening services for our customers. According to the Agreement, in the event that the Licensor requests our Group to provide cargo handling services for its customers, our Group will charge a service fee per different size of cargo. The improvement works of the Air Freight CFS Warehouse and the installation of one set of x-ray screening system was completed in December 2019, and the warehousing and other value-added services (including cargos-screening services) at the Air Freight CFS Warehouse has commenced in February 2020. Despite there are no financing commitment stated in the Memorandum and the Agreement for both parties, our Group plans to invest approximately HK\$6.0 million in the warehouse as the set-up cost including but not limited to the cost of renovation, installation of computer equipment, CCTV and x-ray screening systems, out of which our Group has invested approximately HK\$1.9 million, including one x-ray system and the remaining amount of approximately HK\$4.1 million will be invested in the first three quarters of 2020 (out of which HK\$0.4 million, HK\$1.2 million and HK\$2.5 million would be invested in the first, second and third quarter of 2020, respectively). Approximately HK\$3.7 million out of the remaining investment of approximately HK\$4.1 million would be funded by the net proceeds from the Share Offer to purchase another three x-ray systems and the remaining HK\$0.4 million will be funded by internal resources and bank borrowings, respectively.

Save as disclosed in the paragraph headed “Listing expenses” in this section, our Directors confirmed that since 30 September 2019 (being the date to which the latest audited consolidated financial statement of our Group were prepared) and up to the date of this prospectus, (i) there had been no material adverse change in the market conditions or the industry and environment in which our Group operates that materially and adversely affect our financial and operating position; (ii) there was no material adverse change in the business operations and financial position or prospect of our Group; and (iii) no event had occurred that would materially and adversely affect the information shown in the Accountants’ Report set out in Appendix I in this prospectus.

### RISK FACTORS

There are certain risks involved in our operations and in connection with the Share Offer, and many of them are beyond our control. The following are some of the more significant risks that may materially and adversely affect us:

- (i) we have a heavy reliance on Top Global Express Carrier;
- (ii) our business is dependent on our transportation fleet and major operational facility;
- (iii) we rely on independent contractors to support our operations, and any delay or defects in their services would adversely affect our operations and financial results;
- (iv) the outbreak of any severe communicable disease, in particular the COVID-19, if uncontrolled, could adversely affect our results of operations;
- (v) our business operations may be adversely affected if we could not maintain favourable and stable relations with our employees;
- (vi) our customers may terminate our service agreements if we cannot fulfil their KPIs or quality requirements; and
- (vii) we have relatively thin net profit margins and may not be able to sustain our historical profitability in future.

A more comprehensive discussion of the risk factors is set out in the section headed “Risk Factors” in this prospectus.

## DEFINITIONS

*In this prospectus, unless the context otherwise requires, the following expressions have the following meanings. Certain other terms are explained in the section headed “Glossary of Technical Terms” in this prospectus.*

“3C Holding”	3C Holding Limited, a company incorporated in the BVI with limited liability on 25 April 2017 which is beneficially owned as to 95% by Mr. LB Chan and as to 5% by Mr. Chan Yu, respectively, and a Controlling Shareholder
“affiliate(s)”	any person(s), directly or indirectly, controlling, controlled by or under direct or indirect common control with another person(s)
“APE Regulation”	Air Pollution Control (Air Pollutant Emission) (Controlled Vehicles) Regulation
“Application Form(s)”	<b>WHITE</b> application form(s), <b>YELLOW</b> application form(s) and <b>GREEN</b> application form(s) or, where the context so requires, any of them to be used in connected with the Public Offer
“Application List(s)”	the application lists for the Public Offer
“app(s)”	computer program(s) designed to run on a mobile device such as a phone/tablet or watch
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company, conditionally adopted by our Shareholders on 23 March 2020 to take effect upon the Listing Date, as supplemented, amended or otherwise modified from time to time
“Asia-express (BVI)”	Asia-express Logistics Group (BVI) Limited, a company incorporated in the BVI with limited liability on 4 January 2018, which is wholly and beneficially owned by our Company as at the Latest Practicable Date
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board” or “Board of Directors”	our board of Directors

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“Brilliant Logistics”	Brilliant Logistics Limited (雋傑物流有限公司), a company incorporated in Hong Kong with limited liability on 29 August 2018, and an indirect wholly-owned subsidiary of the Company which was owned as to 100% by Kwai Bon (HK) as at the Latest Practicable Date
“Business Day” or “business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which licensed banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of 359,999,782 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the section headed “Statutory and General Information — Further Information about our Company and our Subsidiaries — 3. Resolutions in Writing of our Shareholders passed on 23 March 2020 and 27 March 2020” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practises, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or the “PRC”	the People’s Republic of China and, except where the context otherwise requires and only for the purpose of this prospectus, references to China or the PRC exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

## DEFINITIONS

“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies Law”	The Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Asia-express Logistics Holdings Limited (亞洲速運物流控股有限公司), an company incorporated in the Cayman Islands as an exempted company with limited liability on 2 January 2018
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Controlling Shareholder(s)”	the group of controlling shareholders (having the meaning ascribed to it in the GEM Listing Rules) of our Company, namely 3C Holding, Mr. LB Chan and Mr. Chan Yu
“core connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“COVID-19”	novel coronavirus (COVID-19), a coronavirus identified as the cause of an outbreak of respiratory illness
“Deed of Indemnity”	the deed of indemnity dated 23 March 2020 and executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries), particulars of which are set out in the section headed “Statutory and General Information — Other Information — 16. Estate Duty, Tax and Other Indemnities” in Appendix IV to this prospectus
“Diligent City”	Diligent City Limited (勤城有限公司), a company incorporated in the BVI with limited liability on 19 May 2015 which engages in investment holding and a pre-IPO investor which will directly hold approximately 6.2% of all the issued Shares upon completion of the Capitalisation Issue and the Share Offer (assuming the options granted or to be granted under the Share Option Scheme are not exercised)

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“Director(s)” or “our Directors”	the director(s) of our Company
“Frost and Sullivan”	Frost & Sullivan Limited, the independent market research agency engaged by our Company to prepare the Frost and Sullivan Report
“Frost and Sullivan Report”	the industry report prepared by Frost & Sullivan Limited, an independent research and consulting organisation engaged by our Company to prepare the Frost and Sullivan Report
“GDP”	gross domestic product
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“German-based Express Carrier”	a German-based logistics group which principally engaged in provision of logistics services. It includes a company listed on the Frankfurt Stock Exchange
“Global Port Business Trust”	the world’s first publicly traded container port business trust, and an entity listed on the Singapore Exchange since March 2011, operating container terminals in Hong Kong and in Yantian and Huizhou, the PRC
“Greater Bay Area”	Guangdong-Hong Kong-Macau Bay Area, comprising cities in the Guangdong Province, Hong Kong and Macau
“ <b>GREEN</b> Application Form(s)”	the application form(s) to be completed by the <b>HK eIPO White Form</b> Service Provider
“Group”, “our Group”, “we”, “our” or “us”	our Company and our subsidiaries at the relevant time or, where the context refers to any time prior to our Company becoming the holding company of our present subsidiaries, such subsidiaries and the business carried on by such subsidiaries or (as the case may be) our predecessors, and “we”, “our” or “us” shall be construed accordingly
“Guangdong-Hong Kong”	to and from Hong Kong and Guangdong Province, the PRC

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“HK eIPO White Form”	the application for Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of the <b>HK eIPO White Form</b> service at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a> or the IPO App
“HK eIPO White Form Service Provider”	the <b>HK eIPO White Form</b> service provider designated by our Company, as specified on the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a> or in the IPO App
“HKFRS”	Hong Kong Financial Reporting Standards issued by the HKICPA
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Air Cargo Terminal Operator”	a wholly owned subsidiary of a joint venture, which is principally engaged in air cargo terminal operation in Super Terminal 1 of the Hong Kong International Airport. Our Group has maintained a business relationship with Hong Kong Air Cargo Terminal Operator for five years
“Hong Kong dollar(s)” or “cent(s)” or “HK\$”	Hong Kong dollar(s) and cent(s), respectively, the lawful currency of Hong Kong
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, our share registrar and transfer office in Hong Kong
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the GEM Listing Rules) any Directors, chief executive or substantial shareholders (within the meaning of the GEM Listing Rules) of our Company, our subsidiaries or any of their respective associates
“IPO App”	the mobile application for <b>HK eIPO White Form</b> service which can be downloaded by searching “IPO App” in App Store or Google Play or download at <a href="http://www.hkeipo.hk/IPOApp">www.hkeipo.hk/IPOApp</a> or <a href="http://www.tricorglobal.com/IPOApp">www.tricorglobal.com/IPOApp</a>



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“Joint Bookrunners” or “Joint Lead Managers”	China Tonghai Securities Limited (a corporation licensed under the SFC and permitted to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO), Wealth Link Securities Limited (a corporation licensed under the SFC and permitted to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO), and South China Securities Limited (a corporation licensed under the SFC and permitted to carry out type 1 (dealing in securities) regulated activity under the SFO)
“Kwai Bon (Chengdu)”	成都市桂邦運輸有限公司 (Kwai Bon Transportation (Chengdu) Company Limited*), a company incorporated in the PRC with limited liability on 20 September 2011 and an indirect associate of the Company which is owned as to 25% by Kwai Bon (Shanghai)
“Kwai Bon (Guangzhou)”	桂邦運輸(廣州)有限公司 (Kwai Bon Transportation (Guangzhou) Company Limited*), a company incorporated in the PRC with limited liability on 16 February 2009 and an indirect wholly-owned subsidiary of the Company
“Kwai Bon (Guangzhou) Branch”	桂邦運輸(廣州)有限公司深圳分公司 (Kwai Bon Transportation (Guangzhou) Company Limited Shenzhen Branch*), a branch of Kwai Bon (Guangzhou) registered in the PRC on 1 September 2011
“Kwai Bon (HK)”	Kwan Bon Transportation Limited 桂邦運輸有限公司 (formerly known as Falcon Star Investment Limited 翔星投資有限公司), a company incorporated in Hong Kong with limited liability on 17 November 1994 and an indirect wholly-owned subsidiary of the Company
“Kwai Bon (Shanghai)”	桂邦運輸(上海)有限公司 (Kwai Bon Transportation (Shanghai) Company Limited*), a company incorporated in the PRC with limited liability on 11 May 2007 and an indirect wholly-owned subsidiary of the Company
“Kwai Bon (Shanghai) Branch”	桂邦運輸(上海)有限公司分公司 (Kwai Bon Transportation (Shanghai) Company Limited Shanghai Branch*), a branch of Kwai Bon (Shanghai) registered in the PRC on 10 April 2018
“Kwai Bon (Shenzhen)”	深圳市桂邦運輸有限公司 (Kwai Bon (Shenzhen) Transportation Limited*), a company incorporated in the PRC with limited liability on 10 November 2005 and an indirect wholly-owned subsidiary of the Company

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“Kwai Bon (Suzhou)”	桂邦運輸(蘇州)有限公司 (Kwai Bon Transportation (Suzhou) Company Limited*), a company incorporated in the PRC with limited liability on 3 May 2012 and an indirect joint venture company of the Company which was owned as to 50% by Kwai Bon (Shanghai) up to 11 January 2019 and was no longer a member of our Group thereafter
“Kwai Bon (Suzhou) Branch”	桂邦運輸(蘇州)有限公司高新區分公司 (Kwai Bon Transportation (Suzhou) Company Limited Gaoxingqu Branch*), a branch of Kwai Bon (Suzhou) registered in the PRC on 18 November 2013 and deregistered on 15 September 2017
“Latest Practicable Date”	23 March 2020, being the latest practicable date for ascertaining certain information contained in this prospectus prior to the printing of this prospectus
“Listing”	the listing and the commencement of dealings of our Shares on GEM
“Listing Date”	the date on which dealings in the Shares on GEM first commence, which is expected to be on or about Monday, 20 April 2020
“Listing Division”	the Listing Division of the Stock Exchange
“Maia Global”	Maia Global Investments Limited, a company incorporated in the BVI with limited liability on 1 September 2008 which is beneficially owned as to 67% and 33% by Mr. Cheung Ting Kin (張錠堅) (“ <b>Mr. Cheung</b> ”) and Mr. Mak Kwok Kwan Terence (麥國坤) (“ <b>Mr. Mak</b> ”), respectively
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM and which, for avoidance of doubt, excludes GEM
“Mr. Chan Yu”	Mr. Chan Yu (陳宇), the chief executive officer, an executive Director and a Controlling Shareholder
“Mr. HM Chan”	Mr. Chan Heung Ming (陳响明), a former director and shareholder of Kwai Bon (HK) and a former director of certain members of our Group including Kwai Bon (Shenzhen), Kwai Bon (Guangzhou) and Kwai Bon (Shanghai), and the father of Mr. LB Chan

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“Mr. LB Chan”	Mr. Chan Le Bon (陳烈邦), the chairman of our Board, an executive Director and a Controlling Shareholder
“Mr. William Choy”	Mr. Choy Wing Hang William (蔡穎恒), a non-executive Director
“Memorandum of Association” or “Memorandum”	the amended and restated memorandum of association of our Company, conditionally adopted by our shareholders on 23 March 2020 to take effect upon the Listing Date, as supplemented, amended or otherwise modified from time to time
“Offer Price”	the final offer price per Offer Share (excluding brokerage fee of 1.0%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) which will not be more than HK\$0.58 per Offer Share and is expected to be not less than HK\$0.42 per Offer Share, such price to be determined in the manner as further described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Offer Share(s)”	the Placing Shares and the Public Offer Shares
“Placing”	the conditional placing of the Placing Shares at the Offer Price to professional, institutional and other investors as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Shares”	the 108,000,000 new Shares initially being offered for subscription at the Offer Price under the Placing (subject to re-allocation as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus)
“Placing Underwriters”	the underwriters of the Placing, who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares
“Placing Underwriting Agreement”	the conditional placing agreement relating to the Placing to be entered into between, amongst others, our Company, our executive Directors, the Controlling Shareholders, the Sole Sponsor, the Joint Bookrunners and the Placing Underwriters on or about the Price Determination Date

## DEFINITIONS

“PRC Legal Advisers”	Han Kun Law Offices, the legal advisers of our Company as to the PRC law
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2017
“Pre-IPO Investment”	the investment made by Diligent City pursuant to the Subscription Agreement
“Price Determination Agreement”	the agreement to be entered into by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, which is expected to be on or around Thursday, 9 April 2020, on which the Offer Price is to be fixed by agreement between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) for the purpose of the Share Offer
“Principal Share Register and Transfer Office”	Conyers Trust Company (Cayman) Limited
“Public Offer”	the offer to the public in Hong Kong for subscription of the Public Offer Shares at the Offer Price, on and subject to the terms and conditions stated in this prospectus and on the Application Forms
“Public Offer Shares”	the 12,000,000 new Shares initially being offered by our Company for subscription at the Offer Price under the Public Offer (subject to re-allocation as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus)
“Public Offer Underwriters”	the underwriters listed in the section headed “Underwriting — Public Offer Underwriters” in this prospectus, being the underwriters of the Public Offer
“Public Offer Underwriting Agreement”	the public offer underwriting agreement dated 30 March 2020 relating to the Public Offer entered into between our Company, our executive Directors, the Controlling Shareholders, the Sole Sponsor, the Joint Bookrunners and the Public Offer Underwriters, details of which are summarised in the section headed “Underwriting” in this prospectus

## DEFINITIONS

“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing, details of which are set out in the section headed “History, Reorganisation and Corporate Structure — Reorganisation” in this prospectus
“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration for Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholders Agreement”	the shareholders agreement dated 23 March 2018 entered into among 3C Holding, Diligent City, our Company, Mr. LB Chan and Mr. Chan Yu in relation to our Company, particulars of which are set out in the section headed “History, Reorganisation and Corporate Structure — Pre-IPO Investment — Shareholders Agreement” in this prospectus
“Share Offer”	the Placing and the Public Offer
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 27 March 2020, the principal terms of which are summarised in the section headed “Statutory and General Information — Other Information — 15. Share Option Scheme” in Appendix IV to this prospectus
“Share Swap Deed”	the share swap deed dated 13 February 2018 entered into among Mr. LB Chan, Mr. Chan Yu and our Company in relation to the sale and purchase of all the issued shares in Kwai Bon (HK), particulars of which are set out in the section headed “History, Reorganisation and Corporate Structure — Reorganisation steps” in this prospectus

## DEFINITIONS

“Solution Lion”	Solution Lion Holdings Limited, a company incorporated in the BVI with limited liability on 7 July 2017 which is wholly-owned by Future Land Resources Growth Capital Fund SPC — Future Land Resources Growth — 1 SP
“South China Capital” or “Sole Sponsor”	South China Capital Limited, a corporation licenced under the SFC and permitted to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the sole sponsor to the Listing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement dated 23 March 2018 entered into among our Company, Diligent City and 3C Holding in relation to the subscription for certain Shares in our Company, particulars of which are set out in the section headed “History, Reorganisation and Corporate Structure — Pre-IPO Investment” in this prospectus
“substantial shareholder(s)”	has the meaning ascribed to it in the GEM Listing Rules
“subsidiary(ies)”	has the meaning ascribed to it under the Companies Ordinance
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Top Global Express Carrier”	the world’s largest express carrier whom we have maintained over 15 years of business relationship, and is principally engaged in logistics services, providing customers and businesses worldwide with a broad portfolio of transportation, e-commerce and business solutions
“Top Global Logistics Company”	one of the world’s leading third party logistics companies incorporated in Switzerland and listed on SIX Swiss Exchange in April 2018 engaged in providing a comprehensive portfolio of freight management and contract logistics services with a diversified blue-chip customer base
“Total Operating Costs”	comprising (i) employee benefits expenses; (ii) depreciation of property, plant and equipment; (iii) transportation costs; (iv) dispatch labour costs; (v) operating lease rentals in respect of rented premises; and (vi) depreciation of right-of-use assets

## DEFINITIONS

“Track Record Period”	the period comprising the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019
“Underwriters”	collectively, the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	collectively, the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States” or “US” or “U.S.”	the United States of America
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
“WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s or applicants’ own name(s)
“YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
“%”	per cent.

*All dates and times refer to Hong Kong dates and time.*

*In this prospectus, the terms “connected person”, “core connected person”, “connected transaction”, “subsidiary”, “substantial shareholder” and “significant shareholder” shall have the meanings given to such terms in the GEM Listing Rules, unless the context otherwise requires.*

*If there is any inconsistency between the Chinese names of entities or enterprises established in China and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese or another language which are marked with “\*” and the Chinese translation of company names in English which are marked with “\*” are for identification purpose only.*

*Unless expressly stated or the context requires otherwise: (i) amounts and percentage figures, including share ownership and operating data in this document, may have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items; and (ii) solely for your convenience, this prospectus contains translations of certain RMB into HK\$ at specified rates. You should not construe these translations as representations that RMB could actually be, or have been, converted into HK\$ at the rate indicated or at all. Unless we indicate otherwise, the translations of RMB into HK\$ have been made at the range from RMB1.00 to HK\$1.13 to RMB1.00 to HK\$1.25.*

## GLOSSARY OF TECHNICAL TERMS

*This glossary contains explanation of certain terms used in this prospectus in connection with our Company and our business. The terminologies and their given meanings may not correspond to the standard meanings or usage of such terms adopted in the industry.*

“AAT”	Asia Airfreight Terminal, an air cargo terminal located at 10 Chun Ping Road, Chek Lap Kok, Lantau, Hong Kong and operated under a franchise awarded by The Airport Authority Hong Kong. It is one of the air cargo terminals inside the Hong Kong International Airport
“Airports Council International”	a non-profit organisation established in 1991, being a global trade representative of airport operators around the world
“Belt and Road”	the Silk Road Economic Belt and the 21st-century Maritime Silk Road, a development strategy and framework, proposed by the PRC government that focuses on connectivity and cooperation among countries primarily between the PRC and the rest of Eurasia, which consists of two main components, the land-based “Silk Road Economic Belt” and oceangoing “Maritime Silk Road”
“breakeven”	no profit or loss before taxation is being derived
“CAGR”	compound annual growth rate
“CCTV”	closed-circuit television
“DCV(s)”	diesel commercial vehicle(s)
“Euro III DCV(s)”	Euro III diesel commercial vehicle(s)
“freight forwarder(s)”	one who assembles and consolidates shipment and performs or provides for break-bulk and distribution operations of shipments. A freight forwarder may act as a principal who assumes responsibility for the transportation from the place of receipt to the place of delivery by issuing his own house bill of lading to individual shippers whose goods he is consolidating, or as an agent, who is entrusted by shippers and consignees to handle transportation of goods or related business in the names of the shippers and consignees
“GPS”	the Global Positioning System, a satellite based navigation system
“Intermodal Transshipment Facilitation Scheme”	a scheme launched by Hong Kong Customs to provide facilitation to air–land and sea–land transshipment cargoes through simplified clearance process



## GLOSSARY OF TECHNICAL TERMS

“KPI(s)”	key performance indicator, a type of performance measurement used by individual customers to evaluate factors that are crucial to the success of our Group
“Kwai Bon Logistics Centre”	our logistics centre located on Nos. 19–21 Wing Kin Road, Kwai Chung, New Territories, Hong Kong
“pallet”	a platform with a flat under-surface, on which goods are assembled and secured by nets/straps, which allows handling and storage efficiencies
“palletisation”	a process by which goods are bundled together on a pallet in order to facilitate mechanical handling of stacked goods
“Quick Pass mode”	a scheme launched by China Customs to provide speedy customs clearance process
“sq. ft.”	square feet
“sq. m.”	square metre(s)
“Super Terminal 1”	Super Terminal 1, an air cargo terminal located at 9 Chun Wan Road, Chek Lap Kok, Lantau, Hong Kong operated by Hong Kong Air Cargo Terminals Limited. It is one of the air cargo terminals inside the Hong Kong International Airport
“TAPA”	Transported Asset Protection Association, an international not for profit organisation with a mission to minimise cargo losses from the supply chain by developing and applying global security standards, recognised industry practices, technology, education, benchmarking, regulatory collaboration, and proactively identifying crime trends and supply chain security threats
“TAPA Trucking Security Requirements”	a standard set by the TAPA as a common global standard for secure trucking services via road within a supply chain
“tonnes”	metric tons, where one metric ton equals 1,000 kilograms
“ULD(s)”	unit load device(s), which is/are pallet or container used to load luggage, freight, and mail on aircrafts. It allows a large quantity of cargoes to be loaded into a single unit
“Western China”	Western China covers Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Gansu, Qinghai, Tibet, Ningxia and Xinjiang, the PRC
“WHO”	World Health Organisation
“Yangtze River Region”	regions in the PRC generally comprising Shanghai, southern Jiangsu province and northern Zhejiang province

## FORWARD-LOOKING STATEMENTS

We have included in this prospectus forward-looking statements that are not historical facts but relate to our intentions, beliefs, expectations or predictions for future events and conditions which may not occur. Even though these statements have been made by our Directors after due and careful consideration and on bases and assumptions fair and reasonable at the time, they nevertheless involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward looking statements. Some of the risks are listed in the section entitled “Risk Factors” and elsewhere in this prospectus. In some cases, you can identify these forward-looking statements, including, without limitation, words and expressions such as “aim”, “anticipate”, “believe”, “continue”, “could”, “estimate”, “expect”, “intend”, “may”, “might”, “plan”, “potential”, “predict”, “project”, “propose”, “seek”, “could”, “should”, “will”, “would” or similar words or statements, or their negative in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets and globally.

These statements are based on numerous assumptions regarding our present and future business strategy and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in the section headed “Risk Factors” in this prospectus. These forward-looking statements include, without limitation, statements relating to:

- our business strategies, plans, objectives and goals;
- our operations and business prospects, including our future competitive environment;
- our future debt levels and capital needs;
- our financial condition;
- future developments, trends and conditions in the industry and markets in which we operate;
- capital market developments;
- certain statements with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates;
- the regulatory environment as well as the industry outlook generally;
- general global economic trends; and
- other statements in this prospectus that are not historical facts.

## FORWARD-LOOKING STATEMENTS

The forward-looking statements reflect the current view of the management with respect to future events and are, by their nature, subject to risks, uncertainties and assumptions, including those described in the section headed “Risk Factors” in this prospectus.

By their nature, forward-looking statements involve numerous assumptions, both general and specific, which may cause our actual results, performance or achievement to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Some of the key assumptions include, among others:

- the absence of any material adverse change in our operations;
- continuing positive labour relations; and
- the availability and accessibility of financing to us.

This prospectus also contains market data and projections that are based on a number of assumptions. The markets may not grow at the rates projected by the market data, or at all. The failure of the markets to grow at the projected rates may materially and adversely affect our business and the market price of our Shares. In addition, due to the rapidly changing nature of the Hong Kong economy, projections or estimates relating to the growth prospects or future conditions of the markets are subject to significant uncertainties. If any of the assumptions underlying the market data prove to be incorrect, actual results may differ from the projections based on these assumption. You should not place undue reliance on these forward looking statements.

We caution you that, subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

In this prospectus, statements of or references to the intentions of our Company or any of our Directors are made as at the Latest Practicable Date. Any such intentions may potentially change in light of future developments.

## RISK FACTORS

*In addition to other information in this prospectus, you should carefully consider the following risk factors before making an investment in the Shares. Our business, operation, financial condition or results of operations could be materially and adversely affected by any of these risks. The trading price of the Shares could decline due to any of these risks and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us or which we currently deem immaterial may arise or become material in the future and may have a material effect on us.*

### RISKS RELATING TO OUR BUSINESS

#### **We have a heavy reliance on Top Global Express Carrier.**

During the Track Record Period, we primarily provided (i) air cargo terminal operation services; (ii) transportation services; and (iii) warehousing and other value-added services to our largest customer, namely Top Global Express Carrier (which is the largest express carrier globally in terms of revenue in 2018). For the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019, the revenue attributable to Top Global Express Carrier was approximately HK\$203.8 million, HK\$198.9 million, HK\$217.6 million and HK\$102.5 million, respectively, representing approximately 65.9%, 61.8%, 62.0% and 64.0% of our total revenue for the corresponding periods. For further details of our relationship with Top Global Express Carrier, please refer to the section headed “Business — Our Customers — Customer concentration” in this prospectus.

We expect to continue to derive a significant portion of our revenue from Top Global Express Carrier in the near future. As at the Latest Practicable Date, all agreements entered into by our Group with Top Global Express Carrier would expire in September 2020 or after. We cannot assure you that there will be no deterioration in our relationship with Top Global Express Carrier or Top Global Express Carrier will not terminate the service agreement with our Group in the future or Top Global Express Carrier will continue to invite us for tendering or award us with new contracts in the future. Any change or deterioration in our relationship with Top Global Express Carrier may cause a significant adverse effect to our business, financial condition and results of operations.

Our business performance will be affected by Top Global Express Carrier’s business performance in Hong Kong and the PRC. In the event Top Global Express Carrier’s operations in Hong Kong and the PRC decline or that Top Global Express Carrier decides to shift its operations in Hong Kong and/or the PRC to another city, it will likely lead to a corresponding decrease in demand for our services which may materially and adversely affect our business, financial position and results and operations. Also, we cannot guarantee that we will be able to diversify our customer base by obtaining new contracts from our existing and potential customers.

## RISK FACTORS

### **Our business is dependent on our transportation fleet and major operational facility.**

As at the Latest Practicable Date, we (i) maintained a fleet of 168 self-owned vehicles for our air cargo terminal operation and transportation services; and (ii) carried out warehousing and other value-added services in our Kwai Bon Logistics Centre of gross floor area of over 70,000 sq.ft.. The existing tenancy of our Kwai Bon Logistics Centre has a monthly rental of HK\$421,548 and would expire in January 2022.

In the event of unanticipated disruption in our transportation fleet and major operational facility including vehicle break downs, disruption in the supply of utilities such as water or electricity of Kwai Bon Logistics Centre, or access to such premise, it may lead to our Group incurring additional costs, such as costs for leasing alternative transportation fleet and restoring access to our premises. If as a result of such disruption our Group fails to meet the service requirements of our customers, our relationship with our customers may be negatively affected.

Furthermore, in the event that our rental expenses for our Kwai Bon Logistics Centre increase, our operating expenses will increase and affect our operating cash flows, and in turn materially and adversely affect our business, results of operations and prospects. In addition, there is no guarantee that we will be able to renew the tenancy agreement on commercially acceptable terms, or at all upon its expiry in January 2022. There is also no assurance that such tenancy agreement will not be terminated before its expiration. In the event that the tenancy agreement was terminated or not renewed, our business and operation may be interrupted and adversely affected as we will incur additional cost for relocating our Kwai Bon Logistics Centre for provision of our warehousing and other value-added services.

### **We rely on independent contractors to support our operations, and any delay or defects in their services would adversely affect our operations and financial results.**

During the Track Record Period, we relied on both our own staff and engaged independent contractors including dispatched work agencies and external transportation services providers to support our operations. For the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019, our dispatch labour costs was approximately HK\$63.9 million, HK\$73.2 million, HK\$90.7 million and HK\$40.8 million, respectively, representing approximately 21.6%, 24.3%, 27.5% and 27.5% of our Total Operating Costs, respectively for the corresponding periods. In addition, our transportation costs amounted to approximately HK\$139.7 million, HK\$147.4 million, HK\$175.1 million and HK\$76.8 million for the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019, representing approximately 47.2%, 49.0%, 53.2% and 51.9% of our Total Operating Costs, respectively, for the corresponding periods. Please refer to the section headed “Business — Our Suppliers — Dispatched work agencies and external transportation services providers” in this prospectus for further details.

If the performance of our dispatched work agencies or external transportation services providers fails to meet the requirements of our Group or our customers, we may experience delay in delivering our services to our customers. We may have to source from alternative contractors at a higher price, which would adversely affect our Group’s profitability. Further, we cannot assure you

## RISK FACTORS

that we would be able to closely monitor the performance of our dispatched work agencies or external transportation services providers. In the event that their performance do 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.

Our agreements with the dispatched work agencies are generally for a term of one year subject to automatic renewal, and can be terminated by giving 30 days' written notice. Our agreements with the external transportation services providers are generally for a term of one year and can be terminated by giving 30 days' written notice. In the event that we could not maintain our business relationship with the dispatched work agencies or external transportation services providers, there is no assurance that we would be able to find alternative contractors with the requisite expertise, experience and capability that meet our service needs and work requirements to complete the services for our customers. If we are unable to timely engage such suitable alternative contractors when needed, our ability to complete services on time could be impaired, thereby damaging our business reputation and adversely affecting our operations and financial results.

**The outbreak of any severe communicable disease, in particular the COVID-19, if uncontrolled, could adversely affect our results of operations.**

The outbreak of any severe communicable disease, such as the COVID-19 in the PRC or Hong Kong or other parts of the world, if uncontrolled, could have an adverse effect on our Group's operations and the overall business sentiment and environment in the PRC and Hong Kong.

### *Latest development of the COVID-19*

The spread of COVID-19 has become a global concern, and more than 330,000 cases of COVID-19 from over 190 countries and territories have been reported to the WHO as at the Latest Practicable Date. On 11 March 2020, the WHO announced the COVID-19 outbreak a pandemic, Europe has become the epicenter of the pandemic and more and more countries are now experiencing clusters of cases or community transmission. Apart from Europe, the U.S. has also reported increasing number of confirmed COVID-19 cases as at the Latest Practicable Date, and as a response, it implemented a travel ban applicable to non-Americans who have been in the Schengen border-free travel area, United Kingdom and Ireland within 14 days of travelling to the U.S.

A number of governments globally have issued entry restrictions for foreign travelers, including among others, Singapore, who would not allow all short-term visitors (from anywhere in the world) to enter with effect from 23 March 2020. In March 2020, the government of Spain announced that their citizens are confined to their homes for 15 days unless they need to leave home for essential reasons, while Germany announced it will ban entrances from France, Switzerland and Australia. The Italian government also imposed nationwide restrictions to curb the spread of the COVID-19, including closing schools, shops and sporting events and ordering people to stay home, except for essential travel. The European Union announced that it is banning the non-

## RISK FACTORS

essential entry of all foreign nationals, and only residents, family members and essential staff, such as healthcare workers and medical experts, will be exempt from the measures, to be imposed for 30 days initially, subject to the agreement by the European Union members.

### *Possible impact on our Group's operations*

If any of our employees is contracted with any severe communicable diseases, it could adversely affect or disrupt our operations as we may be required to temporarily close our Kwai Bon Logistics Centre to prevent the spread of the disease and/or to quarantine the facilities of our customers which our employees have visited. We may be required to engage independent contractors to support our operations and take extra hygiene precautions for our operations, which may result in higher costs.

### *Possible impact on our Group's financial position*

According to Frost and Sullivan, the logistics industry has been negatively affected by a reduction in international and inter-provincial flow of goods and unavailability of workers across the PRC as a result of the COVID-19. The recent outbreak of the COVID-19 has adversely affected major economies globally, including but not limited to the PRC, Europe and the U.S.. As the COVID-19 broadened and intensified, the growth of global economy is expected to be negatively impacted. For instance, the European Commission estimated that the COVID-19 will lead to a -1% real GDP growth in the European Union and euro area in 2020, with a substantial but not complete rebound in 2021. The U.S. government has received proposals and is considering on possible measures to curb the economic downturn, including payroll tax cuts, expansion and streamlining of loan programmes for small businesses, and loans and/or tax relief for airline companies.

Global economy recession could lead to deflation, increase in commodity prices, higher levels of unemployment, higher consumer debt levels and other economic factors, all of which would affect consumer spending or buying habits and reduce the global air cargo throughput. As the demand of their end customers drops, our customers such as express carriers, air cargo terminal operators and freight forwarders may reduce their purchase orders with our Group and our financial performance will be adversely affected.

Furthermore, these economic conditions make it difficult for us and our customers to accurately forecast and plan future business activities, which could cause our customers to reduce spending on the services we provide, and thus may prolong our sales cycles and affect our financial performance.

In the event that certain countries impose travel bans on cargo flights, it would lead to a reduction in international flow of goods and affect the business of, among others, our customers including global express carriers, air cargo terminal operators and freight forwarders. As a result, our customer's demand on our services may be reduced and our business, financial condition and results of operations could be adversely affected.

## RISK FACTORS

Although based on the assumptions that the adoption of policies by European countries and the U.S. are effective, Frost and Sullivan is of the view that (i) the rapid increase in confirmed COVID-19 cases in Europe and the U.S. may take two to three months to slow down from its peak; and (ii) the outbreak of the COVID-19 is likely to be effectively controlled in mid-2020, however, we cannot assure you that the COVID-19 can be effectively contained in mid-2020. Although the governments worldwide has implemented various measures with the aim to curb the spread of the COVID-19, in the event that such policies are ineffective to contain the COVID-19, it may lead to skepticism in the recovery of the global economy, and resulting in further drop in consumer confidence, private spending and business transactions, and as such our Group's financial performance will be adversely affected due to reduced demand from our customers.

**Our business operations may be adversely affected if we could not maintain favourable and stable relations with our employees.**

The air cargo ground handling industry is a service-oriented industry and our success and growth heavily rely on our ability to identify, hire, train and retain suitable air cargo ground handling, logistics centre management and other personnel to operate our business. As our business operations are generally manual in nature, any deterioration of labour relations may adversely affect our operational stability and efficiency. As at the Latest Practicable Date, we have 226 full-time staff for the provision of our services. For the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019, our employee benefits expenses including retirement benefit schemes contribution were approximately HK\$70.6 million, HK\$57.9 million, HK\$50.1 million and HK\$23.8 million. We cannot assure you that we will be able to hire and retain an adequate number of employees to develop and grow our business. The inability to recruit and retain a sufficient number of such skilled employees could limit our ability to maintain our services quality. In addition, fierce competition for these employees could cause us to offer higher compensation and other fringe benefits in order to attract and retain them and consequently adversely affect our financial condition and results of operations.

Though we have not encountered any material labour disputes with our employees, we cannot give any assurances that favourable labour relations can be maintained. Any industrial action or strike by our labour force beyond our Group's control may also cause temporary or prolonged disruption to our business operation, and if not resolved in a timely manner, could affect our ability in delivering the goods to our customers on time, and would affect customer loyalty and confidence.

In addition, labour unrest may affect general labour market conditions or result in changes in labour laws, which in turn could materially and adversely affect our business, financial condition and results of operations.



## RISK FACTORS

**Our customers may terminate our service agreements if we cannot fulfil their KPIs or quality requirements.**

Our service agreements with (i) our air cargo terminal operation; and (ii) our transportation and warehousing customers are entered on a non-exclusive basis with terms usually ranging from one to three years with termination clauses allowing these major customers to terminate the respective service agreement with us subject to a range from 30 days' to one year's written notice. Failure to meet the KPIs contained in the service agreements may also entitle our customers to impose monetary penalties on us or even early terminating the relevant service agreements, or have our Group being evaluated less favourably when submitting tender for renewal of engagement. There is no assurance that our service agreements with our major customers will be renewed or will not be terminated prior to their respective expiry dates or our customers will not engage other service provider(s) for the provision of services in addition to or in lieu of us. Some of our customers who engage us for the provision of transportation services did not engage us on a term contract but on an *ad hoc* and needed basis. There is no assurance that such customers would continue to engage us to provide transportation services to them.

In the event that any of our major customers does not renew the service agreements with us, terminate the service agreements, or our customers do not continue to engage our Group for the provision of services, we cannot assure you that we can successfully find new customers or enter into any new sales arrangements with the new customers within a short period of time. In such circumstances, we may lose one or more of our customers and our business, profitability, performance, finance position and results of operations may be materially and adversely affected.

**We have relatively thin net profit margins and may not be able to sustain our historical profitability in future.**

We had relatively thin net profit margins for the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019, respectively. Our net profit margins were approximately 1.4%, 2.0%, (0.0)% and 2.1% for the corresponding periods. Our financial results and net profit margin may be adversely affected by a number of factors, such as (i) fluctuation in transportation costs, employee benefits expenses and dispatch labour costs; (ii) fluctuation in the air cargo ground handling market, air cargo throughput which may likely lead to a corresponding decrease in demand for our services; and (iii) non-recurring listing expenses. Any unfavourable changes of the above and the market conditions could have a material adverse effect on our financial performance including the profit margin and profitability.

We typically charge service fees on a fixed fee basis at pre-determined lump sum or a fixed fee or rate per the number of trip, the weight of cargoes and packages handled and the duration of services rendered. We generally determine fixed fees and rates based on our estimate of Total Operating Costs of providing such services based on the judgment of our management. Our management reviews the profit margin of projects from time to time and may terminate or not to continue the projects considered not profitable. There is no assurance that we can accurately estimate Total Operating Costs or will not encounter unexpected increase in Total Operating Costs due to various factors beyond of our control. During the Track Record Period, having considered

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the profit margin in providing transportation and warehousing and other value-added services to German-based Express Carrier, the contract was not renewed upon its expiry based on both parties' consent. As some of our contracts with our major customers contain a fixed fee or rate arrangement and generally last for one to three years, in the event that there was an unexpected increase or inaccurate estimation on our Total Operating Costs, we may be unable to pass additional Total Operating Costs to our clients as in the case of fixed fee and rate arrangements, and as such our profit margin and profitability will be adversely affected.

**Loss of service or any failure to attract our key management personnel may materially adversely affect our business, financial condition and operations.**

The success of our business has and will continue to depend on the continuing service and dedication of our key management team. The key members of our senior management team have extensive experience in the air cargo ground handling industry. Although our Group has entered into service contracts or employment contracts (as the case may be) with all our executive Directors and senior management, if any key management personnel resigns or otherwise terminates the employment contract, we may not be able to recruit new management members of comparable industry experience and knowledge in a timely manner or at all, which may adversely affect our business, financial condition and operations.

**Our Group may fail to identify cargoes which carry goods of illicit nature.**

Our Group provides transportation services for our customers whereby our Group has no control over, and no comprehension of the customers' nature of the goods other than as declared by our customers. Even if our Group performs background checks on new customers and will file a police report for any unclaimed or suspicious cargo, there is no assurance that the implementation of such measures will successfully prevent transporting any illegal goods. Should these referred cargoes carry goods of illicit nature and our Group fails to identify their nature, these goods may end up being impounded by customs and our Group may be investigated for breaking local laws and fined by the authorities. In such event, the reputation, business and results of operations of our Group may be materially and adversely affected.

**We rely on cross-border license plates leased from licenced companies to provide two-way non-stop transportation services across the borders of Hong Kong and Guangdong Province, the PRC.**

During the Track Record Period, we generally entered into agreements with companies (the "Licenced Companies") which have obtained cross-border license plates (the "License Plates") under the relevant PRC laws and regulations that can be used for "through-trucks" (直通貨車) services for transportation of goods between Hong Kong and the PRC. Under such agreements, we are allowed to exclusively make use of the License Plates on our self-owned transportation fleet to provide our cross-border Guangdong-Hong Kong transportation services. As at the Latest Practicable Date, we leased over 30 License Plates from the Licenced Companies who are Independent Third Parties.

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There is no assurance that our agreements with the Licenced Companies will be renewed or will not be terminated prior to their respective expiry dates. In the event that the License Plates of these Licenced Companies are revoked by the relevant PRC authorities, or our agreements with the Licenced Companies are not renewed or terminated, we cannot assure you that we can source other companies which have obtained cross-border license plates within a short period of time, or on similar commercial terms acceptable to us, or at all. In such circumstances, the business performance of our cross-border Guangdong-Hong Kong transportation services may be affected which in turn affect our business, profitability and results of operations.

### **Increase in fuel prices or shortage of fuel supply may reduce our profitability.**

We provide transportation services to pick up and deliver goods to various locations in Hong Kong and within or adjacent to principally covering Shenzhen, Shanghai, Guangzhou and Chengdu, the PRC as instructed by our customers. An increase in fuel prices may increase our transportation costs. If we are unable to increase our pricing and transfer part of the cost to our customers or at all, our profitability may be adversely affected. Further, the cost of fuel can fluctuate significantly and is subject to global economic and political factors that is beyond our control. In the event of shortage of fuel supply, our operations will be disrupted and our business, financial position and operations will be adversely affected.

### **Additional transportation fleet for our business may result in a significant increase in our depreciation.**

For the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019, the aggregate amount of our depreciation of property, plant and equipment and right-of-use assets in respect of motor vehicles amounted to approximately HK\$6.8 million, HK\$6.4 million, HK\$6.4 million and HK\$3.8 million, respectively. We intend to expand our transportation fleet in order to accommodate our business growth. During the six months ended 30 September 2019 and up to the Latest Practicable Date, we have disposed 34 Euro III DCVs and have purchased new vehicles as replacement since the Euro III DCVs would fail to comply with the emission applicable to DCVs under the APE Regulation after 31 December 2019. Together with the new vehicles intended to be purchased to support our business expansion, such additional vehicles may result in increase in depreciation expenses, which may in turn materially and adversely affect our business, financial condition and results of operations.

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

Our motor vehicles are subject to environmental laws and regulations governing, among other things, greenhouse gas emission. Based on the APE Regulation and the requirement specified by the Environmental Protection Department of the Hong Kong government, licences of all Euro III DCVs will not be issued by the Transport Department of the Hong Kong government after 31 December 2019. During the six months ended 30 September 2019 and up to the Latest Practicable Date, we have disposed 34 self-owned vehicles for our air cargo terminal operation services and transportation services which are Euro III DCVs and have purchased new vehicles as replacement.

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Any change in environmental laws and regulations, including those which require us to modify or retire our transportation fleet could cause us to incur additional costs, as a result of which we may incur unexpected expenses and potential short term negative cash flow.

### **Our Group relies on transport infrastructure of the regions where our Group operates.**

Our Group provides transportation services and our smooth delivery of goods to our customers is dependent on the condition and availability of transport infrastructure such as roads and airports. Our Group's delivery schedule can be materially affected in the event that a road is impassable by our transportation fleet as a result of closure or road-works. Such disruption can result in our Group being required to divert its fleet via an alternative route, which can incur additional costs for our Group.

In particular, our Group's business operations can be materially disrupted in the event of an unanticipated failure of the airports where we provide air cargo ground handling services, which may occur due to, among others, an inclement weather. An unanticipated failure has a number of implications for our Group's business, for example, additional labour or transportation fleet may need to be employed to catch up the original schedule set out by our customers.

### **Our operations are exposed to disruptions due to bad weather, possible occurrences of natural disasters, epidemics and other diseases and uncertainties, traffic congestion and public civil movements.**

Our transportation services coverage mainly include (i) point-to-point transportation services within Hong Kong; (ii) point-to-point transportation services within or adjacent to Shenzhen, Shanghai, Guangzhou and Chengdu, the PRC; and (iii) two-way non-stop transportation services across the borders of Hong Kong and Guangdong Province, the PRC. In addition, we are generally capable of completing the transportation services within the same day or the next possible business day. Timely and reliable delivery of goods to destinations specified by our customers are therefore vital to our operations and success. Severe traffic congestions, weather conditions, disturbances, or breakdown in major road infrastructure could lead to material disruption in land traffic in Hong Kong or the PRC, which may in turn cause delay of our services. Other possible disruptions include, amongst others, labour strikes, massive occurrence of political and industrial actions at transportation hubs or destination ports, wars and terrorists attacks. As a result of the outbreak of the COVID-19, several provinces in the PRC have imposed temporary restrictions on business operations and travelling after the Lunar New Year holidays, leading to limited operations in a number of industries such as logistics, according to the Frost and Sullivan Report. Also, a large number of workers are unable to work temporarily due to travel restrictions across cities in the PRC or imposition of the isolation measures by the central government, and affected the logistics industry. In the event that the government of Hong Kong and/or the PRC require enterprises to suspend their operations or limit their scale of operations in future, our operations would be adversely affected. Such service interruption may adversely affect our service quality and our ability in satisfying our customers' KPIs. Further, we may have to lease transportation fleet from

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external transportation services providers to maintain our services. As such, our operation costs may increase and the occurrence of the above events may adversely affect our Group's business, financial condition and results of operations.

**Accidents causing injury to our employees may adversely affect our performance due to claims arising therefrom.**

In the event that accidents occur and cause injury to our employees, it may give rise to employee compensation claims and common law personal injury claims. Our Group may disagree with the injured employee in respect of our liability in connection with the accident.

It involves a high degree of our management's attention to handle the accident and subsequent claims, litigations and other legal proceedings. Legal proceedings can be costly and time-consuming, and may significantly divert the effort and resources of our management.

**Our Group could be exposed to liability by litigation or legal proceedings which may divert our resources and adversely impact our reputation.**

Our operational and financial stability are subject to any litigation or legal proceedings we face from time to time. During the ordinary course of our business operations, our Group is exposed to liability arising from damage to the cargoes, labour disputes, contractual claims under customer and supplier agreements and other potential third party disputes. These actions might adversely affect our brand image, reputation and customer preference for our services. Our management attention may be diverted in defence of such proceedings from our business and operations. Our financial performance may be materially and adversely affected as substantial legal costs may be incurred. Our Group's reputation may also be affected during the often prolonged process of litigation while the outcome remains uncertain. Furthermore, any settlements or judgments against us may strain our financial resources and adversely affect the profitability of our Group.

**Our insurance coverage may not be sufficient to cover all losses or potential claims from our customers which would affect our business, financial condition and results of operations.**

We have purchased insurance coverage which includes cargo liability insurance, employees' compensation insurance, third party bodily injury insurance, third party property damage vehicle insurance, public liability insurance, motor vehicle accident liability mandatory insurance\* (機動車交通事故責任強制保險), motor vehicle commercial insurance\* (機動車商業保險) and customs liability. During the Track Record Period, we did not make any material insurance claims, nor did we claim any material amounts under the insurance cover. While our Directors are of the view that our insurance coverage is in line with the general coverage in the industry and is adequate for our operations, it may not be adequate to fully compensate for the loss we may suffer in the future. In addition, we cannot guarantee that we can renew our policies or can renew our policies on similar or other acceptable terms. If we suffer from severe unexpected losses or losses that far exceed the policy limits, including those caused by natural disasters and other events beyond our control, we may be required to pay for losses, damages and liabilities out of our own financial resources, and

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could have a material and adverse effect on our business, financial position, results of operations and prospects. Even if our insurance coverage is sufficient to cover our losses, we may not be able to prevent the occurrence of the same in future by taking appropriate measures or remedial actions. Our insurance companies may also charge a higher premium due to our claim records, which may affect our financial condition and results of operations.

**Our success depends on our intellectual property rights and failure to protect such intellectual property rights or counterfeiting of our brand name may adversely affect our reputation and our ability to compete.**

As at the Latest Practicable Date, we had one trademark registered in Hong Kong and one trademark registered in the PRC. We have not experienced any infringement of our intellectual property rights up to the Latest Practicable Date. We however cannot assure you that the intellectual property rights will not be infringed by third parties in the future or that if it occurs, we will be able to detect and address such incidences effectively. Any occurrence of counterfeiting or imitation could negatively impact our reputation and brand names and lead to loss of consumer confidence, as well as increasing our administrative costs in respect of detection and prosecution, any of which may have a material adverse effect on our business, financial condition and results of operations.

**Our revenue is subject to seasonal fluctuations.**

Generally, we record lower sales in February. Our revenue may vary considerably from time to time as a result of change in seasonal demand for air cargo terminal operation and transportation services due to the impact of festive seasons on the reduction of demand of services from our customers. 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.

**We may not be able to adequately manage our growth and expansion in the future.**

Our revenue grew during the Track Record Period. Our total revenue increased by approximately HK\$12.7 million or 4.1% from approximately HK\$309.2 million for the year ended 31 March 2017 to approximately HK\$321.9 million for the year ended 31 March 2018 and further increased by approximately HK\$29.2 million or 9.1% from approximately HK\$321.9 million for the year ended 31 March 2018 to approximately HK\$351.1 million for the year ended 31 March 2019. Our revenue subsequently decreased by approximately HK\$13.6 million or 7.8% from approximately HK\$173.8 million for the six months ended 30 September 2018 to approximately HK\$160.2 million for the six months ended 30 September 2019.

Any future development of our business is subject to the availability of resources and the constraints of market conditions which may be constantly changing. Although our Group expects to continue expanding our business and operations, we cannot guarantee to be able to manage our growth effectively in a controlled manner. Any over-expansion could exert pressure on our limited

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managerial, operational and financial resources and may in turn pose risks to our operational and financial stability. Failure to manage our expansion plans properly may result in increased operational costs and lower profits than anticipated.

In addition, our growth is based on assumptions of future events which include (i) our continued business relationship with our major customers; (ii) our ability to engage independent contractors to handle part of our services; (iii) effectiveness of our sales and marketing effort in the fragmented transportation industry; and (iv) increasing demand for our services in future. If the assumptions underlying our future plans turns out to be incorrect, our expansion plans may not take place, which will adversely affect our business, finance condition and results of operations.

**We may not be able to implement all or any of our business plans successfully.**

Our Group has set out its future plans in order to achieve its business objectives in the section headed “Future Plans and Use of Proceeds” in this prospectus. The future plans are developed based on a number of assumptions, forecasts, and commitments of our Group. Due to circumstances beyond our Group’s control, including other risks as set out in this section, or for reasons that may render the assumptions and forecasts inoperable, there is no assurance that all or any of the future plans may be successfully implemented.

**Our Group recorded net current liabilities as at 31 March 2017.**

We had net current liabilities of approximately HK\$4.1 million as at 31 March 2017. As at 31 March 2017, the major components of our current liabilities were trade and other payables of approximately HK\$40.7 million, amount due to a related party of approximately HK\$9.8 million and obligations under a finance lease due within one year of approximately HK\$6.4 million. Our Group’s financial position turned into net current asset position of approximately HK\$18.2 million as at 31 March 2018.

Net current liabilities may expose us to certain liquidity risks. Our future liquidity, the payment of trade and other payables, as and when they become due will primarily depend on our ability to maintain adequate cash inflows from our operating activities and adequate external financing, which will be affected by our future business performance, prevailing economic conditions and other factors, many of which are beyond our control. If we do not have sufficient working capital to meet our present and future financial needs, we may need to resort to external funding. Our inability to obtain additional external financing on a timely basis or on acceptable terms, or at all, may also force us to abandon our development and expansion plans, and our business, financial condition and results of operations may be materially and adversely affected.

**Our Group recorded net cash used in operating activities for the six months ended 30 September 2018.**

We had cash outflow from operating activities of approximately HK\$6.6 million for the six months ended 30 September 2018, which was primarily due to the non-recurring listing expenses and an increase in trade and other receivables of approximately HK\$8.5 million. We cannot assure

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you that we will be able to record positive operating cash flow in future. Our liquidity and financial position may be materially and adversely affected should our future operating cash flow become negative, and we give no assurance that we will have sufficient cash from other resources to fund our operations.

### **We are exposed to credit risks of our customers.**

As at 31 March 2017, 2018 and 2019 and 30 September 2019, we recorded trade receivables of approximately HK\$39.0 million, HK\$44.8 million, HK\$49.0 million and HK\$45.0 million, respectively, representing approximately 12.6%, 13.9%, 13.9% and 28.1% of our total revenue for the corresponding periods. We generally grant credit terms to our customers ranging from 30 to 60 days. As at 31 March 2019 and 30 September 2019, our Group has provided general impairment loss allowance on trade receivables of approximately HK\$0.7 million and HK\$0.7 million, respectively, which relate to impairment of financial assets in accordance with the requirements of HKFRS 9. As at 31 January 2020, approximately 97.6% of our trade receivables as at 30 September 2019 were subsequently settled. If our customers delay in settling the payments or default in making payments, our cashflow level may be affected, and our Group may have to make provision for impairment, write off the receivables and/or incur legal costs to recover the outstanding sum from our customers, which may in turn have a material and adverse impact on our financial condition and results of operations.

### **The adoption of HKFRS 16 affected our statement of financial position, statement of profit or loss and certain key financial ratios due to our operating lease arrangements.**

As at the Latest Practicable Date, we leased our offices in Hong Kong and the PRC and the Kwai Bon Logistics Centre as our warehouse in Hong Kong. Our Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at 1 April 2019, and such adoption increases the current liabilities and may have the associated risk of resulting in net current liabilities should the current assets be not sufficient to cover the increase in current lease liabilities while there is no impact on our cash flow position.

Under HKFRS 16, leases are recognised as a right-of-use asset and a corresponding liability upon commencement of the lease term, which is the date when the leased asset is available for use by our Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The details of our accounting policy are set out in Note 3 of the Accountants' Report in Appendix I to this prospectus.

As the right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities, the adoption of HKFRS 16 would therefore affect commonly used financial ratios and performance metrics, such as gearing ratio, debt to equity ratio, interest coverage ratio, return on equity, return on assets, current ratio and cash flows from operating and financing activities. The recognition of right-of-use assets and lease liabilities expanded our consolidated statement of financial position and has materially affected our related financial ratio, resulting in an increase in debt to equity ratio and a decrease in



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our net current assets as at 30 September 2019. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability has resulted in a change of expenses recognition pattern, in particular, a higher total charge to the statement of comprehensive income in the initial years of the lease term, and decreasing expenses during the latter part of the lease term. In our consolidated statements of profit or loss and other comprehensive income, the adoption of HKFRS 16 gave rise to recognition of depreciation of the right-of-use assets, instead of operating lease rentals in respect of rented premises for the six months ended 30 September 2019. We also recorded a right-of-use assets in our non-current assets and lease liabilities in our current liabilities as at 30 September 2019. For further information on the effects of the adoption of HKFRS 16, please refer to the section headed “Financial Information — Key sources of estimation uncertainty — HKFRS 16 “Leases” — Presentation of right-of use assets and lease liabilities” in this prospectus.

### **Our operating results may be affected by non-recurring income and expenses items.**

From time to time, our results of operation may be affected by non-recurring events, which may render our period-to-period results not comparable. During the Track Record Period, we received government subsidies upon disposal of Euro III DCVs of approximately HK\$1.2 million, HK\$0.6 million, HK\$4.1 million and HK\$3.7 million, respectively, and recorded a loss on disposal of property, plant and equipment of approximately HK\$0.6 million, HK\$1.1 million, HK\$3.9 million and HK\$3.4 million for the corresponding periods, which are non-recurring in nature. There is no assurance that the Hong Kong government policies on such subsidies will remain unchanged or that the current policies we benefit from will not be cancelled. Our operating results may fluctuate from period-to-period due to a variety of factors and our past performance may not be indicative of future performance.

### **We face keen competition in the air cargo terminal operation services and the transportation services markets in Hong Kong.**

According to the Frost and Sullivan Report, the transportation and warehousing services market in Hong Kong is fragmented with over 11,000 services providers and over 7,400 land freight transportation service operators in 2018. We have to compete with our competitors on a wide range of factors, such as services fees, service quality and our capacity to satisfy our customers’ orders. Our competitors may offer similar or better services, with competitive pricing and service packages that may appeal to our customers. Some competitors may have a more sizeable transportation fleet and manpower (including engaging dispatched labour) and may be able to respond more quickly than we do. In order to maintain our competitiveness and to retain our existing customers or solicit new customers, we may need to offer discounts to our service fees. If we are unable to retain or attract new customers, our business, financial condition and results of operations may be materially and adversely affected.

Our Group’s business may also be negatively affected by entrance of significant new competitor(s). The impact of operating in a highly competitive sector is particularly acute given the fact that, our Group’s contracts with customers in air cargo terminal operation services market generally are of a term no more than three years and are subject to periodic tender and renewal

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processes. There is no guarantee that our Group will be successful in any such processes, or the agreements are on acceptable terms, or at all. Customer loss, or retaining customers on less favourable commercial terms, could have a material adverse effect on our Group's revenue and profits.

In addition, some of our customers, being freight forwarders, face competition from international freight forwarders, logistics providers and express service providers. Any decline in their business will reduce their use of our services, which may materially and adversely affect our business operations and financial performance.

### **Tariffs recently proposed by the United States and PRC governments against the counterpart's products may adversely affect our revenue and profit.**

In April 2018, the United States government first announced that it intends to impose 25% tariffs on more than 1,300 Chinese industrial and other products. In July 2018, the United States levied retaliatory tariffs on US\$34.0 billion worth of Chinese goods and the PRC government responded by implementing retaliatory tariffs on US\$34.0 billion list of United States goods. In August 2018, the United States government further imposed 25% tariffs on approximately US\$16.0 billion worth of Chinese imports, and the Chinese government hit back by imposing 25% retaliatory tariffs on US\$16.0 billion worth of United States imports. In September 2018, the United States implemented additional 10% tariffs on approximately US\$200.0 billion worth of Chinese imports, and China responded by imposing tariffs on approximately US\$60.0 billion worth of United States imports. As the trade negotiation between the two countries ended without reaching a deal in May 2019, the United States announced to raise punitive tariffs on US\$200.0 billion of imports from China from 10% to 25% which took effect on 10 May 2019, and in response, the PRC government announced that it will impose tariffs ranging from 5% to 25% on US\$60.0 billion worth of US goods from 1 June 2019. In June 2019, the PRC government further announced that a group of unreliable entities comprises with foreign enterprises would be identified without definitive list of companies' identities announced. In August 2019, the United States announced a 10% tariffs on US\$300.0 billion worth of Chinese imports with effect from 1 September 2019, and subsequently delayed the tariffs on about half of the Chinese products to 15 December 2019. In response, China announced it will impose additional retaliatory tariffs against about US\$75.0 billion worth of US goods. On 15 January 2020, the United States and the PRC government signed the phase one agreement aimed at easing the Sino-US trade war. Pursuant to such agreement, among others, US tariffs on approximately US\$370 billion Chinese goods remain in place. On 6 February 2020, the PRC officials announced that tariffs that the Chinese government imposed on some United States goods since 1 September 2019 would be cut from 10% to 5%, and on others from 5% to 2.5%. The second phase agreement anticipated to be entered into between the PRC and the United States has not been concluded as at the Latest Practicable Date.

According to Frost and Sullivan, the recent trade war between the United States and the PRC may have a negative impact to the freight forwarding and transportation industries. With the United States' imposition of tariffs on certain Chinese imports and China's imposition of tariffs on certain United States imports, the trade volume between the United States and the PRC may significantly

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decrease, thus reducing the demand for air freight forwarding services, which will in turn adversely affect the demand for the air cargo ground handling services. In addition, any of our non-PRC based customers may be entitled to the unreliable entities list, thus may significantly affect their respective demand of our services offered in the PRC. This would adversely affect our business operations and financial results. In addition, we cannot assure that we will be able to respond quickly to any economic, market or regulatory changes in the overseas markets and any failure to do so may cause an adverse effect on our business performance, financial condition and results of operations.

### **RISKS RELATING TO OUR INDUSTRY**

**Hong Kong is our principal market and our business is susceptible to any material deterioration in the economic, political and regulatory environment in Hong Kong.**

A majority of our operations are based in Hong Kong and approximately 83.4%, 84.8%, 88.1% and 87.9% of our sales were generated in Hong Kong for the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019. Accordingly, if Hong Kong experiences any adverse economic, political or regulatory conditions due to events beyond our control, such as local economic downturn, natural disasters, contagious disease outbreaks (including the recent outbreak of COVID-19), terrorist attacks, or if the government adopts regulations that place restrictions on us or on our industry in general, our business, results of operations and prospects would be materially and adversely affected.

According to the Frost and Sullivan Report, the recent outbreak of the COVID-19 is anticipated to bring a major short-term impact to the global economy, particularly in the PRC, in 2020. The global supply chain and the logistics industry were adversely affected due to a reduction in international and inter-provincial flow of goods and unavailability of workers across the PRC. In the event that the COVID-19 is not effectively controlled within a short period of time, the government of Hong Kong and/or the PRC may adopt enhanced measures to combat the spread of COVID-19, including but not limited to requiring enterprises in selected industries to suspend their operations. The potential slowdown in economic growth and negative sentiment may materially and adversely affect the business operations and financial condition of our Group.

**We cannot assure you that Hong Kong will continue to maintain its position as a significant logistics hub in Asia.**

A majority of our revenue is based in Hong Kong. According to the Frost and Sullivan Report, Hong Kong is a renowned logistics hub in Asia. However, there is no assurance that Hong Kong can continue to maintain such position, as it is facing increasing competition from other regional hubs such as Shenzhen and Singapore. In the event that Hong Kong loses its position as a regional transportation hub in Asia, the demand for our air cargo terminal operation and transportation services may decrease and materially and adversely affect our business, financial condition and results of operations.

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### **Increasing labour cost and labour shortage in our industry may affect our business, financial conditions and results of operations.**

According to the Frost and Sullivan Report, the transportation services industry is a labour intensive industry and we cannot assure you that we will not experience any labour shortage for our services or that our labour costs will not continue to increase in the future. Pursuant to the introduction of the minimum wage legislation in Hong Kong, the current statutory minimum hourly wage is HK\$37.5 with effect on 1 May 2019. There is no assurance that the minimum wage will not be increased in future. For the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019, our aggregate employee benefits expenses and dispatch labour costs amounted to approximately HK\$134.5 million, HK\$131.0 million, HK\$140.8 million and HK\$64.6 million, respectively, representing approximately 45.5%, 43.5%, 42.8% and 43.6% of our Total Operating Costs for the corresponding periods. If we fail to retain our existing labour and/or recruit sufficient staff at the expected rate in a timely manner, we may not be able to shift the extra costs to our customers. As such, the increasing labour costs and labour shortage may adversely affect our business, financial conditions and results of operations.

### **RISKS RELATING TO CONDUCTING BUSINESS IN HONG KONG**

#### **Economic, political and social considerations.**

Our performance and financial conditions depend on the economy in Hong Kong. Our revenue attributable to the Hong Kong market accounted for approximately 83.4%, 84.8%, 88.1% and 87.9% of our Group's total revenue for the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019. If there is a downturn in the economy of Hong Kong, our results of operations and financial position may be adversely affected. In addition to economic factors, social unrest or civil movements such as occupation activities may also affect the state of economy in Hong Kong and in such case, our Group's operations and financial position may also be adversely affected.

Hong Kong is a special administrative region of the PRC. It enjoys a high degree of autonomy under the principle of "one country, two systems" in accordance with the Basic Law of Hong Kong. However, we cannot guarantee the "one country, two systems" principle and the level of autonomy would be maintained as currently in place. Recently, Hong Kong has witnessed an increasing number of protests and social demonstrations, which may negatively affect the economy and political stability of Hong Kong. Since our headquarters are located in Hong Kong, any change of Hong Kong's existing political environment may affect the stability of the economy in Hong Kong, and any such economic, political and social instability, if significant and prolonged, could have a material adverse effect on our results of operations and financial position.

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

**Changes in the PRC's economic, political and social conditions, as well as government policies, could affect our business and prospects.**

Part of our operations are located in the PRC and part of our revenue is derived from our operations in the PRC. Therefore, our business, results of operations, financial condition and prospect are, to a significant extent, subject to the economic, political and social conditions and government policies in the PRC. The economy of the PRC differs from the economies of the most developed countries in many aspects, including but not limited to (i) the degree of the PRC government's involvement; (ii) the growth rate and degree of development; (iii) control of foreign exchange; and (iv) allocation of resources.

The PRC's economy used to be a planned economy, and a substantial portion of productive assets in the PRC are still owned by the PRC government. The PRC government also exercises substantial control over the PRC's economic growth by allocating resources, setting monetary policies and providing preferential treatment to particular industries or companies. While the PRC government has implemented economic reform measures to introduce market forces and to establish sound corporate governance in business enterprises, such economic reform measures may be adjusted, modified or applied inconsistently from industry to industry, or across different regions of the country. Hence, we cannot assure you that we may be able to benefit from all, or any, of the measures which are under constant adjustments.

**Extensive government regulation of the logistics industry may limit our flexibility to respond to market conditions, competition or changes in our cost structure.**

The logistics industry in the PRC is subject to various laws and regulations. Any change in the scope or application of these laws, regulations or approvals, however, may limit our ability to conduct our businesses, increase our costs, or increase competition and could have a material adverse effect on our financial results. In addition, complying with such laws and regulations may give rise to unexpected compliance costs that could have an effect on our financial condition and results of operations. Our failure to comply with such laws and regulations could also result in fines, penalties or lawsuits.

Furthermore, precedents on the interpretation, implementation and enforcement of the PRC laws and regulations are limited. As such, the outcome of dispute resolutions may not be consistent or predictable as in the other more developed jurisdictions and it may be difficult to obtain swift or equitable enforcement under the PRC laws, or to obtain enforcement of judgment by a court of another jurisdiction.

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### **It may be difficult to effect service of process or to enforce foreign judgments against our Group.**

Part of our operations are located in the PRC. Therefore, investors may encounter difficulties in effecting service of process from outside the PRC upon us. Moreover, it is understood that the enforcement of foreign judgments in the PRC is subject to uncertainties. A judgement of a court from a foreign jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with the PRC. However, the PRC does not have treaties for the reciprocal recognition and enforcement of court judgments with the U.S., the U.K. and many other countries. As a result, recognition and enforcement in the PRC or Hong Kong of a court judgement obtained in the United States and any of the other jurisdictions mentioned above may be difficult or impossible.

### **Payment of dividends is subject to restrictions under the PRC law.**

As our Company is a holding company, we rely on dividend from our subsidiaries in the PRC for cash requirements, including service of any debts our Group may incur. Under the current PRC law, dividend may be paid only out of our PRC subsidiaries' accumulated after-tax profits, if any, determined in accordance with PRC accounting standards and regulations. Moreover, each of our PRC subsidiary is required to set aside a certain amount of its after-tax profits each year, if any, to fund certain statutory reserves. These reserves are not distributable as cash dividends. In addition, in the future, if any of our PRC subsidiary incurs debt on its own behalf, the instruments governing the debt may impose restrictions on its ability to pay dividends or other payments to our Company. The inability of our PRC subsidiary to distribute dividends or other payments to our Company could significantly affect the amount of capital available to supply the development and growth of our business.

### **PRC government's control of foreign currency may limit our foreign exchange transactions, including dividend payments to our Company's shareholders in foreign currency.**

The RMB generally cannot be freely converted into any foreign currencies. Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the PRC State Administration of Foreign Exchange or the SAFE, subject to certain procedures. Hence, our PRC subsidiary is able to pay dividends in foreign currencies to our Company without prior approval from the SAFE by satisfying certain procedural requirements. However, there is no assurance that the foreign exchange policies regarding payment of dividends in foreign currencies will continue.

Moreover, foreign exchange transactions under the capital account, including principal payments in respect of foreign currency-denominated obligations, continue to be subject to limitations and require prior approval of the SAFE. The PRC government may further implement rules and regulations in the future, which could restrict the use of foreign currency under current account and capital account in certain circumstances. These restrictions could affect our ability to

## **RISK FACTORS**

obtain foreign currency through debt financing, or to obtain foreign exchange needed for our capital expenditure, and could materially and adversely affect our business, financial condition and results of operations.

### **Inflation in the PRC in general may increase our cost of operations.**

We engage external transportation services providers for part of our (i) point-to-point transportation services within or adjacent to Shenzhen, Shanghai, Guangzhou and Chengdu, the PRC; and (ii) two-way non-stop transportation services across the borders of Hong Kong and Guangdong Province, the PRC. While the PRC economy has experienced rapid growth, such growth has been accompanied by periods of high inflation. In order to control inflation in the past, the PRC government has imposed controls on bank credits, limits on loans for fixed assets and restrictions on state bank lending. Nevertheless, the effects of the stimulus measures implemented by the PRC government since the global economic crisis in 2008 may have contributed to the occurrence of, and continue increase in, inflation in the PRC. If such inflation is allowed to proceed without mitigating measures by the PRC government, our operational costs will likely increase, and our profitability may be materially reduced, as there is no assurance that we will be able to pass any cost increases onto our customers. If the PRC government implements new measures to control inflation, these measures may lead to a slowing of economic growth. A slowdown in the PRC economy may have a material adverse effect on our business, results of operation, financial condition and prospects.

### **Fluctuation of RMB could materially affect our financial condition and results of operations.**

The exchange rate of the RMB against the US\$ and other foreign currencies fluctuates and is affected by, among other things, the policies of the PRC government and changes in the PRC's and international political and economic conditions. Any future exchange rate volatility relating to the RMB may lead to uncertainties in the value of our net assets, earnings and dividends.

The net proceeds from the Share Offer will be denominated in HK\$. Fluctuations in exchange rates, primarily those involving the HK\$ and the US\$, may affect the relative purchasing power of these proceeds. Moreover, fluctuation in the exchange rate will affect the relative value of earnings from and the value of any foreign currency-denominated investments our Company make in the future.

Any appreciation of the RMB against the US\$ or any other foreign currencies may result in a decrease in the value of the foreign currency-denominated assets.

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

### **Termination of the Public Offer Underwriting Agreement.**

Prospective investors should note that the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) are entitled to terminate the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement by giving written notice to us upon

## RISK FACTORS

the occurrence of any of the events set out in the section headed “Underwriting — Underwriting Arrangements and Expenses — The Public Offer — Grounds for Termination” in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such event may include, without limitation, acts of government or orders of any courts, labour disputes, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency, riots, public disorder, economic sanctions, outbreaks of diseases or epidemics.

**There has been no prior public market for our Shares, and there may be limited liquidity in the Shares and volatility in the price of the Shares on GEM.**

The Shares have not been traded in any open market before completion of the Listing. The Offer Price is the result of negotiations between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), and may not serve as an indicator of the price of the Shares traded on GEM in the future. There is no assurance that an active trading market of the Shares will develop upon Listing or if it does develop, that it may be sustained for any period of time after Listing. Upon Listing, the transaction volume and market price of the Shares may be affected by various factors, including the revenue, profitability and cash flow of our Company, change of key personnel of our Company, announcements of new investments, strategic alliance and/or acquisition, transaction volume of the Shares, development of GEM, general economic conditions, fluctuations in market prices of our products, changes in securities analysts’ analysis of our financial performance, concentration of shareholding in the hands of small number of investors, involvement in litigation, and other factors. All such factors may result in significant fluctuations in the market price and/or transaction volume of the Shares. There is no assurance that such changes will not occur.

**Should the Offer Price be higher than the net tangible book value per Share, our Shareholders may experience an immediate dilution in the book value of their Shares purchased in the Share Offer and may experience further dilution if we issue additional Shares in the future.**

The Offer Price of our Shares may be higher than the net tangible assets value per Share immediately prior to the Listing. Therefore, our Shareholders may experience an immediate dilution in pro forma consolidated net tangible assets value.

In addition, in order to expand our business, we may need to raise additional funds in the future to finance expansion of or new developments relating to our existing operations or new acquisitions. If we issue additional Shares or equity-linked securities of our Company in the future other than on a pro-rata basis to the existing Shareholders, the percentage ownership of the existing Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the Shares under the Share Offer. If we fail to utilise the additional funds to generate the expected earnings, this could adversely affect our financial results and in turn exerts pressure to the market price of the Shares. Even if additional funds are raised by means of debt financing, any additional debt financing may, apart from increasing interest expense and gearing, contain restrictive covenants with respect to dividends, future fund raising exercises and other financial and operational matters.



## RISK FACTORS

### **Additional equity fund raising may lead to dilution of shareholders' interests and decrease in market price of the Shares.**

We may find opportunities to grow through acquisitions that cannot currently be anticipated. Secondary issue(s) of securities after the Share Offer may be necessary to raise the required capital to capture these growth opportunities. If additional funds are raised by issuing new equity securities in the future to new and/or existing Shareholders after the Listing, such new Shares may be priced at a discount to the then prevailing market price. If existing Shareholders are not offered an opportunity to participate, their shareholding interest in our Company will be diluted.

Also, if we fail to utilise the additional funds to generate the expected earnings, this could adversely affect our financial results and in turn exerts pressure to the market price of the Shares. Even if additional funds are raised by means of debt financing, any additional debt financing may, apart from increasing interest expense and gearing, contain restrictive covenants with respect to dividends, future fund raising exercises and other financial and operational matters.

### **There may be dilution because of the issuance of Shares pursuant to the options which may be granted under the Share Option Scheme.**

We may grant share options to eligible participants under the Share Option Scheme, who may be employees, senior management and Directors. The exercise of share options under the Share Option Scheme will result in an increase in the number of Shares, and may result in a dilution to the percentage of ownership of the shareholders of our Company, the earnings per Share and net asset value per Share depending on the exercise price. Further details of the Share Option Scheme are summarised in the section headed “Statutory and General Information — Other Information — 15. Share Option Scheme” in Appendix IV to this prospectus.

### **Historical dividends are not indicative of our Group future's dividends.**

For the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019, our Group declared dividends of HK\$15.0 million, nil, HK\$9.0 million and nil, respectively. The value of dividends declared and paid in previous years should not be relied on by potential investors as a guide to the future dividend policy of our Group or as a reference or basis to determine the amount of dividends payable in the future. There is no assurance that dividends will be declared or paid in the future, at a similar level or at all. Our future declarations of dividends will be subject to, among other things, the discretion of our Board. Any distributable profits that are not distributed in any given year may be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. In any event, there can be no assurance that we will be able to declare or distribute any dividend.

## RISK FACTORS

**Future sale of the Shares or major divestment of the Shares by our Controlling Shareholders or substantial shareholders of our Company may cause Share price to fall.**

The sale of a significant number of Shares by our Controlling Shareholders or substantial shareholders in the public market after the Listing, or the perception that such sale may occur, could adversely affect the market price of the Shares. Except as otherwise described in the section headed “Underwriting” in this prospectus and the restrictions set out by the GEM Listing Rules, there are no restrictions imposed on our Controlling Shareholders or substantial shareholders of our Company to dispose of their shareholdings. Any major disposal of Shares by any of our Controlling Shareholders or substantial shareholders of our Company may cause the market price of the Shares to fall. In addition, these disposals may make it more difficult for our Group to issue new Shares in the future at a time and price that the Directors deem appropriate, thereby limiting our ability to raise capital.

**Since there will be a gap of several days between pricing and trading of the Offer Shares, holders of the Offer Shares are subject to the risk that the price of the Offer Shares could fall during the period before trading of the Offer Shares begins.**

The Listing of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be seven business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in Shares during that period. Accordingly, holders of Shares are subject to the risk that the price of their Offer Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

**3C Holding, Mr. LB Chan and Mr. Chan Yu, being our Controlling Shareholders, may exert substantial influence over our operations and may not act in the best interests of our Share Offer Shareholders.**

Immediately following the Listing, 3C Holding, Mr. LB Chan and Mr. Chan Yu, being our group of Controlling Shareholders will own, directly or indirectly, approximately 68.8% of our issued share capital, without taking into account of the Shares which may be allotted and issued upon the exercise of any Option and the options that may be granted under the Share Option Scheme. Therefore, they will be able to exercise significant influence over all matters requiring Shareholders’ approval, including the election of Directors and the approval of significant corporate transactions. They will also have veto power with respect to any shareholder action or approval requiring a majority vote except where they are required by relevant rules to abstain from voting. Such concentration of ownership may also have the effect of delaying, preventing or deterring a change in control of our Group that would otherwise benefit our Shareholders. The interests of our Controlling Shareholders may not always align with our Company or your best interests. If the interests of our Controlling Shareholders conflict with the interests of our Company or our other Shareholders, or if our Controlling Shareholders choose to pursue strategies that conflict with the interests of our Company or other Shareholders, our Company or those other Shareholders, including you, may be disadvantaged as a result.

## **RISK FACTORS**

**Investors in our Shares may face difficulties in protecting their interests under Cayman Islands law, which may provide remedies to minority shareholders that differ from the remedies available under the laws of Hong Kong or other jurisdictions.**

Our corporate affairs are governed by, among other things, the Articles of Association, Companies Law and the common law of the Cayman Islands. The rights of Shareholders to take action against our directors, actions by minority shareholders, and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands and the Articles of Association. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those in Hong Kong and other jurisdictions. These differences mean that the remedies available to our minority Shareholders may be different from those that minority shareholders would have under the laws of Hong Kong or other jurisdictions. Please refer to “Summary of Constitution of our Company and Cayman Islands Company Law” in this prospectus for further details.

**The International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands (“ES Law”) may impact on our Company.**

Pursuant to the ES Law that came into force on 1 January 2019, a “relevant entity” is required to satisfy the economic substance test set out in the ES Law. A “relevant entity” includes an exempted company incorporated in the Cayman Islands as is our Company; however it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as our Company is a tax resident outside the Cayman Islands, including in Hong Kong and the PRC, it is not required to satisfy the economic substance test set out in the ES Law. We cannot assure that this legislation will not impact our Company or our Group in the future.

**Forward-looking statements contained in this prospectus are subject to risks and uncertainties.**

This prospectus contains certain statements that are “forward-looking” and indicated by the use of forward-looking terminology such as “believe”, “intend”, “anticipate”, “estimate”, “plan”, “potential”, “will”, “would”, “may”, “should”, “expect”, “seek” or similar terms. Prospective investors are cautioned that reliance on any forward-looking statement involves risk and uncertainties and that, even if the Directors believe the assumptions related to those forward-looking statements are reasonable, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The risks and uncertainties in this regard consist of those identified in the risk factors discussed above. In light of these and other risks and uncertainties, the enclosure of forward-looking statements in this prospectus should not be regarded as representations by our Company that the plans and objectives will be achieved, and investors should not place undue reliance on such statements. Our Company does not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events, or otherwise. Please refer to the section headed “Forward-looking Statements” in this prospectus for further details.

## RISK FACTORS

**Investors should not rely on any information contained in press articles or other media regarding our Group or the Share Offer.**

We wish to emphasise to prospective investors that we do not accept any responsibility for the accuracy or completeness of the information contained in any press articles or other media coverage regarding us or the Share Offer, and such information that was not sourced from or authorised by us. We make no representation to the appropriateness, accuracy, completeness or reliability of any information contained in any press articles or other media coverage about our business or financial projections, share valuation or other information. Accordingly, prospective investors should not rely on any such information and should rely only on information included in this prospectus in making any decision as to whether to invest in our Shares.

**Certain facts and statistics in this prospectus may not be reliable and accurate.**

The facts and statistics disclosed in this prospectus (particularly those set out in the section headed “Industry Overview” in this prospectus) relating to Hong Kong, its economy, regulatory framework and the air cargo ground handling services industry have been derived from various publications which we believe to be reliable. However, we cannot guarantee the quality or reliability of such source materials. Whilst we have taken reasonable care in the production of such information, they have not been independently verified by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers or the Underwriters, any of our or their respective directors or any other parties involved in the Share Offer. Therefore, all the aforesaid parties, including but not limited to our Company and the Sole Sponsor, make no representation as to the accuracy of such facts and statistics disclosed in this prospectus. Due to the possibly flawed or ineffective data collection methods or discrepancies between published information and market practise, the facts and statistics disclosed in this prospectus may be inaccurate or may not fairly reflect the actual situations or market conditions. Furthermore, we cannot assure that such information is stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. Accordingly, prospective investors should not rely on any such information and should rely only on information included in this prospectus in making any decision as to whether to invest in our Shares.

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

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

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purposes of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief:

- (a) the information contained in this prospectus is accurate and complete in all material respects and is not misleading or deceptive;
- (b) there are no other matters the omission of which would make any statement herein or this prospectus misleading; and
- (c) all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are considered fair and reasonable.

### **INFORMATION ON THE SHARE OFFER**

The Offer Shares are offered for subscription solely on the basis of the information contained and representations made in this prospectus, and on the terms and subject to the conditions set out herein. No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus. Any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, and any of our or their respective affiliates, directors, officers, employees, agents or representatives, or any other person or party involved in the Share Offer.

### **OFFER SHARES ARE FULLY UNDERWRITTEN**

This prospectus is published solely in connection with the Share Offer. The listing of the Shares on GEM is sponsored by the Sole Sponsor and managed by the Joint Bookrunners and the Joint Lead Managers. The Share Offer is fully underwritten by the Underwriters pursuant to the Underwriting Agreements, subject to the terms and conditions of the Underwriting Agreements and that the Offer Price will be determined by agreement between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date. For further details on the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) by that date or such later date, the Share Offer will not become unconditional and will lapse.

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

### **OFFER PRICE**

The Offer Shares are being offered at the Offer Price which will be determined in Hong Kong dollars by our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date. The Offer Price will not be more than HK\$0.58 per Offer Share and is expected to not be less than HK\$0.42 per Offer Share. Subscribers, must pay, on application, the maximum Offer Price of HK\$0.58 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK\$2,929.23 for one (1) board lot of 5,000 Offer Shares. For further details on the Offer Price, please refer to the section headed “Structure and Conditions of the Share Offer” in this prospectus.

### **RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES**

No action has been taken to permit any offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, any offer or invitation nor is it taken as an invitation or solicitation of offers in any jurisdiction or under any circumstances where such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable laws, rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities or as an exemption therefrom.

Each person acquiring the Offer Shares will be required to confirm, or by his or her acquisition of the Offer Shares be deemed to confirm, that he or she is aware of the restrictions on the placing of the Offer Shares described in this prospectus and that he or she is not acquiring, and has not been offered, any such shares in circumstance that contravenes any such restrictions.

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

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

The procedure for application for the Public Offer Shares is set out in the section headed “How to Apply for the Public Offer Shares” in this prospectus and on the relevant Application Forms.

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

For further details on the structure and conditions of the Share Offer, please refer to the section headed “Structure and Conditions of the Share Offer” in this prospectus.

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

### **APPLICATION FOR LISTING ON GEM**

Application has been made to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue on GEM and the Shares which may be allotted and issued pursuant to the exercise of any option which may be granted under the Share Option Scheme. No part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at least 25.0% of the total number of issued Shares must at all times be held by the public. A total of 120,000,000 Offer Shares, representing 25% of the enlarged issued Shares immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme) will be made available under the Share Offer.

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

Save as disclosed herein, no part of the Shares or loan capital of our Company is listed, traded or dealt in on any other stock exchange. At present, we are not seeking or proposing to seek a listing of, or permission to deal in, any part of the Shares or loan capital on any other stock exchange.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

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

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. If you are unsure about the details of CCASS settlement arrangements and how such arrangements will affect your rights and interests, you should seek advice from your stockbrokers or other professional advisers.

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

All necessary arrangements have been made for our Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

If you are unsure about the taxation implications of the subscription for, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to the Shares, you should consult your professional adviser. It is emphasised that none of our Company, the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, any of their respective directors, agents or advisers or any other person involved in the Share Offer accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to the Shares.

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

Our Company's principal register of members will be maintained by our principal share registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands and our Company's Hong Kong branch register of members will be maintained by our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, in Hong Kong.

The Shares are freely transferable. Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

All the Offer Shares will be registered on the branch register of members of our Company in Hong Kong. Dealings in the Shares registered on our Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of our Shares will be paid to the Shareholders listed on our Company's Hong Kong branch register of members to be maintained in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder or its joint Shareholders, to the first-named therein in accordance with the Articles.

### **COMMENCEMENT OF DEALINGS IN THE SHARES**

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. (Hong Kong time) on or around Monday, 20 April 2020. Shares will be traded in board lots of 5,000 Shares each. The stock code for our Shares is 8620. Our Company will not issue any temporary documents of title.

### **PROCEDURE FOR APPLICATION FOR PUBLIC OFFER SHARES**

The procedure for applying for Public Offer Shares is set out in the section headed "How to Apply for the Public Offer Shares" in this prospectus and on the relevant Application Forms.



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

### **LANGUAGE**

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

### **ROUNDING**

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of individual items. Where information is presented in thousands or millions of units, amount may have been rounded up or down. Any discrepancies in any table between the totals and the sums of amounts and percentages listed therein are due to rounding.

<b>DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER</b>
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## DIRECTORS

Name	Residential address	Nationality
<b>Executive Directors</b>		
Mr. Chan Yu (陳宇)	Flat B, 12/F, Tower 6 City Point 48 Wing Shun Street Tsuen Wan New Territories Hong Kong	Chinese
Mr. Chan Le Bon (陳烈邦)	G/F, No. 6, Ma Kwu Lam Village Sai Kung New Territories Hong Kong	Chinese
<b>Non-executive Director</b>		
Mr. Choy Wing Hang, William (蔡穎恒)	Flat 1, 32/F, Block J Beverly Hill 6 Broadwood Road Happy Valley Hong Kong	Chinese
<b>Independent non-executive Directors</b>		
Mr. Fu Lui (府磊)	Flat D, 7/F, Block 8 Pristine Villa 18 Pak Lok Path Sha Tin New Territories Hong Kong	Chinese
Mr. Chan Chi Ho (陳志豪)	Flat H, 3/F., Tower 12A Laguna Verde Hung Hom Kowloon Hong Kong	Chinese
Ms. Chui Sin Heng (徐倩珩)	Flat A, 8/F, Shatin Lodge 2 Lok Fung Path Fo Tan Yeuk Shatin New Territories Hong Kong	Chinese

Please refer to the section headed “Directors, Senior Management and Employees” for further details.

## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

### PARTIES INVOLVED IN THE SHARE OFFER

#### Sole Sponsor

##### **South China Capital Limited**

*A corporation licenced under the SFO and permitted to carry out Type 6 (advising on corporate finance) regulated activities as defined under the SFO*

28/F, Bank of China Tower  
1 Garden Road  
Central  
Hong Kong

#### Joint Bookrunners and Joint Lead Managers

##### **China Tonghai Securities Limited**

*A corporation licensed under the SFC and permitted to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts, type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO*

18/F–19/F China Building  
29 Queen's Road Central  
Hong Kong

##### **Wealth Link Securities Limited**

*A corporation licensed under the SFC and permitted to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO*

Suite 1504, 15/F, Bangkok Bank Building  
28 Des Voeux Road Central  
Central  
Hong Kong

##### **South China Securities Limited**

*A corporation licensed under the SFC and permitted to carry out type 1 (dealing in securities) regulated activity under the SFO*

28/F, Bank of China Tower  
1 Garden Road  
Central  
Hong Kong

<b>DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER</b>
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**Public Offer Underwriters**

**China Tonghai Securities Limited**

18/F–19/F China Building  
29 Queen’s Road Central  
Hong Kong

**Wealth Link Securities Limited**

Suite 1504, 15/F, Bangkok Bank Building  
28 Des Voeux Road Central  
Central  
Hong Kong

**South China Securities Limited**

28/F, Bank of China Tower  
1 Garden Road  
Central  
Hong Kong

**Legal advisers to our Company**

*As to Hong Kong law*

**Holman Fenwick Willan**

15/F, Tower I, Lippo Centre  
89 Queensway  
Admiralty  
Hong Kong

*As to Cayman Islands law*

**Conyers Dill & Pearman**

Cricket Square  
Hutchins Drive  
PO Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*As to the PRC law*

**Han Kun Law Offices**

Room 2103, 21/F Kerry Plaza Tower 3  
1-1 Zhongxinsi Road  
Futian District  
Shenzhen 518048  
Guangdong  
PRC

<b>DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER</b>
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**Legal advisers to the Sole Sponsor and  
the Underwriters**

*As to Hong Kong law*  
**P. C. Woo & Co.**  
12/F Prince's Building  
10 Chater Road  
Central  
Hong Kong

*As to the PRC law*  
**Grandall Law Firm (Shenzhen)**  
24/F, Shenzhen Special Zone Press Tower  
6008 Shennan Avenue  
Shenzhen 518009  
PRC

**Auditor and reporting accountants**

**Deloitte Touche Tohmatsu**  
*Certified Public Accountant*  
35/F, One Pacific Place  
88 Queensway  
Hong Kong

**Industry consultant**

**Frost & Sullivan Limited**  
Room 1706, One Exchange Square  
8 Connaught Place  
Central, Hong Kong

**Receiving bank**

**Industrial and Commercial Bank of China  
(Asia) Limited**  
33/F., ICBC Tower  
3 Garden Road  
Central  
Hong Kong

**Compliance adviser**

**South China Capital Limited**  
28/F, Bank of China Tower  
1 Garden Road  
Central  
Hong Kong

## CORPORATE INFORMATION

<b>Registered office in the Cayman Islands</b>	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Principal place of business in the PRC</b>	1209, 1211, 1213, 1215, 1217, 1219 Guangyin Building No. 38, Futian South Road Huanggang Port Futian District Shenzhen PRC
<b>Principal place of business in Hong Kong</b>	Unit 1613–1615, Level 16 Tower 1 Metroplaza 223 Hing Fong Road Kwai Fong Hong Kong
<b>Company's website</b>	<b><u><a href="http://www.asia-expresslogs.com">www.asia-expresslogs.com</a></u></b> <i>(information on the website does not form part of this prospectus)</i>
<b>Company secretary</b>	Mr. Yip Chun Ming, Alex (CPA) Flat D, 11/F, Tower 33 South Horizons Ap Lei Chau Hong Kong
<b>Authorised representatives (for the purpose of the GEM Listing Rules)</b>	Mr. Chan Yu Flat B, 12/F, Tower 6 City Point 48 Wing Shun Street Tsuen Wan New Territories Hong Kong  Mr. Yip Chun Ming, Alex Flat D, 11/F, Tower 33 South Horizons Ap Lei Chau Hong Kong

## CORPORATE INFORMATION

<b>Compliance officer</b>	Mr. Chan Yu Flat B, 12/F, Tower 6 City Point 48 Wing Shun Street Tsuen Wan New Territories Hong Kong
<b>Audit committee</b>	Mr. Fu Lui ( <i>Chairman</i> ) Mr. Chan Chi Ho Ms. Chui Sin Heng
<b>Remuneration committee</b>	Mr. Chan Chi Ho ( <i>Chairman</i> ) Mr. Fu Lui Ms. Chui Sin Heng
<b>Nomination committee</b>	Ms. Chui Sin Heng ( <i>Chairman</i> ) Mr. Chan Chi Ho Mr. Fu Lui
<b>Principal share registrar and transfer office in the Cayman Islands</b>	<b>Conyers Trust Company (Cayman) Limited</b> Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Hong Kong branch share registrar and transfer office</b>	<b>Tricor Investor Services Limited</b> Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
<b>Principal bank</b>	<b>The Hongkong and Shanghai Banking Corporation Limited</b> 21/F, Crocodile Center 79 Hoi Yuen Road Kwun Tong Kowloon

## INDUSTRY OVERVIEW

*The information and statistics in this section, unless otherwise indicated, are derived from various private and official governmental publications, publicly available sources and the Frost and Sullivan Report, a market research report prepared by Frost and Sullivan and commissioned by our Group. We believe that the sources of the information in this section are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information prepared by Frost and Sullivan and set out in this section has not been independently verified by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Share Offer (which for the purpose of this paragraph, excludes Frost and Sullivan) and we do not give any representations as to its accuracy or correctness and accordingly it should not be relied upon in making, or refraining from making, any investment decision.*

### SOURCE AND RELIABILITY OF INFORMATION

Our Group commissioned Frost and Sullivan, an independent market research company, to conduct an analysis of, and to produce a report on, the logistics, third party logistics service and cargo terminal operating service market study in Hong Kong and the PRC for use in this prospectus. Frost and Sullivan is an independent global consulting firm founded in 1961, and offers industry research, market strategies and provides growth consulting and corporate training on a variety of industries. The information from Frost and Sullivan disclosed in this prospectus is extracted from the Frost and Sullivan Report, a report commissioned by us for a fee of HK\$650,000 and is disclosed with the consent of Frost and Sullivan.

The Frost and Sullivan Report was undertaken through both primary and secondary research obtained from various sources. Primary research included interviews with industry experts and participants in the PRC logistics services market. Secondary research involved reviewing the statistics published by the government official statistics, industry publications, annual reports and data based on Frost and Sullivan's own database. Frost and Sullivan also adopted the following primary assumptions while making projections on the macroeconomic environment, the overall the logistics, third party logistics service and cargo terminal operating service markets in Hong Kong and the PRC:

- Hong Kong and the PRC's economy are expected to grow at a steady rate supported by favourable government policies as well as global economic recovery, among other factors; and
- The social, economic and political environment of Hong Kong and the PRC (including its relationship with the United States) is likely to remain stable during the forecast period, which would ensure a sustainable and steady development of the logistics services market in Hong Kong and the PRC.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost and Sullivan Report. The year-end for the market size and competitive landscape analysis is based on our financial year (i.e. 31 March) and the year-end for the other tables is based on calendar year (i.e. 31 December) unless otherwise specified. Our Directors confirm that after taking reasonable care, the sources of information used in this section, which are extracted from the Frost and Sullivan Report, are reliable and not misleading as Frost and Sullivan is an independent professional market research agency with extensive experience, and there is no material adverse change in the overall market information since the date of the Frost and Sullivan Report that would materially qualify, contradict or have an impact on such information.

### MACRO ECONOMIC ENVIRONMENT

#### OVERVIEW OF GLOBAL AIR CARGO SERVICES MARKET

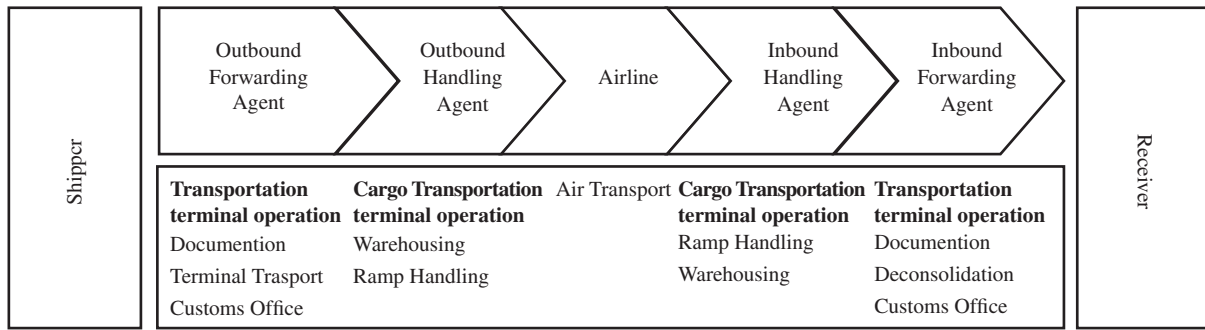
##### Industry Value Chain of Air Cargo Services Market

Service providers in air cargo services market usually offer specialised logistics services to the shipper at the origin and at the destination of the shipment throughout the entire logistics operation. Prior to delivery, the freight forwarder will arrange flight bookings, cartage for crating and consolidation at the service provider's facility and delivery to airport at the origin for loading. The service continues when the cargo arrives at the cargo terminal of its destination where agency or partner of the freight forwarder will provide services including crate breakdown, storage, distribution and delivery to the consignee through warehousing and land freight transportation services providers.



## INDUSTRY OVERVIEW

The flowchart below illustrates the value chain of the air cargo services market:

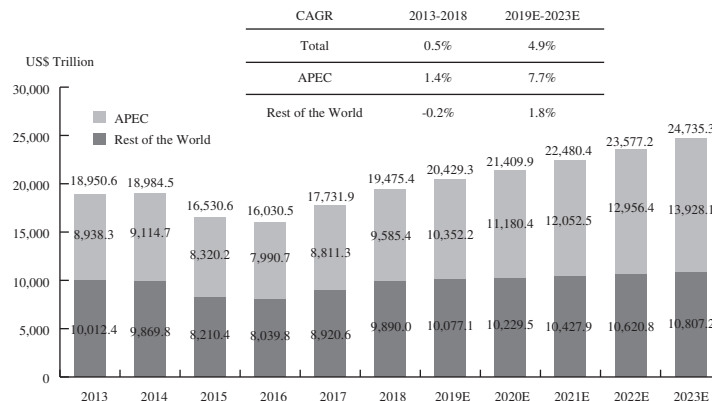


Source: Frost and Sullivan

### International Merchandise Trade Volume

With the undesirable global economic performance in 2015 and 2016, the international trade performance, as well as the performance of the APEC countries, has been heavily affected in recent years. From 2013 to 2018, the international merchandise trade volume has decreased from US\$18,950.6 trillion in 2013 to US\$19,475.4 trillion in 2018, representing a CAGR of approximately 0.5%. The merchandise trade in APEC has also recorded a positive CAGR of approximately 1.4% from 2013 to 2018. The economy in European countries and USA have recovered since 2017 which has also improved the international trade performance since 2017. It is therefore expected the merchandise trade volume will reach approximately US\$24,735.3 trillion by 2023 with a CAGR of approximately 4.9% from 2019 to 2023.

#### International Merchandise Trade Volume (World & APEC Region), 2013–2023E



Source: World Trade Organisation, Frost and Sullivan

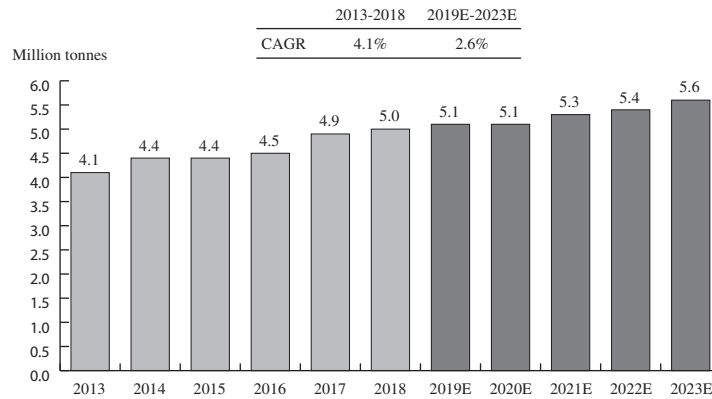
### OVERVIEW OF AIR CARGO SERVICES MARKET IN HONG KONG AND THE GREATER BAY AREA

Hong Kong plays an important role in the international air cargo market as it remains as the world's busiest air cargo hub in 2018 according to the Airports Council International. There are currently 3 cargo terminals at the Hong Kong International Airport which are capable to process about 7.4 million tonnes of cargo annually, whereas the Guangzhou Baiyun International Airport and the Shenzhen Bao'an International Airport are two of the five largest air cargo airports in China in 2018.

During 2013 to 2018, air cargo service market experienced a steady growth, which is reflected by the fact that air cargo throughput increased from approximately 4.1 million tonnes in 2013 to 5.0 million tonnes in 2018, representing a CAGR of 4.1%. The increase of inbound and outbound cargo is driving the air cargo throughput growth in Hong Kong. The increasing demand from the growing global e-commerce activities is expected to provide a strong growth momentum to the air cargo market growth at a CAGR of approximately 2.6% from 2019 to 2023, reaching approximately 5.6 million tonnes in 2023.

## INDUSTRY OVERVIEW

### Market Size of Cargo throughput by Air Transport in Hong Kong, 2013–2023E

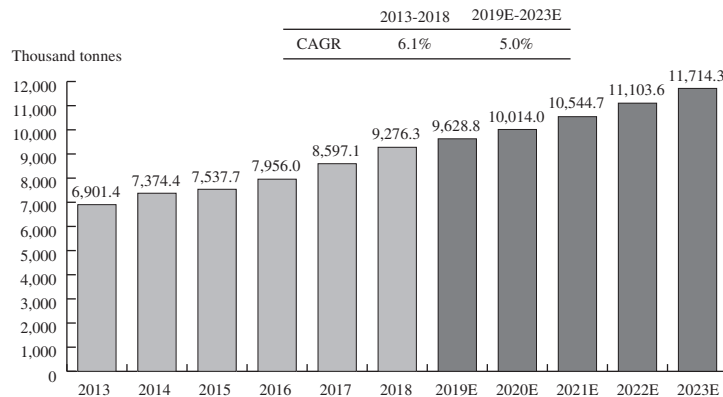


Source: Frost and Sullivan

### Market Potential in the Greater Bay Area

The rapid development of air logistic infrastructure in Hong Kong, Guangzhou and Shenzhen have supported the growth of air logistic market in the Greater Bay Area recently. From 2013 to 2017, the total air cargo throughput has increased from approximately 6,901.4 thousand tonnes in 2013 to 9,276.3 thousand tonnes in 2018, representing a CAGR of 6.1%. With the governmental policy on developing the Greater Bay Area, the logistic service in the Area is expected to grow further. It is therefore expected that the total air cargo throughput will reach approximately 11,714.3 thousand tonnes by 2023, with a CAGR of approximately 5.0% from 2019 to 2023.

### Cargo Throughput by Air Transport in the Greater Bay Area, 2013–2023E



Source: Frost and Sullivan

### Cost Factors of Air Cargo Services Market

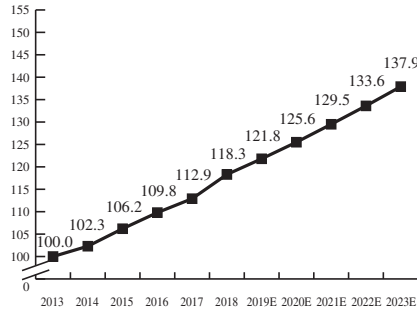
Logistics related personnel include labour who are engaged in (i) import and export trading; (ii) land transport; and (iii) other logistic services such as warehouses. The wage indices have increased at a CAGR of approximately 3.4% during 2013 to 2018. Warehouses are important facilities within the logistics chain and are often located in private flatted factories. The rental price indices have raised at a CAGR of approximately 6.6% from 2013 to 2018.

Due to the healthy growth of Hong Kong economy, it is expected the performance of the international trade will be improved. Hence, the labour wage of logistics industry and rental price for private flatted factories would be expected to result in a positive CAGR of approximately 3.1% and 5.0% during 2019 to 2023 respectively.

## INDUSTRY OVERVIEW

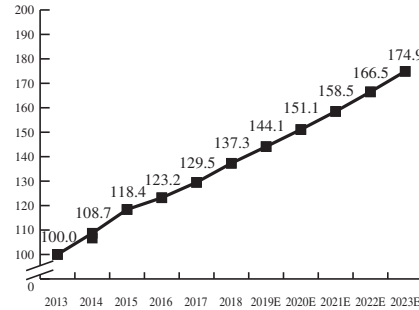
**Wage indices of logistic related personnel (Hong Kong), 2013-2023E**

	2013-2018	2019E-2023E
CAGR	3.4%	3.1%



**Rental price indices of private flatted factories (Hong Kong), 2013-2023E**

	2013-2018	2019E-2023E
CAGR	6.6%	5.0%



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

### Entry Barriers of Air Cargo Services Market

#### ***Strong and Experienced Management***

Seasoned management team with extensive experience and proven track record serve as the entry barrier to the air cargo services market in Hong Kong. Players who have demonstrated successful delivery in air cargo services market with efficiencies and flexibilities in their services are generally preferred by the customers. An experienced team with extensive market know-how enables the company to adjust its operations that fit the market trends and needs. New entrants without experienced management team would find it hard to compete with the existing players.

#### ***Significant Initial Investment***

A substantial initial funding is required for new market entrant to commence the air cargo services business, which covers sourcing of transportation services, investment in specific machineries and recruitment of labour and professionals. Compared with the new entrants, some players may enjoy the economies of scale, such as more-effective manpower deployment, thus having greater flexibility in cost control and capital management. The aforementioned cost factors are likely to exert a high financial pressure on the new market entrants.

#### ***Established Relationship and Network***

Possessing proven expertise and project reference is the key to developing business relationship with other market players, namely airlines and shipping companies. The leading players in air cargo services market have been forming strong partnerships with the industry players along the value chain. New entrants without established connections may not be able to negotiate for the competitive prices and ideal timing for transport, compromising its competence and offering to customers compared to other established players in the market.

#### ***Industry Expertise and Service Offering***

The major players are increasing competitiveness by providing integrated solution in pick-up, delivery, storage and other value-added services. The track record, ability to deliver within tight timeline and strong manpower make the large scale companies the first choice to the international logistic companies. Industry expertise and integrated solutions add value to clients by making plans on collection and delivery of cargos, serving as an entry barrier to the new market entrants.

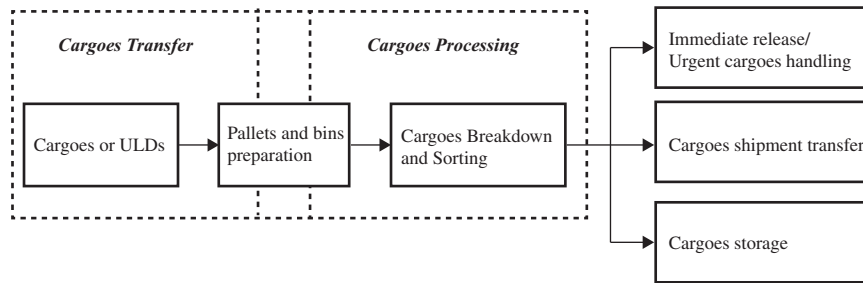
### **OVERVIEW OF AIR CARGO TERMINAL OPERATION SERVICES MARKET IN HONG KONG AND THE PRC**

Air cargo terminal operation services is the management and handling of air cargoes upon their arrival from aircrafts into the terminal and delivery of the cargoes to the appropriate warehouses with the air cargo terminal for storage and pick up. The types of air cargoes are including mail, courier packages, cold or temperature control cargoes, etc. It is a common practice that air cargo terminal management, air cargo services providers and international logistics conglomerates to contract out the terminal operating services including cargo pick-up and delivery, cargo packing and crating services, weighing services, warehouse management and other supporting service, etc. to specialised sub-contractors.

## INDUSTRY OVERVIEW

The flowchart below illustrates the value chain of the air cargo terminal operation services market:

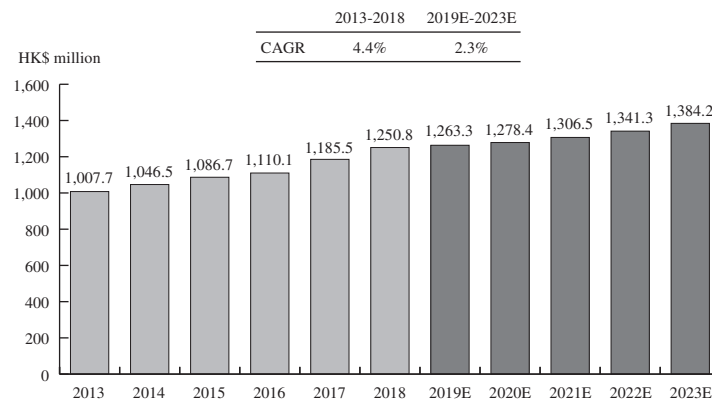
### Illustration of Air Cargo Terminal Operation Services



Source: Frost and Sullivan

The total revenue generated from the air cargo terminal operation services section increased steadily at a CAGR of approximately 4.4%, from approximately HK\$1,007.7 million in 2013 to approximately HK\$1,250.8 million in 2018 driven by the growing global e-commerce activities and the strong business infrastructure in Hong Kong. Recently, U.S. and the PRC have been engaged in a trade war where each country has planned to impose tariff on goods traded between two countries. According to the Frost and Sullivan Report, the air cargo terminal operation services market in the first half of 2019 was affected by the uncertainty regarding the future trade relationship between the U.S. and the PRC, and accordingly, it is further expected that such uncertainty may result in a drop in the volume of international trade and the demand for the air cargo ground handling services in the foreseeable future. Nonetheless, the air cargo terminal operating services market is still expected to grow slightly in the coming years at a CAGR of approximately 2.3% from 2019 to 2023, reaching approximately HK\$1,384.2 million in 2023.

### Market Size of Air Cargo Terminal Operation Services by Revenue (Hong Kong), 2013–2023E



Source: Frost and Sullivan

## Market Drivers

### *Strategic Geographical Location*

Hong Kong is located at the centre of the Asia Pacific with great connectivity and accessibility to the major cities and markets in the world and Mainland China by a world-class international airport which encourage moving of goods through Hong Kong as a re-export hub. Moreover, driven by the rapidly rising volume of trade, the decreasing cost of air transport services in Hong Kong has been falling over the past few decades. Air transport becomes more and more competitive relative to other modes of transport which has further driven the air freight forwarding and air cargo terminal operation services market in Hong Kong.

### *Efficient Air Cargo Operation*

With the largest air cargo terminal in the world, the Hong Kong Air Cargo Terminal Operation Service becomes one of the most competitive service providers in the current Asia Pacific market. Hong Kong had the highest air cargo throughput, with approximately 5,018 thousand tonnes, in 2018. And

## INDUSTRY OVERVIEW

the air cargo terminals in Hong Kong are capable of processing this huge amount of air cargoes every year efficiently. For example, Hactl could meet their performance standard every month with more than 98.0% pass rate. It shows the Hong Kong air cargo terminal operation services are able to meet the growing market demand and become a dominant service provider in the market.

### **Mainland Integration**

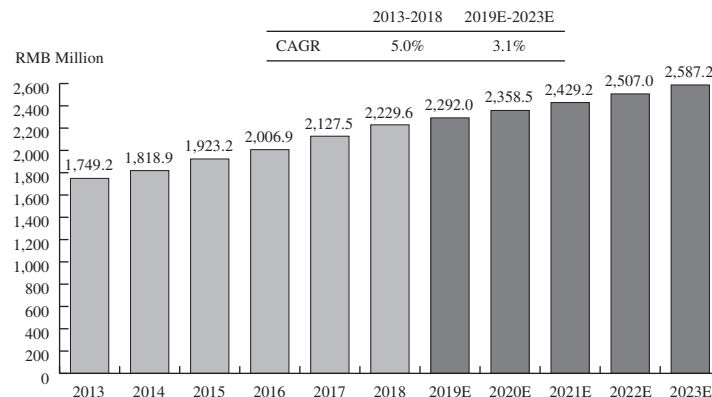
Hong Kong acts as an important international logistic hub between the Mainland and the foreign carriers because of its geographical and administrative advantages. The rapid development of logistic services and ports in Southern China also lower the cost of cross boundary transportation between Hong Kong and Mainland China. Moreover, with the opening of Hong Kong-Zhuhai-Macau Bridge in 2018, the integration between the airports in Hong Kong, Zhuhai and Macau would enhance the efficiency of air cargo services in Hong Kong. Moreover, the recent collaboration of Hong Kong Airport and Cainiao Network (the logistics arm of Alibaba Group) has further fostered the integration between mainland and Hong Kong. The mainland internet giant will develop and manage the premium logistics centre at Kwo Lo Wan in the South Cargo Precinct of HKIA which is expected to reinforce the world leading position in the air cargo services. As a result, the whole air cargo services market in Hong Kong air cargo terminal would be further driven and become more competitive in Asia Pacific region.

### **Market Potential in the Greater Bay Area**

As one of the major feature of China's strategic initiative in the *Vision and Actions on Jointly Building the Silk Road Economic Belt and 21st Century Maritime Silk Road* and the *13th Five-Year Plan*, the Greater Bay Area which extends across Hong Kong, Macau and nine Pearl River Delta (PRD) cities has been undergoing cluster development according to the development plan by the National Development and Reform Commission (NDRC). With the strong business infrastructure underpinned by the leading airports and ports in the PRC regions, the Guangdong-Hong Kong-Macau Bay has one of the largest air and sea cargo throughputs in the world. The collective development of the Greater Bay Area foster the movement of talents, goods and capital across the regions which provide further growth momentum to the air cargo terminal operation services market in the region, especially Hong Kong.

Underpinned by the strong consumption from e-commerce in the PRC, the air cargo terminal ground handling services by revenue in the Greater Bay Area has increased from approximately RMB1,749.2 million in 2013 to RMB2,229.6 million in 2018 at a CAGR of approximately 5.0%. With the anticipated synergy from the collective development in the region, the air cargo terminal ground handling services is expected to reach approximately RMB2,856.2 million in 2023 at a CAGR of approximately 3.1% from 2019 to 2023.

**Market Size of Air Cargo Terminal Operating Services by Revenue  
(the Greater Bay Area), 2013–2023E**



Source: Frost and Sullivan

### **COMPETITIVE LANDSCAPE OVERVIEW OF AIR CARGO TERMINAL OPERATION SERVICES MARKET**

There are currently three air cargo terminals at Hong Kong airport, namely Super Terminal 1 (ST1), Asia Airfreight Terminal (AAT) and Cathay Pacific Cargo Terminal (CPCT). Air terminal operation services providers either offer specialised logistics services to either the air terminal or the air cargo operators. The established market players usually have strong business relationship with the air terminals and the air cargo operators. In 2018, the total revenue generated from air cargo terminal operation services in Hong Kong reached HK\$1.25 billion. The air cargo terminal operation services

## INDUSTRY OVERVIEW

market was concentrated with less than 20 companies in the industry. The air cargo terminal operation services market is considered to be concentrated with top five players contributing over 86.2% of market share in 2018.

In 2018, our Group ranked the third with a market share of approximately 15.1% as the major air cargo operation services operator in the air cargo terminal operation services market in Hong Kong.

### Revenue of Air Cargo Terminal Operation Services Market in Hong Kong

Rank	Market Participant	Estimated Revenue (Million HK\$)	Market Share (%)
1	Company A	370.5	29.6%
2	Company B	327.2	26.2%
<b>3</b>	<b>Our Group</b>	<b>188.7</b>	<b>15.1%</b>
4	Company C	98.3	7.9%
5	Company D	94.0	7.5%
	Subtotal	1,078.7	86.2%

Source: Frost and Sullivan

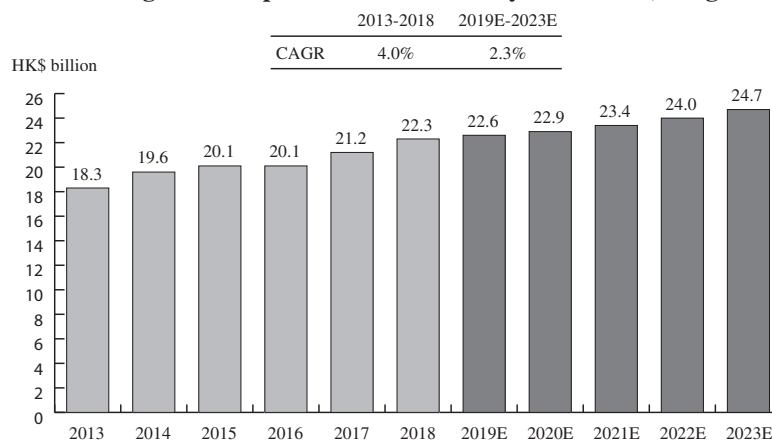
The air terminal operation services market in the Greater Bay Area is still at development stage with increasing number of players entering the market. Currently, there are over a hundred market players in the air terminal operation services in the Greater Bay Area. The industry is competitive and highly fragmented. The growing air cargo throughput has fostered the improvement of airport and logistics infrastructure in the Greater Bay Area which facilitates the future growth of air terminal operations and thus the air terminal operation services in the area.

### OVERVIEW OF TRANSPORTATION AND WAREHOUSING SERVICES MARKET IN HONG KONG AND GREATER BAY AREA

Transportation and warehousing is the implementation, control and planning of the storage and movement of the goods from origin to the specified destination from customers which involves services of the integration of information, transportation, inventory, warehousing, material handling, packaging, security etc. Based on various transport infrastructures, the transportation and warehousing services market in Hong Kong is mainly segmented into air, land and water transport.

The land freight transportation services by revenue in Hong Kong witnessed a mild growth from approximately HK\$18.3 billion in 2013 to approximately HK\$22.3 billion in 2018, at a CAGR of approximately 4.0%. The increasing trade demand in Asia and mainland China underpinned by the strong consumption from e-commerce has spurred the demand for land freight transportation services. And with the completion of Hong Kong-Zhuhai-Macau Bridge in 2018, the market size of the third party logistic services are expected to grow in the coming years steadily. By 2023, the Hong Kong land freight transportation service is expected to reach approximately HK\$24.7 billion with a CAGR of approximately 2.3%.

#### Market Size of Land Freight Transportation Services by Revenue (Hong Kong), 2013–2023E

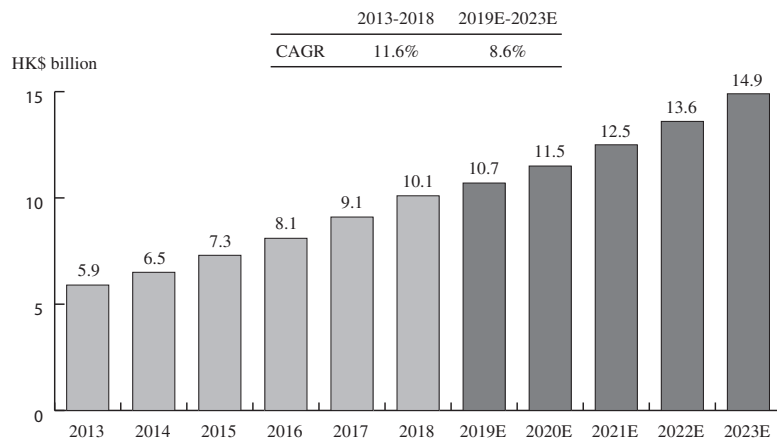


Source: Frost and Sullivan

## INDUSTRY OVERVIEW

Warehouse and other value-added services in a logistics operation include storage, inventory management, and other value-added service such as bar-coding, re-packaging, labelling services etc. As land is one of the scarce resources in Hong Kong, warehouse and other value-added services market is an integral part of the logistics industry in Hong Kong underpinning the entire logistics market. The warehouse and other value-added services market has recorded a strong growth from HK\$5.9 billion in 2013 to approximately HK\$10.1 billion in 2018, representing a CAGR of approximately 11.6% which was mainly due to the surging property prices contributing to the rising business receipts of the warehousing services. The expected completion of new infrastructure projects such as expansion of Hong Kong International Airport, completion of the Hong Kong-Macau-Zhuhai Bridge and Tuen Mun-Chek Lap Kok Link in the coming years will encourage movement of goods in and out of Hong Kong and drive the demand for warehousing services. Thus, the warehouse and other value-added services market is anticipated to reach approximately HK\$14.9 billion by the end of 2023, representing a CAGR of approximately 8.6%.

### Market Size of Warehouse and Other Value-Added Services by Revenue (Hong Kong), 2013–2023E



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

### Market Drivers

#### ***Expansion of distribution network through multi-channels***

The expansion of distribution network through multi-channels, especially, e-commerce platform, is likely to be a key driver. Increasing number of market players in the retail industry is embracing the online platform in sales and marketing strategy. Supported by development of digital media, robust logistics infrastructure and adaptation to online shopping experiences, the e-commerce platform has enjoyed the growth and become one of the major sales channels in Hong Kong and the PRC. As a strategic gateway to Southern China and at the heart of Asia, Hong Kong, therefore, acts as the logistics hub for cross-border transactions where PRC online customers order foreign goods. The booming e-commerce in Hong Kong also gives a rise to the amount of imported goods. The growing online shopping and cross-border transaction is expected to stimulate the demand for warehousing and other value-added services in Hong Kong.

#### ***Warehouse and other value-added market benefited by world-class infrastructure and integrated service expertise***

Hong Kong's world-class infrastructure and integrated service expertise contributes to its position as the international logistics hub in Asia. Hong Kong benefits from its geographic advantage of locating at the centre of a global and multimodal network of cargo and transport routes via land, sea and air, making it an unparalleled supply chain. According to Asian Logistics and Maritime Conference, Hong Kong is one of the busiest container ports in the world, with around 410 weekly sailings to about 520 destinations around the globe, of which about 240 underline Hong Kong's position as a regional hub port. On the other hand, the growth of air traffic demand in both passenger and cargo sector would be

## INDUSTRY OVERVIEW

further supported by the expansion of the airport infrastructure into a three-runway system (3RS). The completion of Liantang/Heung Yuen Wai Boundary Control Point in 2019 could handle more than 20,000 vehicular trips per day which could further enhance the land transportation service capacity between Hong Kong and the PRC. Expertise, experience and networks are also the key successful factors for modern international and domestic logistic operations. Together with flexibility and efficiency in supply chain management, Hong Kong offers high security, quality assurance and intellectual property protection, which are essential for the distribution of high-value products and brand-name goods. The development of logistics industry is likely to translate into growth opportunities for the warehouse and other value-added market in Hong Kong.

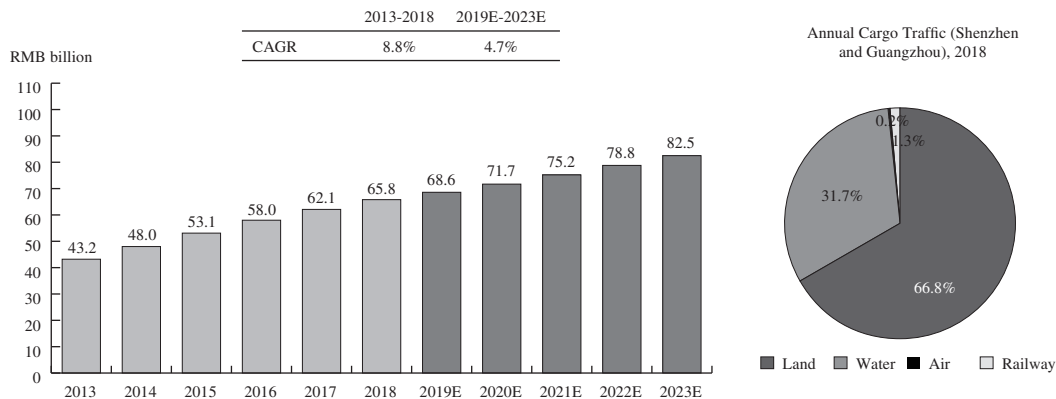
### *Continual development of economies and rise of production bases in the PRC*

The development of Hong Kong third party logistic services is highly dependent on the cross-border flow of goods. With the enhancing participation in global supply chain and established network of industries, the production bases in the Pearl River Delta region are steadily growing. More than 80 billion tonnes of cargo throughput are recorded in Pearl River Delta Region in 2018. The economy of the PRC is also growing steadily despite of the economic reform is under progress. As a result, trade activity is expected to continue to increase in the Pearl River Delta Regions. Due to the geographical advantage and the limitation of the import regulation of the PRC, most of the import goods are going through the Hong Kong region and enter the PRC via land transportation service. The increasing import and export of raw materials and consumer goods through Hong Kong will stimulate the logistic market. In light of continual development of economies and rise of production bases in the Pearl River Delta Region, warehouse and other value-added market in Hong Kong is likely to enjoy the growth.

### **Market Potential in the Greater Bay Area**

With the strong growth of e-commerce market and increasing demand for Chinese products, along with the development of the Greater Bay Area, the land cargo transportation in Shenzhen and Guangzhou has rapidly increased from approximately RMB43.2 billion in 2013 to approximately RMB65.8 billion in 2018, representing a CAGR of approximately 8.8%. It is estimated that the demand for land cargo transportation will continue to grow which will reach approximately RMB82.5 billion by 2023 with a CAGR of approximately 4.7% from 2019 to 2023.

**Market Size of Land Freight Transportation Services by Revenue  
(Shenzhen and Guangzhou), 2013–2023E**



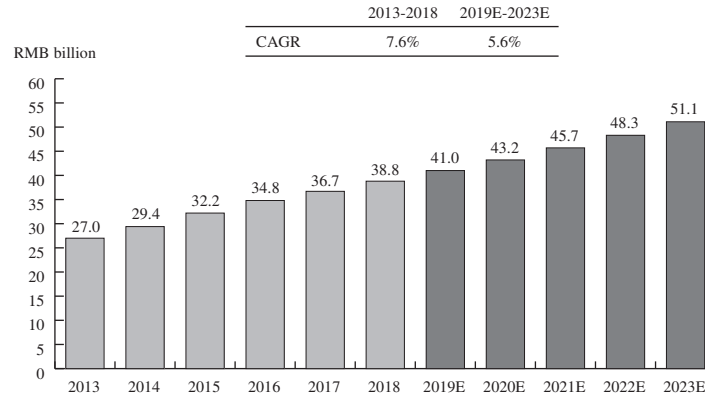
Source: Frost and Sullivan

From 2013 to 2018, the market size of warehousing and other value-added services in Shenzhen and Guangzhou has increased from approximately RMB27.0 billion in 2013 to approximately RMB38.8 billion in 2018, representing a CAGR of approximately 7.6%. With the planned development of logistic hub in the Greater Bay Area, the warehousing and other value-added service market in Shenzhen and Guangzhou is expected to further increase to approximately RMB51.1 billion by 2023, representing a CAGR of approximately 5.6% from 2019 to 2023.



## INDUSTRY OVERVIEW

### Market Size of Warehousing and Storage Services by Revenue (Shenzhen and Guangzhou), 2013–2023E



Source: Frost and Sullivan

### COMPETITIVE LANDSCAPE OVERVIEW OF THE TRANSPORTATION AND WAREHOUSING SERVICES MARKET

The overall transportation and warehousing services market considered as a highly fragmented market with more than 11,000 service providers of various scale presence in Hong Kong in 2018. It is a common market practice that the customers and sellers outsource elements of the company’s distribution and fulfilment services to certain logistic services providers such as courier companies in order to better control the time and cost as well as improve the operation flexibility. According to the Census and Statistics Department, more than 30 thousand persons were engaged in this industry in 2018.

With over 7,400 land freight transportation establishments and more than 200 operators with cross-border capability in Hong Kong in 2018, land freight transportation services industry is considered to be a high labour-intensive industry. It is one of the major components of the logistics operation. It requires a huge capital investment as it requires a fleet of heavy transportation vehicles. And obtaining the license for cross border transportation requires specific specifications. As a result, land freight transportation service is usually an outsourced service to better control the cost as the demand for human capital and vehicles are fluctuating with the cargo throughput throughout the year.

The transportation and warehousing services market in the Greater Bay Area is considered to be a highly fragmented market. The estimated number of establishments of the transportation and warehousing service providers in 2018 are more than 20,000 units and 1,000 units respectively. With the support from the PRC government, the foreign capital is increasingly to develop logistic service in the Greater Bay Area especially in Guangzhou and Shenzhen. The larger players tend to provide integrated logistic service such as handling, packaging, and warehousing in order to increase competitiveness while the smaller players focus on single service.

## OVERVIEW

During the Track Record Period, the business of our Group was based in Hong Kong and the PRC, therefore we were subject to the relevant laws and regulations of Hong Kong and the PRC. This section summarises the major aspects of the principal laws, rules and regulations that are directly relevant and material to our operations in Hong Kong and in the PRC.

## HONG KONG LAWS

### 1. Laws and regulations in relation to our business

#### *Dangerous Goods Ordinance (Chapter 295 of the Laws of Hong Kong)*

Pursuant to the Dangerous Goods Ordinance (the “**DGO**”), conveyance of any dangerous goods in excess of the prescribed exempted quantity shall require a dangerous goods licence.

Under section 3 of the DGO, “dangerous goods” include all explosives, compressed gases, petroleum and other substances giving off inflammable vapours, substances giving off poisonous gas or vapour, corrosive substances, substances which become dangerous by interaction with water or air, substances liable to spontaneous combustion or of a readily combustible nature.

Under section 6 of the DGO, except under and in accordance with a licence granted under the DGO, no person shall manufacture, store, convey or use any dangerous goods.

Under section 14 of the DGO, any person who contravenes section 6 of the DGO shall be guilty of an offence and shall be liable to a fine of HK\$25,000 and to imprisonment for six months.

As confirmed by our Directors, to the best of their knowledge and belief, all vehicles we used for conveyance of dangerous goods in the ordinary course of our business had obtained the relevant licences in accordance with the relevant requirements as at the Latest Practicable Date.

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

To safeguard aircraft against acts of unlawful interference, the International Civil Aviation Organisation (the “**ICAO**”) has laid down standards and recommended practice in Annex 17 to the Convention on International Civil Aviation (the “**CICA**”) on the security measures required to be implemented by contracting states. For the security of air cargo to be in line with Annex 17 to the CICA, the Hong Kong Aviation Security Programme, which is enforceable under the Aviation Security Ordinance, has adopted the regulated agent regime (the “**RAR**”).

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

On 1 September 2016, the ICAO has introduced a new policy direction to progressively increase the required screening percentage of known cargoes consigned by existing consignors which have not been approved by the Civil Aviation Department (the “CAD”), from 1% to 100% before the deadline imposed by ICAO (30 June 2021). In order to fully implement such new policy direction, the CAD has developed a transitional arrangement for the registered agents, namely, (i) from January 2020 to April 2020, prior to the air cargo being loaded onboard, all registered agents will be required to screen 25% of their cargo tendered by consignors not approved by the CAD; (ii) from May 2020 to August 2020, the required screening percentage will be increased to 40%; (iii) from September 2020 to February 2021, the screening percentage will be increased to 70%; and (iv) from March 2021 to June 2021, the screening percentage will be further increased to 100%.

In anticipation of an upsurge in screening demand, a regulated air cargo screening facilities scheme which enables and regulates air cargo screening at off-airport locations has been formulated. Any entity which intends to conduct air cargo security screening operations in their premises may apply for acceptance by the CAD to become a regulated air cargo screening facility (“RACSF”). Each RACSF must have at least two nominated persons for cargo security who have attended and completed the RACSF training programme acceptable to the CAD. The relevant training certificates are valid for a period of three years, hence, the relevant RACSF should arrange for revalidation of the same by their expiry.

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

Under the Dangerous Goods (Consignment By Air) (Safety) Regulations (the “DGR”), if the relevant cargo contains dangerous goods such as drugs, chemicals or explosives, the consignor shall ensure all dangerous goods are properly classified, packed, marked, labelled and documented before they are offered for air transportation. Pursuant to regulation 6 of the DGR, the consignor should complete a dangerous goods transport document which contains the classification and description of the dangerous goods and a declaration signed by or on behalf of the consignor.

### *International Conventions — Carriage of Goods by Air*

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

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### *The Warsaw Convention*

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

### *The Montreal Convention and the Carriage by Air Ordinance (Chapter 500 of the Laws of Hong Kong)*

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

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

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

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

Our Group is not liable for damage sustained in the event of the destruction or loss of, or of damage to, any registered baggage or any cargo, if the occurrence which caused the damage so sustained took place during the carriage by air. Our Group may, however, be held contractually liable to our customers for the loss or damage of their cargoes if such loss or

damage is caused by our servants, employees or the independent contractors employed by our Group while the cargoes are within their custody or possession or by defective packing of the cargoes performed by our servants, employees or the independent contractors.

***Radiation Ordinance (Chapter 303 of the Laws of Hong Kong)***

The Radiation Ordinance (the “**RO**”) controls the import, export, possession and use of radioactive substances and irradiating apparatus and the prospecting and mining for radioactive minerals and for purposes connected therewith.

Section 7 of the RO provides that no person shall, except under and in accordance with a licence duly issued under the ordinance, have in his possession or use, any radioactive substance or irradiating apparatus. Any person who contravenes the said provisions shall be guilty of an offence and shall be liable to a fine of HK\$50,000 and to imprisonment for 2 years, and in the case of continuing offence, be liable to an additional fine of HK\$2,500 for every day during the whole or any part of which such offence is knowingly and willfully continued.

Under the Radiation (Control of Irradiating Apparatus) Regulations (Chapter 303B of the Laws of Hong Kong), every licensee shall cause the licence to be exhibited at a conspicuous place at the approved premises where the irradiating apparatus is situated. Any licensee who fails to comply with the said provisions shall be guilty of an offence and be liable on conviction to a fine of HK\$6,000.

As our Group owns and operates certain apparatuses used for the provision of x-ray screening services to our customers, the use of which falls within the ambit of the RO, our Group is required and has duly obtained an irradiating apparatus licence in accordance with such ordinance so as to ensure compliance.

**2. Laws and regulations in relation to import and export**

***Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong)***

*Importing and exporting cargo*

Under section 18 of the Import and Export Ordinance (the “**IAEO**”), any person who: (a) imports any unmanifested cargo; or (b) exports any unmanifested cargo, shall be guilty of an offence and shall be liable (i) on summary conviction to a fine of HK\$500,000 and to imprisonment for 2 years; and (ii) on conviction on indictment to a fine of HK\$2,000,000 and to imprisonment for 7 years. It shall be a defence to a charge under this section if the defendant proves that he did not know and could not with reasonable diligence have known that the cargo was unmanifested.

Under section 18A(1) of the IAEO, any person who knowingly (a) has possession of any cargo; (b) assists with the carrying, removing, depositing, harbouring, keeping or concealing of any cargo; or (c) otherwise deals with any cargo, with intent to export the cargo without a

## REGULATORY OVERVIEW

manifest or with intent to assist another person to export the cargo without a manifest, is guilty of an offence and liable (i) on summary conviction to a fine of HK\$500,000 and to imprisonment for 2 years; and (ii) on conviction on indictment to a fine of HK\$2,000,000 and to imprisonment for 7 years.

Under section 35A(1) of the IAEO, any person who knowingly: (a) has possession of any article, the carriage of which is restricted under the IAEO; (b) has possession of any article, the export of which is prohibited under any law in force in Hong Kong or is prohibited other than in accordance with a licence issued under the IAEO; (c) assists with the carrying, removing, depositing, harbouring, keeping or concealing of any article, the carriage of which is restricted under the IAEO; (d) assists with the carrying, removing, depositing, harbouring, keeping or concealing of any article, the export of which is prohibited under any law in force in Hong Kong or is prohibited other than in accordance with a licence issued under the IAEO; (e) otherwise deals with any article, the carriage of which is restricted under the IAEO; or (f) otherwise deals with any article, the export of which is prohibited under any law in force in Hong Kong or is prohibited other than in accordance with a licence issued under the IAEO, with intent to evade the restriction or prohibition or to assist another person to evade the restriction or prohibition, is guilty of an offence and liable: (i) in the case where contravention of the restriction or prohibition is punishable otherwise than as an indictable offence, on conviction to a fine of HK\$500,000 and to imprisonment for 2 years; or (ii) in the case where contravention of the restriction or prohibition is punishable as an indictable offence: (A) on summary conviction to a fine of HK\$500,000 and to imprisonment for 2 years; and (B) on conviction on indictment to a fine of HK\$2,000,000 and to imprisonment for 7 years.

### *Restriction on import and export of strategic commodities*

Under section 6A(2) of the IAEO, a person who import or export an article specified in Schedule 1 to the Import and Export (Strategic Commodities) Regulations (Chapter 60G of the Laws of Hong Kong) except with an import or export licence issued by the Director-General of the Trade and Industry Department commits an offence and is liable on summary conviction to a fine of HK\$500,000 and imprisonment for 2 years; and on conviction on indictment to an unlimited fine and imprisonment for 7 years.

### *Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong)*

Regulations 4 and 5 of the Import and Export (Registration) Regulations (the “**IAE Registration Regulations**”) sets out that every person who imports or exports any article other than an exempted article shall lodge with the Commissioner of Customs and Excise an accurate and complete import or export declaration relating to such article using services provided by a specified body, in accordance with the requirements that the Commissioner may specify. Every declaration shall be lodged within 14 days after the importation or exportation of the article to which it relates.

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Any person who fails or neglects to do such declaration within 14 days after the importation or exportation of the article to which it relates without any reasonable excuse shall be liable to (i) a fine of HK\$1,000 upon summary conviction; and (ii) a fine of HK\$100 in respect of everyday during his failure or neglect to lodge such declaration in that manner continues commencing from the day following the date of conviction. Regulations 4 and 5 also provide that any person knowingly or recklessly lodges any declaration with the Commissioner that is inaccurate in any material particular shall be liable to a fine of HK\$10,000 upon summary conviction.

Regulation 7 of the IAE Registration Regulations sets out the charges payable on the late lodgment of import or export declarations, in addition to the penalty set out in the said Regulations 4 and 5, in respect of different total values of articles specified in an import or export declaration and different time period of late lodgment of an import or export declaration.

### **3. Laws and regulations in relation to labour, health and safety**

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

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

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

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

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

Under section 3 of the Factories and Industrial Undertakings (Loadshifting Machinery) Regulation (the “**FIU(LM)R**”), the responsible person of a loadshifting machine shall ensure that the machine is only operated by a person who has attained the age of 18 years and holds

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a valid certificate applicable to the type of loadshifting machine to which that machine belongs. Under the FIU(LM)R, loadshifting machines used in industrial undertakings refer to fork-lift trucks. Under section 8 of the FIU(LM)R, a responsible person who without reasonable excuse contravenes section 3 commits an offence and is liable to a fine of HK\$50,000.

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

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

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

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

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

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

- (a) providing and maintaining plant and systems of work that are safe and without risks to health;
- (b) making arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant and substances;
- (c) providing information, instruction, training and supervision as may be necessary to ensure the safety and health at work of the employees;



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- (d) as regards any workplace under the employer's control, maintaining the workplace in a condition that is safe and without risks to health or providing or maintaining means of access to and egress from the workplace that are safe and without any such risks; and
- (e) providing or maintaining a working environment for the employees that is safe and without risks to health.

Under section 6 of the OSHO, failure to comply with the above provisions constitutes an offence and the employer is liable on conviction to a fine of HK\$200,000. An employer who fails to do so intentionally, knowingly or recklessly commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for six months.

Under section 9 of the OSHO, the Commissioner for Labour may serve an improvement notice on an employer against contravention of the OSHO or the FIUO, or a suspension notice against activity or condition or use of workplace or of any plant or substance located on the workplace which may create an imminent risk of death or serious bodily injury to the employees. Failure to comply with a requirement of an improvement notice or contravenes a suspension notice without reasonable excuse constitutes an offence and the employer is liable on conviction to a fine of HK\$200,000 and HK\$500,000, respectively, and to imprisonment up to 12 months.

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

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

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

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

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

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

The Minimum Wage Ordinance (the “MWO”) provides for a prescribed minimum hourly wage rate (currently set at HK\$37.5 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) (except those specified under section 7 of the MWO). Any provision of employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee under the MWO is void.

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

The Mandatory Provident Fund Scheme Ordinance (the “MPFSO”) provides for, *inter alia*, the establishment of a system of privately managed, employment related mandatory provident fund schemes for members of the workforce to accrue financial benefits for retirement. Under the MPFSO, an employer and its relevant employee, meaning an employee of 18 years of age or over and below retirement age which is 65 years of age, are each required to make contributions to the plan at 5% of the relevant employees’ relevant income, meaning any wages, salary, leave pay, fee, commission, bonus, gratuity, perquisite or allowance expressed in monetary terms, paid or payable by the employer to the relevant employee in consideration of his employment under his contract of employment, subject to a cap of monthly relevant income of HK\$30,000.

#### **4. Laws and regulations in relation to environmental protection**

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

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

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

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

## REGULATORY OVERVIEW

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

### *Air Pollution Control (Air Pollutant Emission) (Controlled Vehicles) Regulation (Chapter 311X of the Laws of Hong Kong)*

Under section 4 of the Air Pollution Control (Air Pollutant Emission) (Controlled Vehicles) Regulation (the “**APE Regulation**”), for the purposes of an application for a vehicle licence made on or after the date specified in section 4(2) of the APE Regulation in respect of a controlled vehicle, the emission of the vehicle must conform to the emission standards applicable to the vehicle under section 5 of the APE Regulation. Under section 3 of the APE Regulation, a controlled vehicle is a designated vehicle first registered before 1 April 1995, on or after 1 February 2014, or within the period as specified in the schedule to the APE Regulation. A designated vehicle is a motor vehicle equipped with a compression-ignition engine, that is a diesel commercial vehicle (“**DCV**”), including a goods vehicle, light bus and non-franchised bus.

A vehicle licence will not be issued to the relevant DCVs after certain dates (for example Euro III DCV after 31 December 2019) as specified by the Environmental Protection Department (the “**EPD**”) of the Hong Kong government, unless such DCVs comply with the applicable emission standards as if they were first registered on the date of the vehicle licence applications. Eligible registered owners of Euro III DCVs can apply for the ex-gratia payment before the deadline, that is, 31 December 2019.

To be eligible to apply for the ex-gratia payment, the vehicle under application and the applicant must satisfy the following requirements:

- (a) the vehicle must be a DCV with a first registration date that falls within certain dates as specified by the EPD;
- (b) the vehicle is registered or has applied for re-registration as of 10 January 2014;
- (c) the vehicle is scrapped on or after 1 March 2014 by a vehicle scrapping company registered under the ex-gratia payment scheme;
- (d) the registration of the vehicle is cancelled after it is scrapped;
- (e) on the day when the registration is cancelled, the vehicle has a valid vehicle licence;
- (f) the applicant for the ex-gratia payment is the registered owner of the vehicle when it is scrapped and its registration is cancelled; and

- (g) the vehicle has not been approved to retain eligibility for the grant under the special arrangement for the incentive scheme for replacement of Euro II DCVs.

### PRC LAWS

#### 1. Regulations relating to foreign exchange

##### *General Administration of Foreign Exchange*

Under the PRC Foreign Currency Administration Rules 《中華人民共和國外匯管理條例》, promulgated on 29 January 1996 and last amended on 5 August 2008, and various regulations issued by the State Administration of Foreign Exchange (the “SAFE”) and other relevant PRC government authorities, international payments and transfers are classified into current account items and capital account items. Renminbi is convertible into other currencies for the purpose of current account items, such as trade and service-related receipts and payments, payment of interest and distribution of dividends. The conversion of Renminbi into other currencies and remittance of the converted foreign currency outside the PRC for the purpose of capital account items, such as direct equity investments, loans and repatriation of investment, requires the prior approval from the SAFE or its local office.

Pursuant to the Notice of the SAFE on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment 《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》 (the “SAFE Notice No. 59”) promulgated by SAFE on 19 November 2012, that became effective on 17 December 2012 and was further amended on 4 May 2015 and on 10 October 2018, approval is not required for the opening of an account entry in foreign exchange accounts under direct investment, for domestic transfer of the foreign exchange under direct investment. SAFE Notice No. 59 also simplified the capital verification and confirmation formalities for foreign-invested entities, the foreign exchange administration formalities for domestic reinvestments by foreign-funded investment holding companies and the foreign exchange registration formalities required for the foreign investors to acquire the equities of Chinese party, and further improve the administration on exchange settlement of foreign exchange capital of foreign-invested entities.

On 13 February 2015, SAFE promulgated the Notice on Simplifying and Improving the Foreign Currency Management Policy on Direct Investment 《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》 (the “SAFE Notice No. 13”) effective from 1 June 2015, which cancels the administrative approvals of foreign exchange registration of inbound and outbound direct investments. In addition, SAFE Notice No. 13 simplifies the foreign exchange registration procedures by delegating the power to enforce the foreign exchange registration in connection with inbound and outbound direct investments under relevant SAFE rules from local SAFE branches to banks.

The Notice of the SAFE on Reforming the Management Approach regarding the Settlement of Foreign Capital of Foreign-invested Enterprise 《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》 (the “SAFE Notice No. 19”) was promulgated

on 30 March 2015 and became effective on 1 June 2015. According to the SAFE Notice No. 19, a foreign-invested enterprise may, in response to its actual business needs, settle with a bank the portion of the foreign exchange capital in its capital account for which the relevant foreign exchange bureau has confirmed monetary contribution rights and interests (or for which the bank has registered the account-crediting of monetary contribution). For the time being, foreign-invested enterprises are allowed to settle 100% of their foreign exchange capitals on a discretionary basis; a foreign-invested enterprise shall truthfully use its capital for its own operational purposes within the scope of business; where an ordinary foreign-invested enterprise makes domestic equity investment with the amount of foreign exchanges settled, the invested enterprise shall first go through domestic re-investment registration and open a corresponding account for foreign exchange settlement pending payment with the foreign exchange bureau (bank) at the place of registration.

The Notice of the SAFE on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts 《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》 (the “SAFE Notice No. 16”) was promulgated and became effective on 9 June 2016. According to the SAFE Notice No. 16, enterprises registered in PRC may also convert their foreign debts from foreign currency into Renminbi on self-discretionary basis. The SAFE Notice No. 16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on self-discretionary basis, which applies to all enterprises registered in the PRC. The SAFE Notice No. 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope and may not be used for investments in securities or other investment with the exception of bank principal-secured financial products within the PRC unless otherwise specifically provided. Besides, the converted Renminbi shall not be used to make loans for affiliated enterprises unless it is within the business scope or to build or to purchase any real estate for purpose other than self-use with the exception for the real estate enterprise.

## **2. Regulations relating to dividend distribution**

The principal law and regulation regulating the dividend distribution by foreign-invested enterprises in the PRC is the Company Law of the PRC 《中華人民共和國公司法》, as last amended in 2018. Under the current regulatory regime in the PRC, foreign-invested enterprises in the PRC may pay dividends only out of their accumulated profit, if any, determined in accordance with PRC accounting standards and regulations. A PRC company is required to set aside as general reserves at least 10% of its after-tax profit, until the cumulative amount of such reserves reaches 50% of its registered capital unless the provisions of laws regarding foreign investment otherwise provided. A PRC company shall not distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

### 3. Regulations relating to foreign investment

The establishment, operation and management of companies in China is governed by the Company Law of the PRC (《中華人民共和國公司法》) as last amended in 2018. According to the PRC Company Law, companies established in the PRC are either limited liability companies or joint stock limited liability companies.

The Foreign Investment Law of PRC (2019) (《中華人民共和國外商投資法》) (the “**FIL**”) was adopted at the Second Session of the Thirteenth National People’s Congress of the PRC on 15 March 2019 and came into force on 1 January 2020. The FIL stipulates the regulation of foreign investments by way of affording treatment equivalent to national prior to establishment of the foreign investments and by way of having a “negative list” (the “**Negative List**”). The Negative List, which will be issued by or upon approval by the State Council, refers to special administrative measures for access of foreign investment in specific fields in China. A foreign investor shall not invest in any field prohibited from foreign investment under the Negative List. A foreign investor shall meet the investment conditions stipulated under the Negative List for any restricted fields under the Negative List. For fields not mentioned in the Negative List, domestic and foreign investments shall be treated equally.

Investment activities in the PRC by foreign investors are mainly governed by the Catalog for the Guidance of Foreign Investment Industries (revised in 2017) (《外商投資產業指導目錄(2017年修訂)》) (the “**Catalog (2017 Edition)**”), which was promulgated jointly by the MOFCOM and the NDRC on 28 June 2017 and became effective on 28 July 2017. The Catalog (2017 Edition) divides industries into four categories in terms of foreign investment. Those categories are: “encouraged”, “restricted”, “prohibited” and all industries not listed under one of these categories are deemed to be “permitted.” On 28 June 2018, NDRC and MOFCOM promulgated the Special Administrative Measures for Access of Foreign Investment (Negative List) (2018 Edition) (《外商投資准入特別管理措施(負面清單)(2018年版)》) (the “**Negative List (2018 Edition)**”), which came into force from 28 July 2018 and superseded the categories of “restricted” and “prohibited” for foreign investment as provided in the Catalog (2017 Edition). On 30 June 2019, NDRC and MOFCOM issued the Special Administrative Measures for Access of Foreign Investment (Negative List) (2019 Edition) (《外商投資准入特別管理措施(負面清單)(2019年版)》) (the “**Negative List (2019 Edition)**”) which became effective on 30 July 2019 and replaces the Negative List (2018 Edition), and the Catalog of Industries for Encouraged Foreign Investment (2019 Edition) (the “**Encouraged Catalog**”) which became effective on 30 July 2019 supersedes the categories of “encouraged” for foreign investment as provided in the Catalog (2017 Edition).

On 26 December 2019, the State Council released the Implementing Regulations of the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the “**FIL Implementing Regulations**”), which took effect on 1 January 2020. The FIL Implementing Regulations follows the principles of promoting and protecting foreign investments. It requires that foreign enterprises and domestic enterprises be treated equally with respect to policy making and implementation. The FIL Implementing Regulations also requires that foreign enterprises should change their organisation forms within five years from the effective date.

## REGULATORY OVERVIEW

As the FIL and the FIL Implementing Regulations are relatively new, the interpretation and implementation of the FIL and FIL Implementing Regulations might differ from our understanding.

Pursuant to the Filing Measures for the Record-filing of the Establishment and Modifications of Foreign Investment Enterprises (the “**Filing Measures**”) (《外商投資企業設立及變更備案管理暫行辦法》) promulgated by Ministry of Commerce on 8 October 2016, amended on 30 July 2017 and 29 June 2018, Filing Measures shall apply to the establishment and modifications of foreign investment enterprises that are not subject to the approval under the Negative List. Where the establishment of foreign investment enterprise falls within the scope of Filing Measures, when the representatives of the enterprise go through the registration procedures for the establishment with the competent administrations for industry and commerce and market supervision, they shall file the recording-filing information with the foreign investment comprehensive administration information system in accordance with the Filing Measures. On 30 December 2019, the Ministry of Commerce and the State Administration of Market Regulation issued the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which came into effect on 1 January 2020 and replaced the Filing Measures. Since 1 January 2020, for foreign investors carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce authorities pursuant to Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》).

#### **4. Regulations relating to operation of freight transportation**

##### *Road Transportation Operation Permit*

According to the Regulations of the PRC on Road Transportation (《中華人民共和國道路運輸條例》) promulgated by the State Council on 30 April 2004 and last amended on 2 March 2019 and the Provisions on Administration of Road Freight Transportation and Stations (《道路貨物運輸及站場管理規定》) promulgated by the Ministry of Transportation on 16 June 2005 and last amended on 20 June 2019, any individuals and institutions that apply for operation of freight transportation shall meet the following requirements: (i) qualified vehicles for operations; (ii) competent drivers; and (iii) improved administrative systems for safe operations. The county level road transportation administrations will be responsible for the issuance of (i) the operation permit for the enterprise and (ii) the operation licenses for the operating vehicles, provided the enterprise does not engage in the dangerous cargos transportation. The enterprise shall, according to the scope as specified in the operation permit, engage in operation of freight transportation and shall not transfer or rent the permit. The regulation of road transportation between the Mainland of China and either the Hong Kong Special Administrative Region or the Macao Special Administrative Region shall be implemented by reference to the Regulations of the PRC on Road Transportation.

##### *Driver License*

According to the Provisions on Administration of Road Transport Employees (《道路運輸從業人員管理規定》) promulgated by the Ministry of Transportation on 23 November 2006 and last amended on 21 June 2019 and the Provisions on Administration of Road Freight Transportation and Stations (《道路貨物運輸及站場管理規定》), drivers who are engaged in

operation of freight transportation shall (i) be under 60 years old; (ii) have obtained the required driver license for motor vehicles; and (iii) have passed the examinations of the road transportation and obtain a practicing qualification certificate (excluding a driver who uses a general freight vehicle with a total mass of 4,500 kg or less). Drivers who have obtained the practicing qualification certificates shall engage in the freight transportation within the scope of such certificates. Where any individuals that fail to meet the aforesaid requirements, they shall be ordered to make corrections by the administrations of road transportation at the county level or above and shall be fined RMB200 to RMB2,000; in case that any crimes are constituted, their criminal liabilities shall be investigated.

## **5. Regulations relating to cross-border freight transportation**

According to the Measures of the Customs of the PRC for the Administration of Enterprises of Highway Freight between the Mainland of China and the Special Administrative Regions of Hong Kong/Macao and Their Vehicles 《中華人民共和國海關關於來往香港、澳門公路貨運企業及其車輛的管理辦法》 (the “**Order 118**”) promulgated by General Administration of Customs on 27 August 2004, latest amended on 29 May 2018 and effective on 1 July 2018, the enterprises engaged in operation of freight transportation between the Mainland of China and the Special Administrative Regions of Hong Kong/Macao (the “**Cross-border Freight Enterprises**”) as well as their vehicles are regulated by Order 118. The Cross-border Freight Enterprises and their vehicles and drivers shall file for records with the customs while operating the cross-border freight transportation. A Cross-border Freight Enterprise which has been recorded by the customs will obtain a registration certificate for freight enterprises, and their drivers and vehicles that have been recorded by the customs will obtain a Visa Book for travelling between the Mainland of China and Hong Kong and Macao and a customs clearance certificate to evidence the entry and exit of drivers and goods.

## **6. Regulations relating to M&A and overseas listing**

On 8 August 2006, six PRC governmental and regulatory agencies, including the MOFCOM and the CSRC, promulgated the Rules on Acquisition of Domestic Enterprises by Foreign Investors 《關於外國投資者併購境內企業的規定》 (the “**M&A Rules**”), a regulation with respect to the mergers and acquisitions of domestic enterprises by foreign investors that became effective on 8 September 2006 and revised on 22 June 2009. Foreign investors should comply with the M&A Rules when they purchase equity interests of a domestic company or subscribe the increased capital of a domestic company, and thus changing the nature of the domestic company into a foreign-invested enterprise; or when the foreign investors establish a foreign-invested enterprise in the PRC, purchase the assets of a domestic company and operate the asset; or when the foreign investors purchase the asset of a domestic company, establish a foreign-invested enterprise by injecting such assets, and operate the assets. The M&A Rules, among other things, purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle securities on an overseas stock exchange.



**7. Regulations relating to employment and social welfare**

*Labor Contract Law*

The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) (the “**Labor Contract Law**”), which was implemented on 1 January 2008 and amended on 28 December 2012, is primarily aimed at regulating employee/employer rights and obligations, including matters with respect to the establishment, performance and termination of labor contracts. Pursuant to the Labor Contract Law, labor contracts shall be concluded in writing if labor relationships are to be or have been established between enterprises or institutions and the laborers. Enterprises and institutions are forbidden to force laborers to work beyond the time limit and employers shall pay laborers for overtime work in accordance with national regulations. In addition, labor wages shall not be lower than local standards on minimum wages and shall be paid to laborers in a timely manner. In addition, according to the Labor Contract Law: (i) employers must pay laborers double income in circumstances where within one year an employer fails to enter into an employment contract that is more than a month but less than a year from the date of employment and if such period exceeds one year, the parties are deemed to have entered into a labor contract with an “unfixed term”; (ii) employees who fulfill certain criteria, including having worked for the same employer for ten years or more, may demand that the employer execute a labor contract with them with an unfixed term; (iii) employees must adhere to regulations in the labor contracts concerning commercial confidentiality and non-competition; (iv) an upper limit not exceeding the cost of training supplied to the employee has been set as the amount of compensation an employer may seek for an employee’s breach of the provisions concerning term of services in the labor contract; (v) employees may terminate their employment contracts with their employers if their employers fail to make social insurance contributions in accordance with the law; (vi) if an employer pays for an employee professional training, the labor contract may specify a term of service. When the employee breach term of service, the amount of compensation may not exceed the training expenses; (vii) employers who demand money or property from employees as guarantee or otherwise may be subject to a fine of more than RMB500 but less than RMB2,000 per employee; and (viii) employers who intentionally deprive employees of any part of their salary must, in addition to their full salary, pay such employees compensation ranging from 50% to 100% of the amount of salary so deprived if they fail to pay the salary deprived within ascertain period by the labor administration authorities.

According to the Labor Law of the PRC (《中華人民共和國勞動法》) promulgated on 5 July 1994 and effective on 1 January 1995 and last amended on 29 December 2018, enterprises and institutions shall establish and improve their system of workplace safety and sanitation, strictly abide by state rules and standards on workplace safety, educate laborers in labor safety and sanitation in the PRC. Labor safety and sanitation facilities shall comply with state-fixed standards. Enterprises and institutions shall provide laborers with a safe workplace and sanitation conditions which are in compliance with state stipulations and the relevant articles of labor protection.

## REGULATORY OVERVIEW

On 28 December 2012 the Labor Contract Law (《勞動合同法》) was amended to impose more stringent requirements on labor dispatch which became effective on 1 July 2013. Pursuant to the amended Labor Contract Law, (i) it is strongly emphasized that dispatched contract workers shall be entitled to equal pay for equal work as an employee of an employer; (ii) dispatched contract workers may only be engaged to perform temporary, auxiliary or substitute works; and (iii) an employer shall strictly control the number of dispatched contract workers so that they do not exceed certain percentage of total number of employees and the specific percentage shall be prescribed by the Ministry of Human Resources and Social Security. Under the law, “temporary work” means a position with a term of less than six (6) months; “auxiliary work” means a non-core business position that provides services for the core business of the employer; and “substitute work” means a position that can be temporarily replaced with a dispatched contract worker for the period that a regular employee is away from work for vacation, study or for other reasons. According to the Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》) promulgated by the Ministry of Human Resources and Social Security on 24 January 2014, which became effective on 1 March 2014, (i) the number of dispatched contract workers hired by an employer should not exceed 10% of the total number of its employees (including both directly hired employees and dispatched contract workers); and (ii) in the case that the number of dispatched contract workers exceeds 10% of the total number of its employees at the time when the Interim Provisions on Labor Dispatch became effective, the employer must formulate a plan to reduce the number of its dispatched contract workers to comply with the aforesaid cap requirement prior to 1 March 2016. In addition, such plan shall be filed with the local administrative authority of human resources and social security. Nevertheless, the Interim Provisions on Labor Dispatch do not invalidate the labor contracts and dispatch agreements entered into prior to 28 December 2012 and such labor contracts and dispatch agreements may continue to be performed until their respective dates of expiration. The employer may also not hire any new dispatched contract worker before the number of its dispatched contract workers is reduced to below 10% of the total number of its employees. In case of violation, the labor administrative department shall order rectification within a specified period of time; if the situation is not rectified within the specified period, a fine from RMB5,000 to RMB10,000 for each person shall be imposed, and the staffing company’s business license shall be revoked. If a placed worker suffers any harm or loss caused by the receiving entity, the staffing company and the receiving entity shall be jointly and severally liable for damages.

### ***Social Insurance and Housing Fund***

As required under the Regulation of Insurance for Labor Injury (《工傷保險條例》) implemented on 1 January 2004 and amended in 2010, the Provisional Measures for Maternity Insurance of Employees of Corporations (《企業職工生育保險試行辦法》) implemented on 1 January 1995, the Decisions on the Establishment of a Unified Program for Basic Old-Aged Pension Insurance of the State Council (《國務院關於建立統一的企業職工基本養老保險制度的決定》) issued on 16 July 1997, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council (《國務院關於建立城鎮職工基本醫療保險制度的決定》) promulgated on 14 December 1998, the Unemployment Insurance Measures (《失

業保險條例》) promulgated on 22 January 1999 and the Social Insurance Law of the PRC 《中華人民共和國社會保險法》) implemented on 1 July 2011 and amended on 29 December 2018, enterprises are obliged to provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labor injury insurance and medical insurance. These payments are made to local administrative authorities and any employer that fails to contribute may be fined and ordered to make up within a prescribed time limit.

In accordance with the Regulations on the Management of Housing Funds 《住房公積金管理條例》) which was promulgated by the State Council in 1999 and last amended on 24 March 2019, enterprises must register at the competent managing center for housing funds and complete procedures for opening an account for the deposit of employees' housing funds. Enterprises are also required to pay and deposit housing funds on behalf of their employees in full and in a timely manner.

### 8. Regulations relating to tax

#### *Enterprise Income Tax*

On 16 March 2007, the National People's Congress promulgated the Law of the PRC on Enterprise Income Tax 《中華人民共和國企業所得稅法》) which was further amended on 24 February 2017 and 29 December 2018, and on 6 December 2007, the State Council enacted the Regulations for the Implementation of the Law on Enterprise Income Tax 《中華人民共和國企業所得稅法實施條例》) which was amended on 23 April 2019 (collectively, the “**EIT Law**”). The EIT Law came into effect on 1 January 2008. According to the EIT Law, taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within the PRC. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but have established institutions or premises in the PRC, or have no such established institutions or premises but have income generated from inside the PRC. Under the EIT Law and relevant implementing regulations, a uniform corporate income tax rate of 25% is applicable. However, if non-resident enterprises have not formed permanent establishments or premises in the PRC, or if they have formed permanent establishment institutions or premises in the PRC but there is no actual relationship between the relevant income derived in the PRC and the established institutions or premises set up by them, the enterprise income tax is, in that case, set at the rate of 10% for their income sourced from inside the PRC.

The Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies 《關於境外註冊中資控股企業依據實際管理機構標準實施居民企業認定有關問題的通知》) promulgated by the SAT on 22 April 2009 and amended on 29 December 2017 sets out the

## REGULATORY OVERVIEW

standards and procedures for determining whether the “de facto management body” of an enterprise registered outside of the PRC and controlled by PRC enterprises or PRC enterprise groups is located within the PRC.

The EIT Law provides that an income tax rate of 10% will normally be applicable to dividends payable to investors that are “non-resident enterprises”, and gains derived by such investors, which (a) do not have an establishment or place of business in the PRC or (b) have an establishment or place of business in the PRC, but the relevant income is not effectively connected with the establishment or place of business to the extent such dividends and gains are derived from sources within the PRC. Such income tax on the dividends may be reduced pursuant to a tax treaty between China and the jurisdictions in which our non-PRC shareholders reside. Pursuant to an Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion With Respect to Tax on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the “**Double Tax Avoidance Arrangement**”), and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% upon receiving approval from in-charge tax authority. However, based on the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《關於執行稅收協定股息條款有關問題的通知》) (the “**Notice No. 81**”) issued on 20 February 2009 by the State Administration of Taxation, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. The SAT issued the Announcement of the State Administration of Taxation on Issues concerning “Beneficial Owners” in Tax Treaties (《國家稅務總局關於稅收協定中“受益所有人”有關問題的公告》) (the “**Notice No. 9**”) on 3 February 2018 and became effective on 1 April 2018. According to the Notice No. 9, if an applicant has the status as a “Beneficiary Owner”, but the competent tax authority finds it necessary to apply the principal purpose test clause in the tax treaties or the general anti-tax avoidance rules stipulated in domestic tax laws, the general anti-tax avoidance provisions shall apply.

Pursuant to the Double Tax Avoidance Arrangement, if a PRC or Hong Kong enterprise engages in sea, air or highway transportation and its income is derived from the business activities in ship, aircraft or land vehicles, such income shall be taxed only in PRC or Hong Kong where the enterprise is a resident.

### *Value-added Tax and Business Tax*

The Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》) were promulgated by the State Council on 13 December 1993 and came into effect on 1 January 1994 which were subsequently amended on 10 November 2008 and came into effect on 1 January 2009 and subsequently amended on 6 February 2016 and 19 November

## REGULATORY OVERVIEW

2017. The Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (Revised in 2011) (《中華人民共和國增值稅暫行條例實施細則》2011年修訂)) were promulgated by the Ministry of Finance and the SAT on 15 December 2008 which were subsequently amended on 28 October 2011 and came into effect on 1 November 2011 (collectively, the “**VAT Law**”). According to the VAT Law, all enterprises and individuals engaged in the sale of goods, the provision of processing, repair and replacement services, and the importation of goods within the territory of the PRC must pay value-added tax. For general VAT taxpayers selling or importing goods other than those specifically listed in the VAT Law, the value-added tax rate is 17%.

Pursuant to The Provisional Regulations of the PRC on Business Tax (《中華人民共和國營業稅暫行條例》), which became effective on 1 January 1994 and were subsequently amended on 10 November 2008, and its implementation rules, all institutions and individuals providing taxable services, transferring intangible assets or selling real estate within the PRC must pay a business tax. The scope of services which constitute taxable services and the rates of business tax are prescribed in the List of Items and Rates of Business Tax (營業稅稅目稅率表) attached to the regulation. On 1 January 2012, the State Council officially launched a pilot VAT reform program (the “**Pilot Program**”), applicable to businesses in selected industries. Businesses in the Pilot Program would pay VAT instead of the business tax. The Pilot Program initially applied only to transportation industry and “modern service industries” (the “**Pilot Industries**”) in Shanghai. The research and development and technical services, information technology services included in the Pilot Industries are subject to the VAT tax rate of 6%. Subsequently, the Pilot Program has been expanded to ten additional regions, including, among others, Beijing and Guangdong province, and nationwide to the designated pilot industry. On 23 March 2016, the Ministry of Finance and the SAT jointly issued the Circular of Full Implementation of Business Tax to Value-added Tax Reform (關於全面推開營業稅改徵增值稅試點的通知) (the “**Circular 36**”) which confirms that business tax would be completely replaced by VAT from 1 May 2016. The Provisional Regulations of the PRC on Business Tax and its implementation rules was repealed by the Provisional Regulations of the PRC on Value-added Tax on 19 November 2017.

### *Dividend Withholding Tax*

The EIT Law provides that since 1 January 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident investors who do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC.

Pursuant to the Double Tax Avoidance Arrangement, and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%.

## REGULATORY OVERVIEW

However, based on the Notice No. 81, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment; and based on the Notice No. 9, if an applicant has the status as a “Beneficiary Owner”, but the competent tax authority finds it necessary to apply the principal purpose test clause in the tax treaties or the general anti-tax avoidance rules stipulated in domestic tax laws, the general anti-tax avoidance provisions shall apply.

### *Individual Income Tax*

Pursuant to the Double Tax Avoidance Arrangement, except for the regulations otherwise provided, salaries, wages and other similar remuneration derived by a resident in PRC or Hong Kong will be taxed in PRC or Hong Kong respectively. If the aforesaid remuneration is derived by a resident of PRC engaged business in Hong Kong, or a resident of Hong Kong engaged business in PRC, whether such remuneration will be taxed by PRC or Hong Kong shall be decided by a series of criteria. Notwithstanding, if a PRC or Hong Kong enterprise engages in sea, air or highway transportation and its employee’s remuneration is derived from the business activities in ship, aircraft or land vehicles, such remuneration shall be taxed in PRC or Hong Kong where the enterprise locates.

## BUSINESS DEVELOPMENT

### Overview

In 1995, Mr. HM Chan who is the father of Mr. LB Chan, the chairman of our board, our executive Director and our Controlling Shareholder, found the business of our Group through establishing Kwai Bon (HK) with his own savings. Since then, Kwai Bon (HK) has become our major operating subsidiary principally engaged in providing air cargo terminal operation, transportation, warehousing and other value-added services in Hong Kong.

To accommodate the fast-growing need of air cargo terminal operation and transportation services for increasing inbound and outbound shipments in the PRC, during the period from 2005 to 2013, Kwai Bon (HK), which functioned as the then headquarters of our Group (the “**Headquarters**”) with all the decision-making power and authority, had established its subsidiaries and branches in the PRC, namely Kwai Bon (Shenzhen), Kwai Bon (Guangzhou), Kwai Bon (Guangzhou) branch and Kwai Bon (Shanghai); as well as a joint venture company and an associate with local business partners, namely Kwai Bon (Chengdu) and Kwai Bon (Suzhou), to further expand our service coverage in Shenzhen, Shanghai, Guangzhou, Chengdu and Suzhou, which are known as the major air cargo hubs covering the Greater Bay Area, the Yangtze River Region and Western China in the PRC. Our PRC subsidiaries serve as the supporting extended-arms ancillary of our Group to facilitate on ground business operations in certain PRC cities and are subject to the direct control and supervision of the HQ Management (as defined below) at the Headquarters.

Starting from 2010, as Mr. HM Chan has prepared the succession plan with an objective of gradually and finally retiring himself from our Group and committing himself other new businesses, he has delegated our Headquarters’ management team (namely Mr. Chan Yu, Mr. Ma Ka Wing, Mr. Yeung Kam Sing and Ms. Chen Yuli, who have joined our Group ranging from seven to 18 years as at the Latest Practicable Date and the biographies of whom are set out in the section headed “Directors, Senior Management and Employees” in this prospectus) which led by Mr. Chan Yu, who has been acted in the capacity as an acting chief executive officer of our Group since early 2013 until his formal appointment to the position as a chief executive officer of our Group in May 2018, to manage day-to-day business operations of our Group (including our PRC subsidiaries) (the “**HM Delegation**”). Following the HM Delegation in 2010, Mr. LB Chan subsequently joined Kwai Bon (HK) as an assistant director in 2014 and has retained his position during the Track Record Period and up to the Latest Practicable Date. Since then, our Headquarters’ management (namely Mr. Chan Yu, Mr. LB Chan, Mr. Ma Ka Wing, Mr. Yeung Kam Sing and Ms. Chen Yuli) (the “**HQ Management**”) has been the main decision-maker who has most power and critical decision making responsibilities in charge of our Group’s strategic planning, business development and all other major decisions. Our HQ Management establishes and communicates business strategy to the employees at the subsidiary level and keep all levels moving in the same directions. Major decisions in respect of, among other things, customer acquisitions, contract and pricing negotiations and operational resources investments, are made by our HQ Management. Once such decisions are made, our HQ Management sends out directions to the subsidiary level for implementation. Our HQ Management also retains control over day-to-day business operations of our PRC subsidiaries and

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

other members of our Group by making important decisions on pay, rewards and certain daily activities etc. It is considered that our HQ Management is most relevant, and responsible for, the track record results of our Group. Our PRC subsidiaries, being the supporting extended-arms ancillary of our Group, must adhere to the policies of standards set by the HQ Management and follow the directions coming from our HQ Management. Whereas, Mr. HM Chan only undertook a consultative role in matters concerning our Group at the board of Kwai Bon (HK) (the “**KB Board**”) level, with limitations to (i) sharing his industry experience with the HQ Management, in particular on the background of existing and potential customers (including the reputation of these customers and their specific requests); and (ii) only providing advices to our HQ Management on the overall strategic planning and business development of our Group (which were formulated by our HQ Management) and had not taken part in the day-to-day management of our Group (including the PRC subsidiaries) nor the negotiations of the substantive terms of any agreements entered into by our Group in the ordinary course of business since the HM Delegation in 2010. As confirmed by our Directors, Mr. HM Chan’s advices are not mandatorily adopted by our Group.

After over six years of professional management approach for managing and operating our entire Group (including our PRC subsidiaries) by our HQ Management with satisfactory and sustainable business performance, for the succession planning purpose, Mr. HM Chan transferred his entire equity interest in Kwai Bon (HK) to Mr. LB Chan (being his son and our chairman and executive Director) and Mr. Chan Yu (being our executive Director whom by then had been working with Mr. HM Chan for over 10 years, and is experienced in the air cargo ground handling industry and considered by Mr. HM Chan to be a trustworthy employee) as to 95.0% and 5.0%, respectively, in December 2016. Both of Mr. LB Chan and Mr. Chan Yu were also appointed as a director of Kwai Bon (HK) in January 2016. In view of the smooth operation and functioning of our Group’s business under Mr. HM Chan’s passive involvement after the HM Delegation, Mr. HM Chan initiated his resignation as a director (the “**HM Official Resignation**”) of all our Group’s operating subsidiaries which comprises of Kwai Bon (HK), Kwai Bon (Guangzhou), Kwai Bon (Shenzhen) and Kwai Bon (Shanghai) in June 2017. The exact official date of the HM Official Resignation in Kwai Bon (HK) was 30 June 2017. Since time was required to undergo the PRC administrative procedures for the HM Official Resignation the HM Official Resignation in Kwai Bon (Shenzhen), Kwai Bon (Shanghai) and Kwai Bon (Guangzhou) were officially effective to the public on 18 October 2017, 7 December 2017 and 20 December 2017, respectively. Notwithstanding the HM Official Resignation, substantially all members of the KB Board and our HQ Management, who were relevant to, and responsible for, the business operation of our Group during the Track Record Period and up to the Latest Practicable Date, have remained in their positions of responsibilities.

Under the management of our business by our executive Directors and our HQ Management, we successfully renewed contracts from Top Global Express Carrier, our largest customer, and secured new contracts with Hong Kong Air Cargo Terminal Operator, German-based Express Carrier and Top Global Logistics Company. Our Directors are of the view that our business is sustainable under substantially the same management of our executive Directors and our HQ Management during the Track Record Period and up to the Latest Practicable Date, despite that Mr. HM Chan has no longer exerted any influence on our Group, our Directors and our management after the transfer of his entire equity interest and the HM Official Resignation.

For further details of our business, please refer to the section headed “Business” in this prospectus.



## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### Major milestones of our Group

Our major business development and achievements are set forth below:

<u>Milestone year</u>	<u>Event</u>
1995	<ul style="list-style-type: none"> <li>● Kwai Bon (HK) has become the principal subsidiary of our Group in Hong Kong</li> </ul>
2003	<ul style="list-style-type: none"> <li>● We started to provide air cargo terminal operation services inside AAT</li> </ul>
2006	<ul style="list-style-type: none"> <li>● We expanded our business to Shenzhen, the PRC and provided (i) air cargo terminal operation services inside Shenzhen international express courier operations centre of the Shenzhen Bao'an International Airport</li> <li>● We commenced providing warehousing and other value-added services in Kwun Tong, Hong Kong</li> </ul>
2007	<ul style="list-style-type: none"> <li>● We commenced providing point-to-point transportation services in Shanghai, the PRC</li> </ul>
2009	<ul style="list-style-type: none"> <li>● We commenced providing (i) point-to-point transportation services adjacent to Guangzhou; and (ii) two-way non-stop transportation services of cargoes across the borders of Hong Kong and Guangdong Province, the PRC</li> </ul>
2011	<ul style="list-style-type: none"> <li>● We started to provide point-to-point transportation services in Chengdu, the PRC</li> </ul>
2012	<ul style="list-style-type: none"> <li>● We started to provide air cargo terminal operation services inside AAT to another worldwide express carrier. Such customer was acquired by Top Global Express Carrier in May 2016</li> </ul>
2013	<ul style="list-style-type: none"> <li>● We relocated our provision of warehousing and other value-added services to Kwai Bon Logistics Centre, of a total gross floor area of over 70,000 sq.ft.</li> </ul>
2014	<ul style="list-style-type: none"> <li>● We started to provide air cargo terminal operation services inside Super Terminal 1</li> </ul>
2015	<ul style="list-style-type: none"> <li>● We were registered as a corporate lite member of TAPA</li> </ul>
2016	<ul style="list-style-type: none"> <li>● We started to provide transportation services to a PRC e-commerce retailer</li> </ul>
2017	<ul style="list-style-type: none"> <li>● We started to provide transportation services to German-based Express Carrier</li> </ul>
2018	<ul style="list-style-type: none"> <li>● We entered into the Pre-IPO Investment with Diligent City</li> <li>● We were accredited with certificate of the TAPA Trucking Security Requirements</li> <li>● We started to provide domestic transportation and warehousing and other value-added services to Top Global Logistics Company</li> <li>● We formed Brilliant Logistics, which was our indirect wholly-owned subsidiary in Hong Kong as at the Latest Practicable Date, with the intention to provide domestic transportation services of imported goods to Top Global Logistics Company</li> </ul>
2019	<ul style="list-style-type: none"> <li>● We acquired the irradiating apparatus licence from the Radiation Board of Hong Kong for carrying out cargos-screening services</li> </ul>

## CORPORATE DEVELOPMENT

Members of our Group are set forth below:

### **Our Company**

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 2 January 2018. As at the Latest Practicable Date, our Company was owned as to approximately 91.7% (200 Shares) by 3C Holding (which is beneficially owned as to 95% by Mr. LB Chan and as to 5% by Mr. Chan Yu, respectively) and as to approximately 8.3% (18 Shares) by Diligent City (our pre-IPO investor which is wholly owned by Mr. William Choy), respectively.

Following completion of our Reorganisation, our Company has (i) six subsidiaries namely Asia-express (BVI), Kwai Bon (HK), Kwai Bon (Guangzhou), Kwai Bon (Shenzhen), Kwai Bon (Shanghai) and Brilliant Logistics, (ii) one associate namely Kwai Bon (Chengdu) and (iii) two branches namely Kwai Bon (Guangzhou) Branch and Kwai Bon (Shanghai) Branch. Our Company becomes the holding company of our Group with our business primarily conducted through Kwai Bon (HK), Kwai Bon (Guangzhou), Kwai Bon (Shenzhen) and Kwai Bon (Shanghai).

For further details of the changes in share capital of our Company, please refer to the section headed “Statutory and General Information — Further information about our Company and our subsidiaries — 2. Changes in share capital of our Company” in this prospectus.

The following sets forth the material information about the corporate development of the subsidiaries and associate of our Company, all of which are private companies since their respective dates of incorporation. We also underwent certain reorganisation steps in contemplation of the Listing, particulars of which are set forth in the paragraph headed “Reorganisation” in this section.

### **Asia-express (BVI)**

Asia-express (BVI) was incorporated in the BVI as a limited liability company on 4 January 2018. Since its incorporation and up to the Latest Practicable Date, one fully-paid share without par value had been allotted and issued to our Company for the issue price of US\$1.00 per share, and Asia-express (BVI) had been wholly and beneficially owned by our Company.

Asia-express (BVI) engages in investment holding.

### **Kwai Bon (HK)**

Kwai Bon (HK) was incorporated in Hong Kong as a limited liability company on 17 November 1994. On 27 April 1995, Kwai Bon (HK) was beneficially owned by Mr. HM Chan and subsequently, on 10 January 1996, further allotment of Shares in Kwai Bon (HK) was made to Mr. HM Chan. Since 10 January 1996, Kwai Bon (HK) was owned as to approximately 99.9% by Mr. HM Chan. On 13 August 2015, Kwai Bon (HK) became wholly owned by Mr. HM Chan.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 15 December 2016, for the succession planning purpose and in preparation for the Listing as detailed in the paragraph headed “Business Development” in this section, Mr. HM Chan decided to transfer (i) his 9,500 shares in Kwai Bon (HK) to Mr. LB Chan (being his son) for a consideration of HK\$9,500 and (ii) his 500 shares in Kwai Bon (HK) to Mr. Chan Yu (being a long term employee serving our Group for over 13 years) for a consideration of HK\$500, both based on the nominal value of the shares in Kwai Bon (HK). Such transfers of shares were properly and legally completed on 15 December 2016.

As a result of the Reorganisation, on 13 February 2018, a total of 10,000 shares in Kwai Bon (HK) was transferred by Mr. LB Chan and Mr. Chan Yu, respectively, to Asia-express (BVI) (as our Company’s nominee) in consideration of and exchange for allotment and issuance of a total of 100 Shares in our Company to 3C Holding (a company owned as to 95% and 5% by Mr. LB Chan and Mr. Chan Yu respectively) at the directions of Mr. LB Chan and Mr. Chan Yu. Kwai Bon (HK) becomes a direct wholly-owned subsidiary of Asia-express (BVI), which in turn is an indirect wholly-owned subsidiary of our Company. As at the Latest Practicable Date, Kwai Bon (HK) had an issued share capital of HK\$10,000 divided into 10,000 shares.

Kwai Bon (HK) serves as an operating company which mainly engages in the provision of air cargo ground handling, transportation services and warehousing and other value-added services in Hong Kong.

### **Kwai Bon (Guangzhou)**

Kwai Bon (Guangzhou) was established in the PRC as a limited liability company on 16 February 2009. Since its establishment and up to the Latest Practicable Date, Kwai Bon (Guangzhou) was directly and wholly owned by Kwai Bon (HK) and its registered capital was RMB5 million.

On 1 September 2011, Kwai Bon (Guangzhou) registered its branch office, Kwai Bon (Guangzhou) Branch, in the PRC. As a result of the Reorganisation, on 13 February 2018, Kwai Bon (Guangzhou) becomes an indirect wholly-owned subsidiary of our Company.

Kwai Bon (Guangzhou) serves as an operating company which mainly engages in the provision of domestic transportation services in Guangzhou, the PRC.

### **Kwai Bon (Shenzhen)**

Kwai Bon (Shenzhen) was established in the PRC as a limited liability company on 10 November 2005. Since 10 April 2007 and up to the Latest Practicable Date, Kwai Bon (Shenzhen) was directly and wholly owned by Kwai Bon (HK) and its registered capital was RMB3 million.

As a result of the Reorganisation, on 13 February 2018, Kwai Bon (Shenzhen) becomes an indirect wholly-owned subsidiary of our Company.

Kwai Bon (Shenzhen) serves as an operating company which mainly engages in the provision of air cargo ground handling services and domestic transportation services in Shenzhen, the PRC.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### **Kwai Bon (Shanghai)**

Kwai Bon (Shanghai) was established in the PRC as a limited liability company on 11 May 2007. Since its establishment and up to the Latest Practicable Date, Kwai Bon (Shanghai) was directly and wholly owned by Kwai Bon (HK) and its registered capital was RMB5 million.

Kwai Bon (Shanghai) has (i) 50% direct interest in Kwai Bon (Suzhou) as a joint venture company since 3 May 2012, and (ii) 25% direct interest in Kwai Bon (Chengdu) as an associate since 20 September 2011. As a result of the Reorganisation, on 13 February 2018, Kwai Bon (Shanghai) becomes an indirect wholly-owned subsidiary of our Company. On 10 April 2018, Kwai Bon (Shanghai) registered its branch office, Kwai Bon (Shanghai) Branch, in the PRC.

Kwai Bon (Shanghai) serves as an operating company which mainly engages in the provision of domestic transportation services in Shanghai, the PRC.

### **Kwai Bon (Chengdu)**

Kwai Bon (Chengdu) was incorporated in the PRC as a limited liability company on 20 September 2011. Since its establishment and up to the Latest Practicable Date, Kwai Bon (Chengdu) was directly owned as to 25% by Kwai Bon (Shanghai) as an associate and its registered capital was RMB3 million. As a result of the Reorganisation, on 13 February 2018, Kwai Bon (Chengdu) becomes an indirect associate of our Company.

Kwai Bon (Chengdu) serves as an operating company which mainly engages in the provision of domestic transportation services in Chengdu, the PRC.

### **Brilliant Logistics**

Brilliant Logistics was incorporated in Hong Kong as a limited liability company on 29 August 2018. Upon its incorporation, Brilliant Logistics was owned as to 60% by Kwai Bon (HK) and 40% by an Independent Third Party. On 19 October 2018, Kwai Bon (HK) acquired the 40% interest in Brilliant Logistics from the Independent Third Party at a consideration of HK\$1.00. Such acquisition was properly and legally completed on the same day. As at the Latest Practicable Date, Brilliant Logistics has been directly owned as to 100% by Kwai Bon (HK) and is an indirect wholly-owned subsidiary of our Company. Since its incorporation and up to the Latest Practicable Date, Brilliant Logistics had an issued share capital of HK\$10,000 divided into 10,000 shares.

Brilliant Logistics was incorporated with the intention to provide domestic transportation services of imported goods to Top Global Logistics Company.

### EXCLUDED MEMBER OF OUR GROUP

Kwai Bon (Suzhou) had been a member of our Group during the Track Record Period up to 11 January 2019, and was excluded from our Group thereafter. Set below is the corporate details of Kwai Bon (Suzhou):

#### **Kwai Bon (Suzhou)**

Kwai Bon (Suzhou) was incorporated in the PRC as a limited liability company on 3 May 2012. Since its establishment and up to 11 January 2019, Kwai Bon (Suzhou) was directly owned as to 50% by Kwai Bon (Shanghai) as a joint venture company and its registered capital was RMB3.0 million.

On 18 November 2013, Kwai Bon (Suzhou) registered its branch office, Kwai Bon (Suzhou) Branch, in the PRC. Due to the loss-making performance of Kwai Bon (Suzhou) since October 2016, both the director and the shareholders of Kwai Bon (Suzhou) considered that it was not in the commercial interests to continue its operation by our Group and therefore intended to gradually scale down and first cease to operate Kwai Bon (Suzhou) Branch, and subsequently exclude Kwai Bon (Suzhou) from our Group.

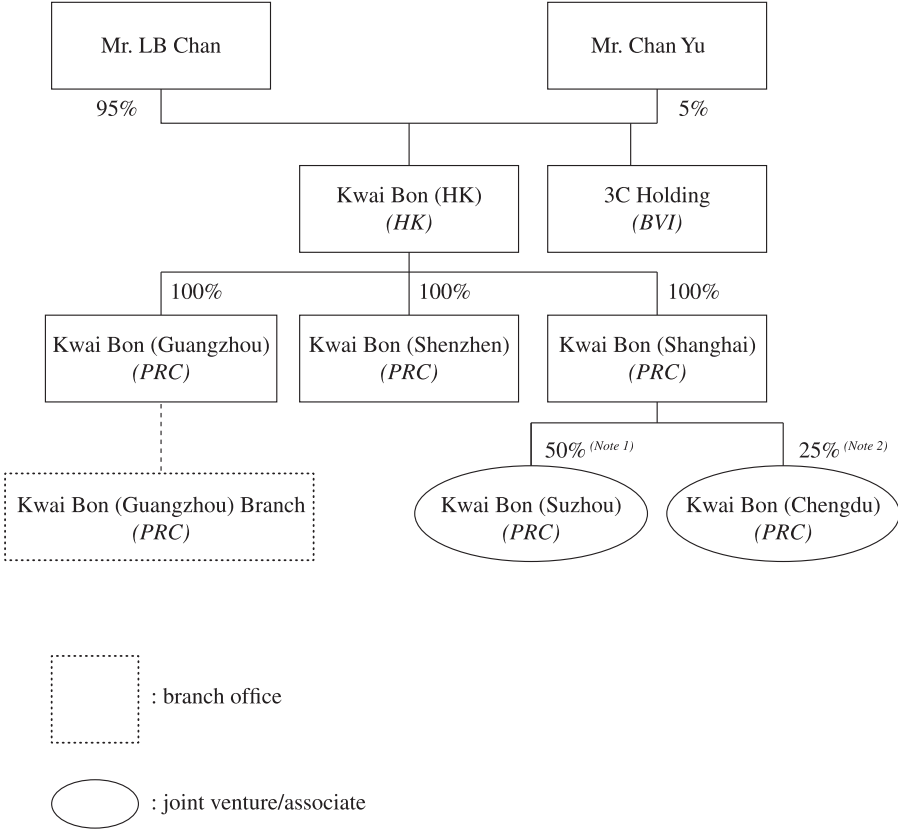
Our PRC Legal Advisers confirm that Kwai Bon (Suzhou) Branch was properly and legally deregistered in the PRC on 15 September 2017. As a result of the Reorganisation, on 13 February 2018, Kwai Bon (Suzhou), which is owned as to 50% by Kwai Bon (Shanghai), becomes an indirect joint venture company of our Company. On 11 January 2019, Kwai Bon (Shanghai) transferred its 50% equity interest in Kwai Bon (Suzhou) to a third party who is not connected with our Group. Please refer to the paragraph headed “Reorganisation steps — (g) Step 7 — Transfer of 50% equity interest in Kwai Bon (Suzhou) from Kwai Bon (Shanghai) to a third party who is not connected with our Group” for more details. Our PRC Legal Advisers confirm that the equity transfer agreement has been properly and legally executed and is legally binding between Kwai Bon (Shanghai) and the third party who is not connected with our Group. The said transfer has complied with all relevant PRC laws and regulations and our Company confirms that it has filed such transfer with the relevant government authorities. Following completion of such transfer, Kwai Bon (Suzhou) was excluded from our Group. Our PRC Legal Advisers also confirm that Kwai Bon (Suzhou) had no material non-compliances during the Track Record Period up to 11 January 2019 before the transfer of 50% equity interest in Kwai Bon (Suzhou) to the third party who is not connected with our Group.

# HISTORY, REORGANISATION AND CORPORATE STRUCTURE

## REORGANISATION

### Group structure before the Reorganisation

The following chart sets out the shareholding and corporate structure of our Group immediately before the Reorganisation:



Notes:

1. The remaining shareholder of Kwai Bon (Suzhou) is an Independent Third Party.
2. The remaining shareholders of Kwai Bon (Chengdu) are Independent Third Parties.

### Reorganisation steps

In preparing for the Listing, we have carried out the Reorganisation which involved the following steps:

(a) *Step 1 — Incorporation of our Company*

On 2 January 2018, our Company was incorporated under the laws of the Cayman Islands as an exempted company with limited liability, with an authorised share capital of our Company of HK\$390,000 divided into 39,000,000 Shares with a par value of HK\$0.01 each. Upon incorporation, one subscriber's Share, credited as fully paid, was immediately transferred, and 99 Shares were further allotted and issued, all at par value, to 3C Holding.

As a result, our Company was owned as to 100% (100 Shares) by 3C Holding.

Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 15 February 2018.

(b) *Step 2 — Incorporation of Asia-express (BVI)*

On 4 January 2018, Asia-express (BVI) was incorporated in the BVI with limited liability. Asia-express (BVI) is authorised to issue up to a maximum of 50,000 ordinary shares without par value. Upon incorporation, the Company subscribed for one fully paid share of Asia-express (BVI) for the issue price of US\$1.00 per share.

As a result, Asia-express (BVI) becomes a wholly-owned subsidiary of our Company.

(c) *Step 3 — Transfer of 100% of the issued share capital in Kwai Bon (HK) from Mr. LB Chan and Mr. Chan Yu to Asia-express (BVI) (as our Company's nominee) by way of issue of shares in our Company to 3C Holding (at the directions of Mr. LB Chan and Mr. Chan Yu)*

On 13 February 2018, Mr. LB Chan and Mr. Chan Yu as vendors and our Company as purchaser entered into the Share Swap Deed, pursuant to which Mr. LB Chan and Mr. Chan Yu transferred his 9,500 shares and his 500 shares respectively (in total being 10,000 shares) in Kwai Bon (HK) to Asia-express (BVI) (as the our Company's nominee), representing 95% and 5% of the issued share capital respectively (in total being 100% of the issued share capital) in Kwai Bon (HK), in consideration of and exchange for which our Company allotted and issued a total of 100 Shares, credited as fully paid, with 95 such Shares to 3C Holding (at the direction of Mr. LB Chan) and 5 such Shares to 3C Holding (at the direction of Mr. Chan Yu) respectively.

Following completion of the above transfers on 13 February 2018, Kwai Bon (HK) becomes a direct wholly-owned subsidiary of Asia-express (BVI) and an indirect wholly-owned subsidiary of our Company. Our Company as a result continues to be owned as to 100% (200 Shares) by 3C Holding.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### (d) *Step 4 — Pre-IPO Investment by Diligent City*

On 23 March 2018, Diligent City as subscriber entered into the Subscription Agreement with, among others, our Company, pursuant to which Diligent City agreed to subscribe for and our Company agreed to allot and issue 30 new Shares, representing approximately 13% of the enlarged issued share capital of our Company at the subscription price of HK\$7,000,000.

On 23 March 2018, completion of the Pre-IPO Investment took place pursuant to the Subscription Agreement and the subscription price therefore was properly, legally and irrevocably settled on the same day. Following completion of the Pre-IPO Investment, our Company is owned as to approximately 87% (200 Shares) by 3C Holding and approximately 13% (30 Shares) by Diligent City, respectively.

For further details of the Pre-IPO Investment, please refer to the paragraph headed “Pre-IPO Investment” in this section.

### (e) *Step 5 — Establishment of Kwai Bon (Shanghai) Branch*

On 10 April 2018, Kwan Bon (Shanghai) registered its branch office, Kwai Bon (Shanghai) Branch, in the PRC for the purpose of carrying out business in Changning in the PRC.

Our PRC Legal Advisers confirm that the establishment of Kwai Bon (Shanghai) Branch is properly and legally completed, and has complied with all relevant PRC laws and regulations.

### (f) *Step 6 — Incorporation of Brilliant Logistics*

On 29 August 2018, Brilliant Logistics was incorporated in Hong Kong as a limited liability company. Since its incorporation and up to the Latest Practicable Date, Brilliant Logistics had an issued share capital of HK\$10,000 divided into 10,000 shares. Upon its incorporation, Kwai Bon (HK) subscribed for 6,000 shares in Brilliant Logistics at a consideration of HK\$6,000. The remaining 40% equity interest in Brilliant Logistics is owned by an Independent Third Party. On 19 October 2018, Kwai Bon (HK) acquired 4,000 shares in Brilliant Logistics from the Independent Third Party at a consideration of HK\$1.00. Such acquisition was properly and legally completed and settled on the same day and Brilliant Logistics became an indirect wholly-owned subsidiary of our Company.

### (g) *Step 7 — Transfer of 50% equity interest in Kwai Bon (Suzhou) from Kwai Bon (Shanghai) to a third party who is not connected with our Group*

Due to the loss-making performance of Kwai Bon (Suzhou) since October 2016, both the director and shareholders of Kwai Bon (Suzhou) considered that it was not in the commercial interests to continue the operation of Kwai Bon (Suzhou) by our Group and therefore intended to gradually scale down and exclude Kwai Bon (Suzhou) from our Group. On 11 January 2019, Kwai Bon (Shanghai) and a third party who is not connected with our Group entered



## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

into an equity transfer agreement, pursuant to which Kwai Bon (Shanghai) transferred its 50% equity interest in Kwai Bon (Suzhou) to the third party who is not connected with our Group at a consideration of RMB2.2 million. Such consideration was arrived after arm's length negotiation among the parties, which was determined with reference to the net asset value of Kwai Bon (Suzhou) of approximately RMB 4.3 million as at 11 January 2019. The consideration was fully settled on 10 June 2019. As confirmed by our PRC Legal Advisers, the equity transfer agreement has been properly and legally executed and is legally binding between Kwai Bon (Shanghai) and the third party who is not connected with our Group. The said transfer has complied with all relevant PRC laws and regulations and our Company confirms that it has filed such transfer with the relevant government. Following completion of such transfer, Kwai Bon (Suzhou) was excluded from our Group.

### (h) *Step 8 — Repurchase of shares by Diligent City*

On 28 June 2019, Diligent City repurchased 14,000 shares (representing 28% of the total issued share capital of Diligent City) and 6,000 shares (representing 12% of the total issued share capital of Diligent City) from Maia Global and Solution Lion, respectively. In consideration of such repurchase, Diligent City agreed to transfer 8 Shares and 4 Shares of our Company to Maia Global and Solution Lion, respectively. Immediately after completion of such repurchase but before the Capitalisation Issue and the Share Offer, our Company is owned as to approximately 87% (200 Shares) by 3C Holding, approximately 3.5% (8 Shares) by Maia Global, approximately 1.7% (4 Shares) by Solution Lion and approximately 7.8% (18 Shares) by Diligent City (which is wholly owned by Mr. William Choy), respectively.

### (i) *Step 9 — Repurchases of Shares by our Company*

On 4 September 2019, our Company repurchased 8 Shares and 4 Shares from Maia Global and Solution Lion at a consideration of HK\$2,079,000 and HK\$1,039,000, respectively. Such considerations were determined based on arm's length negotiation between the Directors and each of Maia Global and Solution Lion with reference to the coupon rate of other similar size pre-IPO investments using convertible bonds. Such repurchases were completed and the considerations payable to each of Solution Lion and Maia Global was settled on 4 September 2019 and 18 September 2019, respectively. Upon completion of the repurchases, Maia Global and Solution Lion ceased to be interested in any Shares of our Company. Immediately after completion of such repurchases but before the Capitalisation Issue and the Share Offer, our Company is owned as to approximately 91.7% (200 Shares) by 3C Holding and approximately 8.3% (18 Shares) by Diligent City (which is wholly owned Mr. William Choy), respectively.

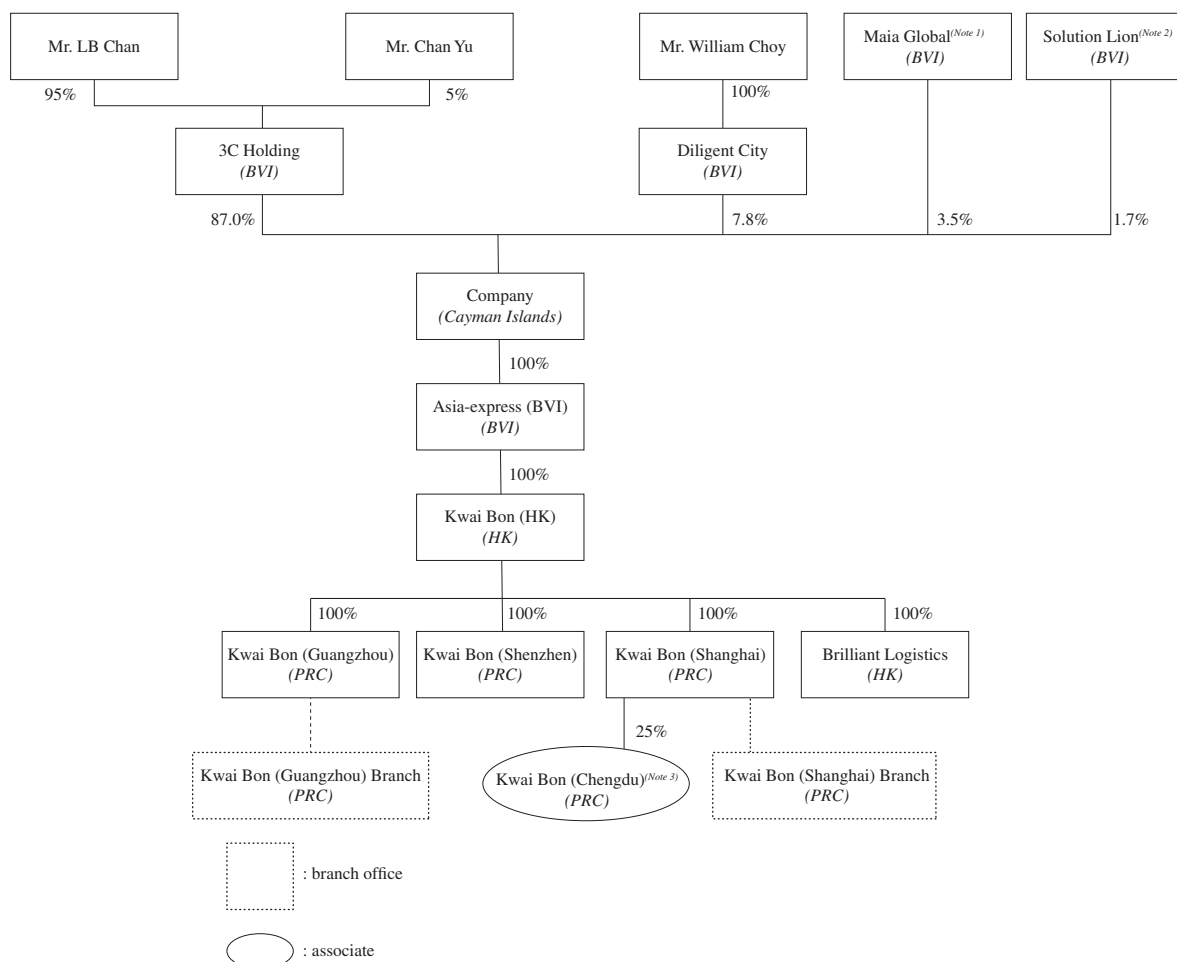
### (j) *Step 10 — Increase in the authorised share capital of our Company*

On 23 March 2020, the authorised share capital of our Company was increased from HK\$390,000 divided into 39,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares by the creation of an additional 9,961,000,000 Shares, ranking *pari passu* in all respects with the then existing Shares.

# HISTORY, REORGANISATION AND CORPORATE STRUCTURE

## Group structure after the repurchase of shares by Diligent City

The following chart sets out the shareholding and corporate structure of our Group immediately after the repurchase of shares by Diligent City but before the repurchase of Shares by our Company pursuant to the Reorganisation:



**Notes:**

- Maia Global is a business company incorporated under the laws of the BVI with limited liability and is principally engaged in the provision of consultancy services relating to business development opportunities and investment holding. As advised by Maia Global, it is currently investing in a total of four projects (one of which is a pre-IPO investment in a company which is principally engaged in the provision of roads and drainage works in Hong Kong, the shares of which are proposed to be listed on GEM of the Stock Exchange), while the remaining three are private equity investments, each with a consideration of HK\$5.0 million below. Maia Global is owned as to 67% and 33% by Mr. Cheung and Mr. Mak, respectively. The board of directors of Maia Global consists of Mr. Cheung and Mr. Mak.

Mr. Cheung obtained a bachelor of commerce degree from Curtin University of Technology and a master of finance from the Australian National University. He is also a member of the Hong Kong Institute of Certified Public Accountants, an associate member of CPA Australia and a certified deal maker of the China Mergers & Acquisition Association. He is currently a director of Guardians Asset Management Limited, a licenced

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

corporation under the SFO to carry out type 9 (asset management) regulated activities and the chief financial officer and company secretary of Richly Field China Development Limited, a company listed on the Main Board of the Stock Exchange (stock code: 313), where Mr. Cheung is responsible for overseeing the financial activities of the company and compliance matters. Mr. Cheung has also worked in Ernst & Young, an international accounting firm, between September 2006 and November 2009 as an accountant, in Surrey Junction Investment Limited between May 2010 and November 2011 and in Seige Communication Ltd between January 2012 and December 2013 as its financial controller overseeing the finance function of the company.

Mr. Mak obtained a bachelor of commerce degree from the University of New South Wales in September 2006. He has over 11 years of experience in financial management and consultancy services. Since August 2007, Mr. Mak has been a consultant of Tung Yue Tai Company Limited, a company which is principally engaged in the trading, retail and wholesale of Chinese dried and preserved seafood, and he is responsible for overseeing the overall financial and business operation. Since June 2016, Mr. Mak has also been the managing director of Maia Global, primarily responsible for overseeing the overall management and strategic planning of the company. Mr. Mak is also experienced in investing in both private and public companies. As confirmed by Mr. Mak, he has invested in four pre-IPO investments (namely, this Pre-IPO Investment, the pre-ipo investment in Asia Grocery Distribution Limited (a company whose shares are listed on GEM of the Stock Exchange (stock code: 8413), the pre-IPO investment in a company which is principally engaged in the provision of roads and drainage works in Hong Kong, the shares of which are proposed to be listed on GEM of the Stock Exchange; and the pre-IPO investment in a company which is principally engaged in the manufacturing and sales of bead wires for automobile tires, the shares of which are proposed to be listed on Main Board of the Stock Exchange).

2. Solution Lion is a special purpose vehicle of Future Land Resources Growth Capital Fund SPC — Future Land Resources Growth — 1 SP. Currently, Mr. Wong Chun Hung Hanson is the sole director of Solution Lion. Future Land Resources Growth Capital Fund SPC — Future Land Resources Growth — 1 SP is a segregated portfolio of Future Land Resources Growth Capital Fund SPC which is managed by Future Land Resources Asset Management Limited (“FLRAML”), a limited liability company incorporated in Hong Kong and is wholly-owned by Future Land Resources Capital Investment Limited which is in turn wholly owned by Future Land Resources Capital Group Limited (“FLRCGL”) (a limited liability company incorporated in the BVI). FLRAML is a licensed corporation under the SFO to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities and is principally engaged in asset management business through off-shore fund structures and discretionary accounts according to the investors’ profiles and their preferred strategies. As advised by FLRAML, FLRAML, being the fund management arm of Seazen (as defined below) in Hong Kong, is currently managing two funds which have each invested in a property development project in Hong Kong. FLRCGL is owned as to (a) 60% by Future Land Development Capital (Hong Kong) Limited, a limited company incorporated in Hong Kong and a subsidiary of Seazen Group Limited (formerly known as Future Land Development Holdings Limited) (a company listed on the Main Board of the Stock Exchange (stock code: 1030)) (“Seazen”), whose principal activities are property development, property investment and commercial property management in the PRC; (b) 20% by Mr. Tang Wai Ho Harry; and (c) 20% by Mr. Wong Chun Hung Hanson. Based on the annual report of Seazen for the year ended 31 December 2017, Seazen recorded revenue of approximately RMB40.8 billion and a net profit of approximately RMB6.0 billion for the year ended 31 December 2017. Seazen also had a market capitalisation of approximately HK\$33.4 billion as at 15 August 2018.

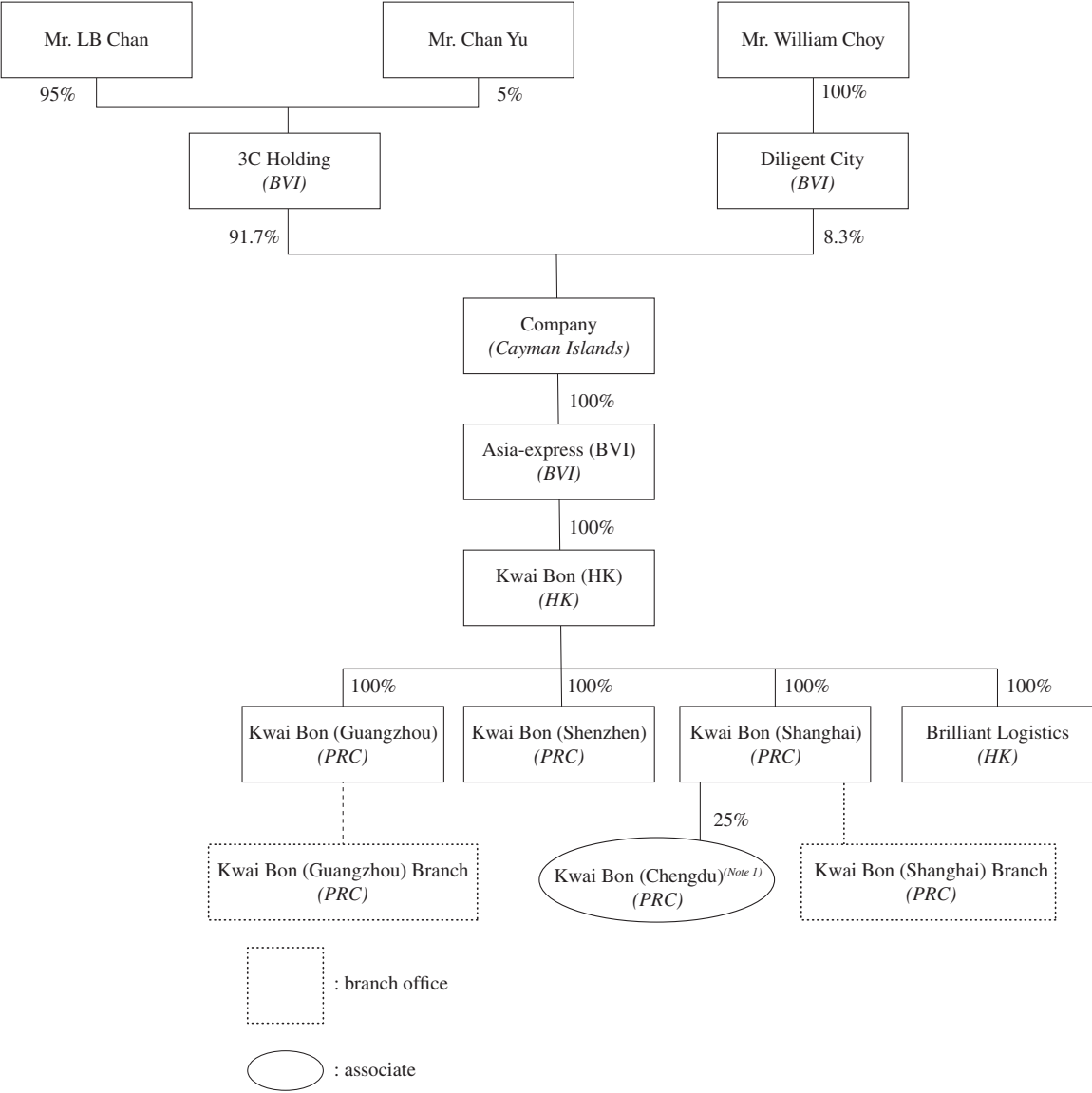
To the best knowledge and belief of our Directors after making reasonable due diligence inquiries, save for Mr. Mak (a shareholder of Maia Global) being a cousin of Mr. Wong Chun Hung Hanson (a director of Solution Lion), none of Maia Global and its shareholders, directors, senior management or their respective associates has any relationship with Solution Lion and its shareholders, directors, senior management or their respective associates during the Track Record Period and up to the Latest Practicable Date.

3. The remaining shareholders of Kwai Bon (Chengdu) are Independent Third Parties.

# HISTORY, REORGANISATION AND CORPORATE STRUCTURE

## Group structure after the repurchase of Shares by our Company pursuant to the Reorganisation

The following chart sets out the shareholding and corporate structure of our Group immediately after the repurchase of Shares by our Company pursuant to the Reorganisation but before the Capitalisation Issue and the Share Offer:



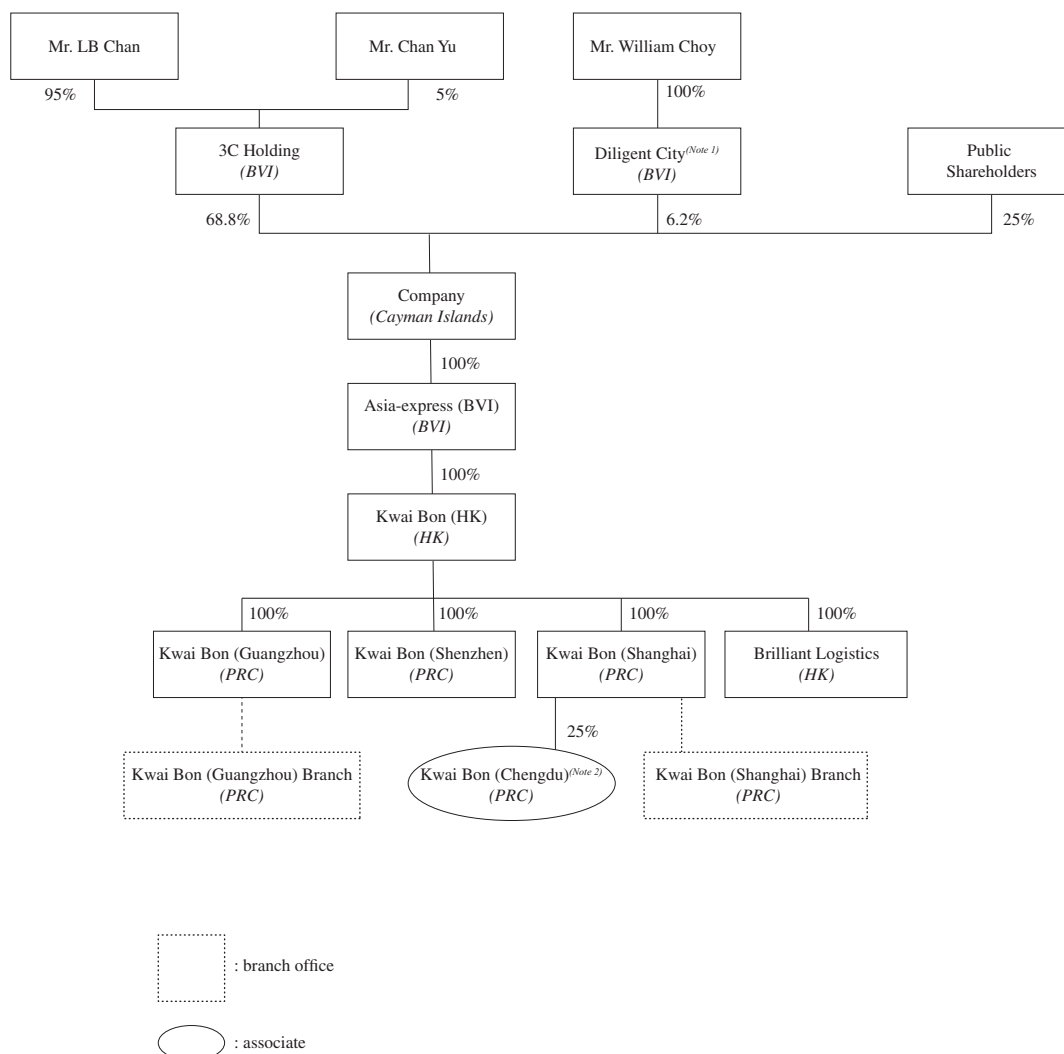
*Note:*

1. The remaining shareholders of Kwai Bon (Chengdu) are Independent Third Parties.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### Group structure after the Reorganisation, the Capitalisation Issue and the Share Offer

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



*Notes:*

1. The sole shareholder of Diligent City is Mr. William Choy, who has been appointed as our non-executive Director. Therefore, all the shares held by Diligent City will not be considered as part of the public float for the purpose of Rule 11.23 of the GEM Listing Rules.
2. The remaining shareholders of Kwai Bon (Chengdu) are Independent Third Parties.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### PRE-IPO INVESTMENT

On 23 March 2018, Diligent City as subscriber entered into the Subscription Agreement with, among others, our Company, the principal terms of the Pre-IPO Investment of Diligent City are set out in the table below:

#### Subscription Agreement

Parties	:	Our Company (being the issuer) Diligent City (being the subscriber) 3C Holding (being the shareholder of the issuer)
Date of the relevant agreement	:	23 March 2018
Date of completion	:	23 March 2018
Number of Shares subscribed by Diligent City ( <i>Notes 1 and 2</i> )	:	30 Shares (representing approximately 13.0% of all the issued Shares immediately upon completion of the Pre-IPO Investment but before the repurchase of shares by Diligent City, the repurchase of Shares by our Company from Maia Global and Solution Lion, the Capitalisation Issue and the Share Offer)
Consideration and date of payment	:	HK\$7,000,000, which was received and irrevocably settled on 23 March 2018
Basis of determination of the consideration	:	The consideration was determined based on arm's length negotiation with regards to (i) the historical earnings; (ii) prospect of our Group with reference to the trading multiple of comparable logistics companies listed in the Stock Exchange; (iii) the then private and public equity market environments; and (iv) the risks associated with investing in unlisted companies of this nature.
Total number of Shares to be held by Diligent City upon completion of the Capitalisation Issue and the Share Offer ( <i>Notes 1 and 2</i> )	:	29,880,000 Shares (representing approximately 6.2% of all the issued Shares immediately after the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon exercise of any options which may be granted under the Share Option Scheme))

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Investment cost per Share paid by Diligent City (taking into account the Capitalisation Issue) <i>(Notes 1, 2 and 3)</i>	:	HK\$0.23 per Share
Discount to the Offer Price (taking into account the Capitalisation Issue) <i>(Notes 1, 2 and 3)</i>	:	A discount of approximately 54% to the mid-point of the indicative Offer Price range of HK\$0.42 to HK\$0.58 per Offer Share
Use of proceeds from the Pre-IPO Investment and whether such proceeds have been fully utilised	:	As at the Latest Practicable Date, the proceeds from the Pre-IPO Investment was fully utilised as our general working capital
Lock-up	:	As confirmed by each of Diligent City and Mr. William Choy, it/he has no intention to change their respective shareholding in our Company upon Listing and pursuant to a lock-up undertaking executed by, among others, Mr. William Choy and Diligent City, the Shares held by it are required to be locked up for a period of six months from the Listing Date

### *Notes:*

1. On 28 June 2019, Diligent City repurchased its shares held by each of Maia Global and Solution Lion and in return, Diligent City transferred its Shares in our Company to each of them as consideration on a pro-rata basis. For further details, please refer to the paragraph headed “Reorganisation — Step 8 — Repurchase of shares by Diligent City” in this section.
2. On 4 September 2019, our Company repurchased 8 Shares and 4 Shares from Maia Global and Solution Lion at a consideration of HK\$2,079,000 and HK\$1,039,000, respectively. For further details, please refer to the paragraph headed “Reorganisation — Step 9 — Repurchases of Shares by our Company” in this section.
3. Diligent City refers to the subscriber who entered into the Subscription Agreement on 23 March 2018.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### Shareholders Agreement

On 23 March 2018, Diligent City entered into the Shareholders Agreement with our Company, 3C Holding, Mr. LB Chan and Mr. Chan Yu, details of which are set out below:

#### *Special rights*

The following special rights have been granted to our shareholders under the Shareholders Agreement (being 3C Holding and Diligent City, each a “SA Shareholder”):

*Director appointment and Board participation right.* 3C Holding and Diligent City are entitled to appoint two directors and one director to the Board, respectively. 3C Holding and Diligent City are entitled to remove any director nominated by it.

*Matters requiring unanimous decisions.* Certain corporate actions of our Company require the SA Shareholders’ written approval until the Listing or 23 March 2021, whichever is earlier (the “Expiry”). Such actions include, among others,

- (a) call for any capital contribution and shareholder’s loan or advance to our Company;
- (b) acquisition or sale, lease, transfer or disposal of property or assets exceeding HK\$3.0 million;
- (c) entering into, alteration or amendments of any contract, agreement, arrangement or transaction between our Company and a SA Shareholder or its related party;
- (d) obtaining any future finance or funding for our Company or any member of our Group in any way;
- (e) borrowing by our Company or any member of our Group exceeding HK\$3 million or which requires the SA Shareholders to provide guarantees, indemnities or covenants or the creation of any encumbrances over any assets or property of our Group;
- (f) lending of money to any person (otherwise than by way of deposit with a bank) or granting any credit to any person by our Company or any member of the Group exceeding HK\$3.0 million or issuing guarantees or giving any mortgage, charge or other security;
- (g) creation, allotment or issue of any further Shares, shares or of any other securities to be issued by our Company or any member of our Group or the granting of any options or convertible bonds or right to subscribe for securities or to convert any instrument into securities;
- (h) increase, reduction or reorganisation of our Company’s or any Group member’s share capital, variation of the rights attaching to any class of Shares or any redemption, purchase or other acquisition by our Company or any member of our Group of any Shares, or other securities of the Company or any member of the Group;



## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- (i) commencement or settlement of any litigation, arbitration or other proceedings in respect of which the amount of claim exceeds HK\$3.0 million;
- (j) change of our Company's or any Group member's memorandum and articles of association or other constitutional documents;
- (k) change of our Group's business, entry into business by our Group, change in geographical scope of our Group's business;
- (l) merger, consolidation or amalgamation of our Company or any member of our Group or its business with any other company or its business or the entering into of any joint venture with any other companies;
- (m) creation or disposal of subsidiaries of our Group or any member of our Group;
- (n) entering, or agreeing to enter, into any transaction, contract, agreement or arrangement in excess of HK\$5.0 million;
- (o) appointment, removal and change of the auditors of our Company or any member of our Group;
- (p) adoption of accounting policies for our Company or any member of our Group or any amendment of the accounting policies previously adopted by our Company or any member of our Group;
- (q) adoption of our Group's annual audited accounts;
- (r) declaration of any dividend in a sum of more than the distributable amount or making of any other distributions;
- (s) capitalisation, repayment or other forms of distribution of any amount standing to the credit of any reserve of our Company or any member of our Group;
- (t) liquidation or winding-up of our Company or any member of our Group or the appointment of receiver, manager or trustee in respect of any part of the assets of our Company or any member of our Group or the passing of any resolution the result of which would be its winding up, liquidation or receivership, or the making of any composition or arrangement with creditors;
- (u) offering of shares or other securities of our Company or any member of our Group to the public;
- (v) establishment or amendment of authorised signatories for cheques and operation of bank account and any other bank mandates of our Company or any member of our Group; and
- (w) change of the bank mandate or any of the authorised signatories of the designated bank account.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

*Information and inspection rights.* Until the Expiry, all of the SA Shareholders have the rights to receive our Group's monthly management account and audited accounts, to inspect facilities, records and books of our Group, and to discuss the business, operations and conditions of our Group with its respective directors, officers, employees, accountants, legal counsel and investment bankers at its own costs and expenses with reasonable prior notice to our Company.

*Anti-dilution.* Until the Expiry, our Company shall not issue and allot any Shares to any person except with the prior written consent of all of the SA Shareholders.

*Tag-along right.* Until Expiry, if a SA Shareholder holding more than 75% of the issued share capital of our Company disposes its Shares which will reduce its shareholding of our Company to less than 75% (the "**Tag-Along Seller**"), the Tag-Along Seller shall first give to the other SA Shareholder holding less than 75% of the issued share capital of our Company a tag-along notice stating its intention to sell such Shares in our Company. Such SA Shareholder holding less than 75% of the issued share capital of our Company will have an option to sell to the tag-along purchaser all or any of its Shares in our Company at the purchase price per Share, and the number of Shares which the Tag-Along Seller proposes to sell shall be reduced to the extent of the participation of such SA Shareholder holding less than 75% of the issued share capital of our Company.

### *Event of default ("EoD")*

If EoD occurs, then the non-defaulting SA Shareholder shall be indemnified by the defaulting SA Shareholder of all losses, damages, costs and expenses of whatsoever nature which may be suffered or incurred by the non-defaulting SA Shareholder arising from or in connection with the occurrence of the EoD, up to the limit of HK\$7.0 million.

If EoD occurs and 3C Holding is the defaulting SA Shareholder, the non-defaulting SA Shareholder (being Diligent City) shall be indemnified by Mr. LB Chan and Mr. Chan Yu (being the owners of 3C Holding) of the higher of the amounts of (i) all losses, damages, costs and expenses which may be suffered or incurred by the non-defaulting SA Shareholder (being Diligent City) arising from the EoD; or (ii) an amount equal to the negative difference, if any, between the subscription price and the fair value of the Shares, but the amount to be indemnified is up to HK\$7.0 million.

EoD includes (i) a defaulting SA Shareholder committing a material breach of any of its obligations under the Shareholders Agreement and failing to remedy a breach capable of being remedied within 21 days and specifically required in writing to do so by the other SA Shareholder; or (ii)(aa) any order made by a competent court or other appropriate authority or any resolution passed for bankruptcy, liquidation, winding-up or dissolution or for the appointment of a trustee or similar official of a defaulting SA Shareholder, or of all or a substantial part of the assets of the defaulting SA Shareholder; or (bb) a defaulting SA Shareholder stopped payment to creditors generally or shall be unable to pay its debts within the meaning of any applicable legislation relating to bankruptcy.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### *Cashflow guarantee*

If our Company's audited cashflow generated from its ordinary and usual operating activities, net of any extraordinary income and expenses, is below HK\$30.0 million cumulatively in the two consecutive financial years from 1 April 2016 to 31 March 2018, Mr. LB Chan and Mr. Chan Yu (being the owners of 3C Holding) shall indemnify Diligent City an amount equal to HK\$7.0 million.

*Termination.* The above special rights and the Shareholders Agreement will terminate upon the Listing.

### **Background of our Pre-IPO investor**

Diligent City, our Pre-IPO investor, is a company incorporated in the BVI with limited liability on 19 May 2015 and up to 28 June 2019, it is owned as to 60%, 28% and 12% by Mr. William Choy, Maia Global and Solution Lion, respectively. On 28 June 2019, Diligent City repurchased its shares held by each of Maia Global and Solution Lion and in return, Diligent City transferred its Shares to each of them as consideration on a *pro-rata* basis. For further details, please refer to the paragraph headed "Reorganisation — Step 8 — Repurchase of shares by Diligent City" in this section. As at the Latest Practicable Date, Diligent City is wholly-owned by Mr. William Choy and the board of directors of Diligent City only consists of Mr. William Choy. Diligent City is a financial investor. As it is optimistic about the prospects of our Group, it decided to invest in our Group through the Pre-IPO Investment to seek for an investment return. As such, Diligent City is a special purpose vehicle solely engaged in this Pre-IPO Investment with a consideration of HK\$7 million.

Mr. William Choy joined C-Bons Holding (International) Limited and its subsidiaries (collectively, the "**C-Bons Group**") in April 2004 and is currently the chief investment officer and managing director of C-Bons Group in Hong Kong and the vice-president of C-Bons Group in the PRC. He is primarily responsible for the overall investment business and strategic development of C-Bons Group. Mr. William Choy has over 15 years of experience in the investment field. He obtained a bachelor of arts degree from the University of British Columbia in Canada in May 2002 and a doctor of business administration degree from the California University of Management (USA) in March 2008. Mr. William Choy has been nominated by Diligent City as our non-executive Director. For further details of the biography of Mr. William Choy, please refer to the section headed "Directors, Senior Management and Employees — Non-executive Director" in this prospectus.

Save for the Pre-IPO Investment and the directorship of Mr. William Choy in our Company, each of Diligent City (being our Pre-IPO investor), its shareholders and their respective close associates did not and currently does not hold any directorship or management position in our Company and/or any member of our Group and, to the best of our Directors' knowledge and belief having made reasonable due diligence enquiries, each of the Pre-IPO investor, its shareholders, directors and their respective associates are Independent Third Parties.

## **HISTORY, REORGANISATION AND CORPORATE STRUCTURE**

### **Introduction of Mr. William Choy to our Group**

Mr. William Choy was acquainted with Mr. Chan Yu (one of our executive Directors and Controlling Shareholders) through a common friend and in light of Mr. William Choy's investing experience, the common friend introduced Mr. William Choy to Mr. Chan Yu. In view of (i) our Group has over 20 years of experience in the air cargo ground handling services industry and is well-positioned in the growing air cargo ground handling segment in Hong Kong; and (ii) most of our Group's major customers are reputable and large scale global express carriers, Mr. William Choy is optimistic about the prospects of our Group and decided to invest in our Group through Diligent City.

### **Strategic benefits to our Group**

Our Directors consider that the Pre-IPO Investment made by Diligent City will serve as an additional working capital and provide an immediate available fund for our Group's business, which can help to strengthen the financial position of our Group.

Moreover, as Mr. William Choy, the sole shareholder of Diligent City and our non-executive Director, has accumulated over 15 years of experience in the investment field, particularly in the debt and equity investments in the capital markets of Hong Kong, the PRC and the United States and in the insurance, banking and property development industries, our Directors believe that our Group will be able to benefit from (i) the advice to be provided by Mr. William Choy in respect of the fund raising strategies in the capital markets of Hong Kong and/or the PRC, as well as (ii) the strategic inputs from, and the network provided by, Mr. William Choy, including introducing business partners to our Group and exploring other business opportunities for the long-term business development of our Group. As at the Latest Practicable Date, Mr. William Choy has introduced one customer to our Group.

### **The Sole Sponsor's Confirmation**

Under the Interim Guidance on Pre-IPO Investments issued by the Stock Exchange on 13 October 2010 (as amended and updated in January 2012 and March 2017), where the consideration for completion or divestment of the last pre-IPO investment is settled on or after the date of first submission of the listing application form, the Stock Exchange will generally delay the first day of trading until 120 clear days after the later of the completion or divestment of the last pre-IPO investments. The repurchases of Shares from Maia Global and Solution Lion were completed on 18 September 2019. On the basis that (i) the Listing is expected to take place on or around 20 April 2020, which will be more than 120 clear days after the completion of such repurchases; and (ii) the special rights granted to Diligent City will terminate upon the Listing, the Sole Sponsor is of the view that the Pre-IPO Investment is in compliance with the Interim Guidance on Pre-IPO Investment issued by the Stock Exchange on 13 October 2010 (as amended and updated in January 2012 and March 2017) and the requirements set out in the Guidance Letters HKEX-GL43-12 issued by the Stock Exchange in October 2012 (as amended and updated in July 2013 and March 2017).

## **OVERVIEW**

We are an established air cargo ground handling services provider in Hong Kong. Our air cargo ground handling services principally cover (i) air cargo terminal operation; (ii) transportation; and (iii) warehousing and other value-added services. By utilising our full suite of services, we deliver integrated solutions to global express carriers, air cargo terminal operators, freight forwarders and corporates domestically and regionally. We have over 20 years of experience in the air cargo ground handling services industry with our headquarters in Hong Kong (being the world's largest international air cargo airport in 2018 according to the Airports Council International), and have extended our geographical coverage to major air cargo hubs across multiple high-growth economic regions in China such as the Greater Bay Area, the Yangtze River Region and Western China, such as Shenzhen, Guangzhou, Shanghai and Chengdu. Leveraging on our proven track record and deep local expertise in these high growth regions, our Directors believe that we are well positioned to capture emerging business opportunities driven by initiatives introduced by the PRC government such as the "Belt and Road" and the "Greater Bay Area", as well as the completion of the Hong Kong-Zhuhai-Macau bridge, the Shenzhen-Zhongshan bridge.

We ranked as the third largest air cargo terminal operation services provider in Hong Kong according to the Frost and Sullivan Report, accounting for approximately 15.1% in 2018. Up to the Latest Practicable Date, we have been able to continuously secure contracts from Top Global Express Carrier to operate its air cargo terminal inside AAT of the Hong Kong International Airport for over 15 years, and provided air cargo terminal operation services to Hong Kong Air Cargo Terminal Operator inside Super Terminal 1 of the Hong Kong International Airport for five years. Since 2006, leveraging on our solid air cargo terminal operation experience, we have also been providing such services to Top Global Express Carrier inside Shenzhen international express courier operations centre of the Shenzhen Bao'an International Airport. As an integral part to our full suite of air cargo terminal operation services, we also provide our customers ancillary delivery services of air cargo goods to our customers' designated locations in Hong Kong or Shenzhen or Guangzhou, the PRC.

We support our integrated service offerings with our sizeable resources. As at the Latest Practicable Date, our large fleet consists of 168 self-owned transportation vehicles of various sizes and tonnages, ranging from below 5.5-tonnes light goods trucks, 5.5-tonnes to 9-tonnes medium goods trucks, 16-tonnes light heavy goods trucks and 24-tonnes or above heavy goods trucks to private cars. In addition, some of our self-owned transportation fleet are registered with Intermodal Transshipment Facilitation Scheme in Hong Kong and Quick Pass mode in China, which facilitates our provision for non-stop Guangdong-Hong Kong transportation to ensure secure and timely cross-border delivery. Meanwhile, we had a sizeable labour force of 226 full-time employees as at the Latest Practicable Date. In order to increase our operational flexibility, we engage independent contractors to carry out part of our transportation services and provide dispatch labour when the need arises. Such arrange enables us to not only capable of offering efficient ancillary delivery services to customers of our air cargo terminal operation services, but also allow us completing

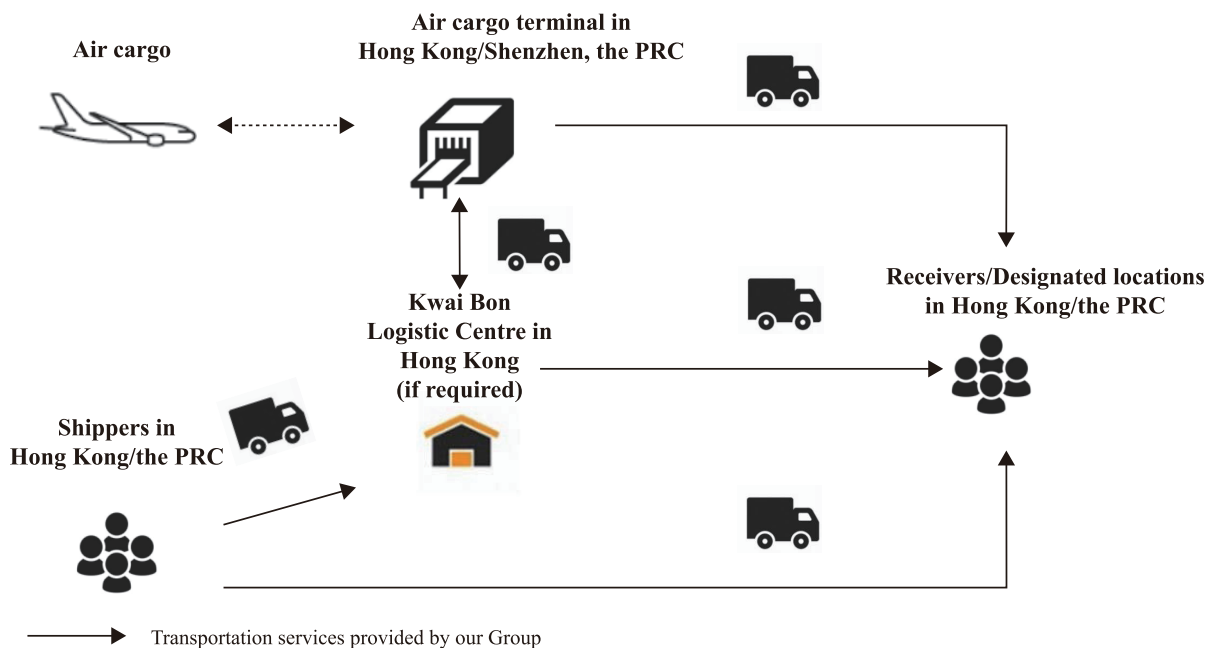
## BUSINESS

point-to-point transportation services within the same day or the next business day domestically within or near Hong Kong, Shenzhen, Guangzhou, Shanghai and Chengdu, and two-way cross border transportations between Hong Kong and Guangdong Province, the PRC.

In addition, we provided warehousing and other value-added services by leasing the Kwai Bon Logistics Centre, the whole block of an industrial building in Kwai Chung, Hong Kong with a total gross floor area of over 70,000 sq. ft.. With our readily available resources, our directors believe that it not only enhances our operational capabilities, but also allow us to provide customers with cost-efficient air cargo ground handling services, and strengthen our ability to offer timely, reliable and flexible services.

### OUR BUSINESS MODEL

According to the Frost and Sullivan Report, as a result of the ongoing trend of airlines, express carriers, aircraft operators and airport terminal operators outsourcing various parts of air cargo logistics activities, the reliability and quality of services provided by local and regional air cargo ground handling services providers are vital to the overall quality of air cargo services within the logistics chain. In light of the increasing global air cargo movements primarily driven by the growth in international trade and e-commerce activities, we strategically position ourselves to offer quality air cargo ground handling services to customers with special emphasis on higher processing speed, greater operational efficiency, specialised and customised services, time-definite delivery and costs reduction. The diagram below is the general business model of our air cargo ground handling services:



## **COMPETITIVE STRENGTHS**

We believe that our success is attributable to, among other things, the following competitive strengths:

### **A long-established reputation in the industry with integrated service offerings**

Our history could be traced back to 1995 when Kwai Bon (HK) has become our principal operating subsidiary in Hong Kong. With over 20 years of experience in the air cargo ground handling services industry, we have accumulated extensive experience in providing a wide range of integrated air cargo ground handling services covering air cargo terminal operation services and transportation services, warehousing and other value-added services along the air cargo supply chain. Our Group ranked third and accounted for approximately 15.1% of market share in the Hong Kong air cargo terminal operation services market in 2018 according to the Frost and Sullivan Report.

We leverage the significant synergies between our three major service segments to deliver integrated air cargo terminal operation services solutions to our customers. Our integrated air cargo terminal operation services solutions focus on seamless coordination of air cargo movement for our customers, using our scale and expertise to lower their total logistics costs and our systems to improve efficiency along the air cargo supply chain. We also take advantage of our strong transportation fleet and sizable labour force to provide our customers with attractive service offerings in terms of cost, speed and reliability. Our integrated service segments present us with cross-selling opportunities and are key drivers behind our new customer wins and our ability to expand our share of our customers' logistics spend.

The increasing scale and complexity of our customers' air cargo supply chain operations have driven demand for air cargo ground handling providers that can offer a full spectrum of air cargo terminal operation services across multiple geographies. Our ability to deliver integrated air cargo terminal operation services allows our customers to reduce the number of service providers they engage, thus saving their time and costs and ultimately simplifying their operations. In addition, by providing multiple services to our customers we are able to strengthen our customer relationships and thus our competitive position.

### **Long-term business relationship with worldwide and regional renowned customers**

We manage our business to develop expertise in not only the spectrum and quality of service offerings but also various local geographic markets in high growth economic regions of the PRC. Our expertise with in-depth knowledge of local markets has been developed through long-term partnerships with our customers, as evidenced by a continuous relationship of over 15 years with Top Global Express Carrier up to the Latest Practicable Date. We have focused our resources on key areas where we believe the air cargo supply chain is most complex and critical to our customers' core business which creates opportunities to become an integral part of our customers' operation.

Our Directors believe that by leveraging our operational excellence and long operating history in serving renowned global express carriers, we are capable of attracting new customers as evidenced by us securing new business from German-based Express Carrier and Top Global Logistics Company.

**Strong transportation fleet and sizeable labour force with extensive network of other service providers**

As at the Latest Practicable Date, we had a large fleet of 168 self-owned transportation vehicles of various sizes and tonnages, some of which are equipped with roller bed systems to facilitate efficient loading and unloading of ULD and goods, air-ride suspension systems to enhance highway performance, ride quality and cargo protection, as well as GPS tracking systems to track and monitor delivery schedule and safety. In addition, 32 trucks are registered with Intermodal Transshipment Facilitation Scheme (ITFS) in Hong Kong and Quick Pass mode (QP) in China for non-stop Guangdong-Hong Kong transportation to ensure secure and timely cross-border delivery. Meanwhile, we had a sizable labour force of 226 full-time employees as at the Latest Practicable Date. In order to increase our operational flexibility and cost effectiveness, we have a network of over 215 independent contractors to carry out part of our transportation services and provide dispatch labour where the need arises. Our Directors believe that we are one of the few air cargo ground handling services providers possessing a large of transportation fleet as well as a huge pool of experienced labour force which distinguish from our competitors.

With our sizeable and readily available labour force and transportation fleet by utilising our own resources or by engaging independent contractors, our Directors believe that we can (i) satisfy *ad hoc* requests or increased orders from our customers; (ii) minimise service interruption or delay caused by vehicle malfunctions as we are able to find suitable substitutes within a short period of time; and (iii) satisfactorily provide timely, reliable and flexible services to our customers increase the flexibility and cost effectiveness in carrying out our services, which is essential to our Group's success.

**Our professional and experienced management team**

We have taken professional management approach to operate and manage day-to-day business operations of our Group. Since 2010, our core management team has enjoyed a high degree of autonomy and made major planning and decisions in respect of our Group's overall business operations, management and development. The overall business strategies, development plan and budgets of our Group were formulated by our core management team annually and then reviewed by our former or existing Controlling Shareholders. The management of our Group is led by Mr. LB Chan, our chairman and an executive Director, who has over five years of experience in business management, and Mr. Chan Yu, the chief executive officer and an executive director, who has accumulated over 13 years of experience in the air cargo ground handling services industry. The key members of our senior management team have experience ranging from two to 18 years in the air cargo ground



## BUSINESS

handling services industry. The in-depth experience and industry knowledge of our Directors and senior management enable our management to have a comprehensive understanding of the market conditions of the air cargo ground handling services industry and to operate our business effectively. Please refer to the section headed “Directors, Senior Management and Employees” in this prospectus for further details and biographies of our Directors and senior management.

### BUSINESS STRATEGIES

#### Market potential

According to the Frost and Sullivan Report, Hong Kong is an international transportation hub strategically located in the centre of Asia, with half of the world’s population within a five-hour flight, offering an extensive flight network serving 220 destinations. According to the Airports Council International, Hong Kong International Airport remained as the world’s busiest airport in terms of cargo traffic in 2018. Counting the amount of airmail handled together, the total cargo throughput of Hong Kong International Airport has exceeded 5 million tonnes in 2017 — the first airport in the world to reach this milestone. According to the Frost and Sullivan Report, with a growth at CAGR of approximately 4.1% from 2013 to 2018, Hong Kong International Airport handled 5.0 million tonnes of cargo in 2018 fueled in part by the ongoing trend towards the global trade as well as the fast growing e-commerce activities. In addition to the outsourcing trend of various segments in the logistics sector, it is forecasted that the demand for air cargo ground handling services will continue to grow.

According to the Frost and Sullivan Report, Hong Kong small and medium enterprises (“**Hong Kong SMEs**”) are exporting as much within Asia Pacific as they are to other regions. More than 70% of these Hong Kong SMEs are now engaging in exports, a significant increase over the past three years. Exports now account for 88% of the total average revenues of Hong Kong SMEs, which is equivalent to approximately HK\$11.3 million and higher than the Asia Pacific average of approximately HK\$9.4 million. The total average export revenues of Hong Kong SMEs have increased by approximately 24% to more than HK\$9.0 million over the last two years. China, Taiwan and Japan are the top export markets among Hong Kong SMEs in the Asia-Pacific region, whereas Europe and Central/South Asia are the top export markets outside the Asia-Pacific region.

According to the Frost and Sullivan Report, air cargo throughput in the PRC will continue to do well by an increase at a CAGR of approximately 7.3% from 2018 to 2022, reaching approximately 21.4 million tonnes in 2022. In particular, the air cargo throughput in Guangzhou, Shanghai, Shenzhen and Chengdu, the PRC is forecasted to increase from 2018 to 2022 with a CAGR of approximately 7.2%, 6.2%, 5.9% and 6.0%, respectively, according to the Frost and Sullivan Report. Airports in Shanghai, Guangzhou and Shenzhen were the top five busiest airports in terms of cargo traffic in China. China implements new cross-border network opportunities brought by the implementation of the “Belt and Road Initiative”, “Integrated Development in the Greater Bay Area” and “Greater Bay Area” which provide great potential for Hong Kong to develop its all-around air cargo, logistics and warehousing services in the targeted regions. Our proximity to the Pearl River Delta and Greater Bay Area, especially with the opening of the Hong

Kong-Zhuhai-Macau Bridge located adjacent to the Kwo Lo Wan warehouse site, the Guangzhou-Shenzhen-Hong Kong Express Rail Link and Guangzhou-Zhongshan-Zhuhai-Macau intercity railway, makes for even speedier cross-border land freight transportation.

In view of the above, according to the Frost and Sullivan Report, the Hong Kong air cargo terminal operating services market is forecasted to grow steadily at a CAGR of approximately 2.3% from 2019 to 2023, reaching approximately HK\$1,384.2 million in 2023 while the Hong Kong land freight transportation service is forecasted to grow at a CAGR of approximately 2.3% from 2019 to 2023, reaching approximately HK\$24.7 billion.

We intend to strengthen our market position and achieve a sustainable growth by pursuing the following strategies:

**Expansion and upgrading of our transportation fleet to capture business opportunities**

Our Directors are of the view that a sizeable and strong transportation fleet is crucial to our continuing success. We expect that we would require approximately 95 trucks to support our business expansion plans (as elaborated below), and based on the historical portion of using our own transportation fleet, external transportation services and business consideration regarding the treatment towards specific clients, we intend to expand and upgrade our transportation fleet in Hong Kong, our principal market, by acquiring additional 33 trucks, consisting of six medium goods trucks and 27 light heavy goods trucks. Our Directors are of the view that an expansion and upgrade in our transportation fleet size is necessary to cope with the anticipated growth of demand services from existing and new customers for our domestic point-to-point transportation within and cross-border transportation services in Hong Kong for reasons as follows:

- (i) *Business from new customers and additional business from existing customers for ancillary delivery and domestic transportation services in Hong Kong*
  - We are the sole transportation service provider of ground handling services to Top Global Express Carrier in Hong Kong. During the Track Record Period, our Group was responsible for providing ancillary delivery and transportation services to an aggregate of approximately 135 routes, covering approximately 69 points of locations. In addition to the forecast increase in the cargo volume to be handled in the ground handling service segment for Top Global Express Carrier, the expansion of Top Global Express Carrier's air cargo terminal operation in Hong Kong in 2018 subsequent to the merger of Top Global Express Carrier with another global express carrier announced in May 2016 drove the growth of our ancillary delivery services. To the best of our Directors' knowledge and belief having made reasonable due enquiries, there are no overlapping services between our Group and another global express carrier in Hong Kong during the Track Record Period and up to the Latest Practicable Date. As such, our Directors reasonably believe that the merger between Top Global Express Carrier and another global express carrier in Hong Kong would have no material adverse impact on our Group in the foreseeable future. Based on the air cargo terminal operation service contract renewed with Top Global Express Carrier in June 2018 for a term of three years, details of the material terms are referred to in the paragraph headed

“Our services — Air cargo terminal operation — Major contractual terms and conditions” in this section, the scope of our ancillary delivery and domestic transportation services in Hong Kong has been expanded whereby Top Global Express Carrier has assigned two new routes to our Group to provide ancillary delivery services and transportation services among Top Global Express Carrier’s various distribution centres and the air cargo terminal in AAT, and we became the service provider to provide services in a new distribution centre of Top Global Express Carrier exclusively. Among the two new routes assigned by Top Global Express Carrier, one route covers ancillary delivery services between western part of Hong Kong island and AAT, and the other covers ancillary delivery services between the southwest part, western part and eastern part of Hong Kong island. In June 2019, we entered into a new contract, namely Contract G, from Top Global Express Carrier, to further expand our scope of offering warehousing and other value-added services in Hong Kong and cross-border transportation services. For further details, please refer to the paragraph headed “Our Customers” in this section below.

- We were engaged by German-based Express Carrier to handle and transport cargos in Hong Kong on a trial run basis starting from early 2018. According to the Frost and Sullivan Report, in 2017, German-based Express Carrier announced a €335 million expansion plan for its Central Asia hub as the core hub of its global and Asia Pacific regional network, handling more than 40% of its total Asia Pacific with an expected 50% increase in annual throughput when it commence its operation in 2022. After the trial run, we have entered into a formal contract with German-based Express Carrier for a term of one year until 28 February 2019. Details of the material terms of the service contract with German-based Express Carrier are referred to in the paragraph headed “Our services — Transportation services — Major contractual terms and conditions” in this section. In deciding whether to renew the service agreement(s) with our customers, our Directors would take into consideration a range of factors, including the track record of such customers, the terms of the agreement and the anticipated rate of return, amongst which one of the key factors would be the profitability in providing such services. Our management reviews the profit margin of projects from time to time and may elect not to continue with or terminate projects that are considered not profitable. While we valued the branding effect to the Group by having German-based Express Carrier as a customer, we also took into account the profitability of providing the services to German-based Express Carrier. Having considered the low profit margin generated, we submitted a new quotation for the German-based Express Carrier’s consideration and would like to continue the business relationship with the German-based Express Carrier should it agrees to accept our revised quotation. Nonetheless, such revised quotation was regrettably not accepted by the German-based Express Carrier and as such, the contract was not renewed upon its expiry in February 2019 based on both parties’ mutual consent. Notwithstanding the non-renewal of the agreement, our Group remains open to seek other business opportunities with and re-establish a business relationship with German-based Express Carrier, and would consider

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to submit tenders to provide services for other business segments within German-based Express Carrier in future having reviewed the expected rate of return.

- In 2018, we commenced providing domestic transportation and warehousing and other value-added services to a member of Top Global Logistics Company and it is our fifth largest customer for the year ended 31 March 2019 and third largest customer for the six months ended 30 September 2019. We have set up Brilliant Logistics, which was our indirect wholly-owned subsidiary as at the Latest Practicable Date with the intention of providing domestic transportation services of imported goods for Top Global Logistics Company. We also intend to submit the tender for the provision of domestic transportation services for exported goods should we be invited by Top Global Logistics Company in future. It is estimated that the expected number of trips to be completed for Top Global Logistics Company for the years ending 31 March 2020, 2021 and 2022 would be approximately 16,000 trips, 17,000 trips and 17,000 trips, respectively.
- we entered into the non-legally binding memorandums of understanding with certain existing and potential customers in relation to domestic transportation services with indicative number of approximately 24,000 trips and 16,000 trips anticipated to be completed for the years ending 31 March 2021 and 2022.

With the new business from customers such as Top Global Logistics Company, and additional business from our existing customers such as Top Global Express Carrier as abovementioned, our Directors expect we need to acquire new and upgrade our existing transportation fleet to capture such business growth.

### (ii) *Renewal of existing cross-border transportation contracts*

In 2018, we have renewed one of our existing contracts with Top Global Express Carrier, whereby Top Global Express Carrier engages us for the provision of our cross-border transportation services which would expire in December 2021. According to the Frost and Sullivan Report, Top Global Express Carrier has connected its global hub in Memphis, the US with its Asia Pacific hub in Guangzhou, the PRC starting from April 2018. Boeing has forecasted air cargo flowing from Asia to North America is projected to increase by approximately 4.7% per annum over the next 20 years. In 2018, the Guangdong province — where its Asia Pacific hub is located — saw its total import and export value of goods increase at an annual growth rate of approximately 8%. Further, it is expected that the merchandise trade volume in European countries and USA will reach USD50.8 trillion by 2022 with a CAGR of 7.7% from 2018 to 2022 based on data set with base year 2017 on assumptions of, among other things, being the economic and political environment being stable during the same period and no material adverse impact on the volume of international trade arising from the United States and China trade war. To the best knowledge and belief of the Directors after having made reasonable enquires and confirmed by Frost and Sullivan, the recent trade war between the United States and the PRC may have a negative impact on the freight forwarding and transportation industries, as the trade volume between the United States and the PRC may decrease which in turn would affect the air cargo ground handling services. Despite the potential

negative impact on our Group's business performance due to the US-China trade war, according to the Frost and Sullivan Report, it is projected that the growth of Guangdong-Hong Kong cross-border transportation would continue in the medium and long term. In tendering for the renewal of such contract, availability of advanced transportation vehicles is among the customers' key assessment criteria for air cargo ground transportation service provider. To increase our tender success rate for the renewal of the existing contract with Top Global Express Carrier and tap on the growing demand for cross-border transportation services, our Directors consider it necessary for us to enhance our competitiveness by upgrading our transportation fleet.

In addition, we entered into the non-legally binding memorandums of understanding with certain existing and potential customers in relation to provision of cross-border transportation services with indicative number of approximately 13,000 trips and 10,000 trips anticipated to be completed for the years ending 31 March 2021 and 2022.

*(iii) Benefited from the infrastructure investments and the PRC government initiatives*

The existing and planned cross-border road network, including the Guangzhou-Shenzhen-Hong Kong Express Rail Link, Hong Kong-Zhuhai-Macau Bridge and Guangzhou-Zhongshan-Zhuhai-Macau intercity railway, will definitely enhance the landside connection thus resulting in time-place compression. The most significant Belt & Road Project and the Greater Bay Area Initiative are the PRC government's plans to link the cities of Hong Kong, Guangzhou, Shenzhen and other seven cities into an integrated economic hub will help boost the air cargo markets of Hong Kong and the PRC, driving the prosperity of domestic and cross-border transportation services market.

*(iv) Growth of cross-border e-commerce*

E-commerce retail sales have grown exponentially in the past few years, and this momentum is expected to continue. In particular, the boom of cross-border e-commerce in the PRC has created enormous opportunities for express and small parcel air freight delivery. The explosive growth of e-commerce has already had a profound effect on retailers and manufacturers as manufacturers seek to reach their customer as quickly and cost-effectively as possible which will drive the growth of air cargo delivery, leading to the timely and reliable inbound and outbound transportation services. In October 2016, we successfully secured a PRC e-commerce retailer whose respective revenue contributed increased by approximately 157.9% from approximately HK\$5.7 million for the year ended 31 March 2017 to approximately HK\$14.7 million for the year ended 31 March 2018. In June 2019, we secured a new contract for transportation services from another e-commerce trading company in the PRC. We therefore intend to increase our transportation fleet size to capture emerging business opportunities from e-commerce trade.

*(v) High utilisation of our own transportation fleet*

The average utilisation rates of our owned transportation fleet were approximately 99.4%, 98.0%, 98.1% and 97.6%, respectively, for the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019. In order to maintain high service quality while providing operational flexibility and cost effectiveness, we have engaged

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external services providers to assist our Group in the provision of transportation services on a needed basis after considering, among others, the capacity and delivery schedule of our self-owned transportation fleet. To the best estimate of our Directors in the current market conditions, we generally provide ancillary delivery and domestic point-to-point transportation services within Hong Kong either by utilising our own transportation fleet, or by engaging external transportation service providers. For details of the basis for using utilising our own transportation fleet, or by engaging external transportation service providers, please refer to the paragraph headed “Transportation Fleet” in this section below. Considering such high utilisation rate of our existing owned transportation fleet, acquisition of new transportation vehicles can increase our overall operation capacity.

Based on the bases and assumptions adopted for projecting the forecast number of the forecast increased number of trips to be completed as stated in the paragraph “Transportation Fleet” below, it is estimated that the forecast annual increase in number of trips to be completed for our ancillary delivery service segment of approximately 9,000 trips and 6,000 trips; our domestic transportation of approximately 44,000 trips and 42,000 trips; our cross-border transportation service segment would be approximately 13,000 trips and 10,000 trips, respectively, for the years ending 31 March 2021 and 2022, and an aggregate of 14 trucks and 19 trucks would be purchased for the provision of the aggregate expected additional trips for our ancillary delivery services and transportation services for the years ending 31 March 2021 and 2022, respectively.

Based on the quotations obtained by and the best estimate of our Directors in light of the current market conditions, the estimated total investment cost for acquiring 33 new trucks would be approximately HK\$15.3 million, of which approximately HK\$6.2 million will be upfront payment to be financed by net proceeds from the Share Offer and the remaining HK\$9.1 million to be financed by finance leases, bank borrowings and/or our internal resources.

For further details, please refer to the sections headed “Business — Transportation Fleet” and “Future Plans and Use of Proceeds” in this prospectus.

### **Facilitation of the replacement of our transportation fleet to comply with the latest environmental laws and regulations and maintain our competitiveness**

Under the APE Regulation, for the purposes of an application for a vehicle licence made on or after the date specified in section 4(2) of the APE Regulation in respect of a controlled vehicle, the emission of the DSVs must conform to the applicable emission standards contained therein. A vehicle licence will not be issued to the relevant DCVs after certain dates (for example Euro III DCVs after 31 December 2019) as specified by the Environmental Protection Department of the Hong Kong government, unless such DCVs comply with the applicable emission standards as if they were first registered on the date of the vehicle licence applications. For further details, please refer to the section headed “Regulatory Overview — Hong Kong Laws — 4. Laws and regulations in relation to environmental protection” in this prospectus.

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Depending on the age, tonnage and first registration date, disposed Euro III DCVs would be eligible for subsidies from the Hong Kong Government, whereby (i) light goods vehicles of permitted gross vehicle weight (“PGVW”) of less than or equal to 1.9 tonnes would receive subsidies ranging from HK\$59,700 to HK\$111,200; (ii) medium goods vehicles of PGVW between 5.5 tonnes and 24 tonnes would receive subsidies ranging from HK\$112,000 to HK\$274,400; and (iii) heavy goods vehicles of PGVW over 24 tonnes would receive subsidies ranging from HK\$252,200 to HK\$308,000.

In order to comply with the DCVs emission standards of the APE Regulation and to avoid material disruption to our usual and ordinary business operation, we disposed 34 existing Euro III DCVs for the six months ended 30 September 2019 and up to the Latest Practicable Date and have purchased new vehicles as replacement, and have used part of the additional bank borrowings of HK\$7.0 million drawn down between April 2019 to September 2019 to settle part of the replacement cost.

As at 30 September 2019, our bank borrowings amounted to HK\$29.0 million and our gearing ratio was approximately 123.1%. Furthermore, HK\$29.0 million of our bank borrowings contain a repayable on demand clause. The relevant bank is, entitled to, at their sole discretion at any time, cancel all or any part of the unutilised banking facilities, or demand early repayment of any amount outstanding under the banking facilities. Any reliance on bank borrowings to finance our business plans may put our expansion plan to finance risks.

To improve our gearing and reduce our future finance costs payable, we plan to utilise our operating cashflow to repay our bank borrowings as and when appropriate. For further details, please refer to the sections headed “Business — Transportation Fleet” in this prospectus.

### **Expansion of our value-added service business in providing cargos-screening services**

In September 2016, the International Civil Aviation Organisation (“ICAO”) introduced a new policy direction to progressively increase the required screening percentage of known cargos from 1% to 100% by 30 June 2021. The percentage of cargos that are mandatorily required to be screened would be set at 25% by April 2020, and gradually increases to 40% by August 2020, further to 70% by February 2021 and finally to 100% by June 2021. Please refer to the section headed “Regulatory Overview — Hong Kong Laws — 1. Laws and regulations in relation to our business” in this prospectus for further details.

In response to the new policy direction and to remain competitive in the logistics industry, our Group expects an increasing and strong demand for cargos-screening services from our existing customer network as (i) the percentage of cargos exported out of Hong Kong which shall be subject to mandatory screening would gradually increase, and by June 2021, all of their cargos are required to be screened mandatorily; (ii) there are costs considerations for our existing customers should they decide to set up their own x-ray screening systems; and (iii) our Group has an established track record in air-cargo related services. In addition, we anticipate demand from new customers on our x-ray screening services, as they need to engage service providers to provide cargos-screening services for their cargos if they do not have their own x-ray screening systems. In late June 2019, we have entered into a non-legally binding memorandum (the “Memorandum”) of understanding with

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a member of Global Port Business Trust, an entity listed on the Singapore Exchange (the “**Licensor**”), whereby the Licensor intends to license our Group to operate its air freight container freight station warehouse (the “**Air Freight CFS Warehouse**”) in Kwai Chung starting no later than December 2019, and work together to develop the Air Freight CFS Warehouse as a Regulated Air Cargo Screening Facility (“**RACSF**”) which complies with all the licensing and qualification requirement of the Civil Aviation Department of the Hong Kong Government.

Pursuant to the Memorandum, (i) the Licensor shall secure the Air Freight CFS Warehouse for a period of three years commencing from its date of commencement of operations, and it shall approve the improvement works of the Air Freight CFS Warehouse as proposed by our Group; and (ii) our Group shall propose improvement works of the Air Freight CFS Warehouse, as well as assisting the Licensor to obtain RACSF status for the Air Freight CFS Warehouse. Thereafter, our Group shall carry out warehousing and cargos-screening services inside the Air Freight CFS Warehouse for our customers. The Licensor shall charge a fixed service fee per tonnage of goods from our Group. There is no financing commitment required of the Licensor and our Group nor a profit sharing mechanism between the Licensor and the Group on the revenue generated from the Air Freight CFS Warehouse. In October 2019, the Licensor and our Group entered into a legally-binding agreement (the “**Agreement**”) for a term of three years, pursuant to which the Licensor, as our supplier and business partner, shall provide warehousing and related logistics services to our Group at the Air Freight CFS Warehouse, and our Group shall install one set of x-ray screening system in the Air Freight CFS Warehouse and carry out warehousing and cargos-screening services for our customers. According to the Agreement, in the event that the Licensor Agreement requests our Group to provide cargo handling services for its customers, our Group will charge a service fee per different size of cargo. The improvement works of the Air Freight CFS Warehouse and the installation of the x-ray screening systems was completed in December 2019, and the warehouse and other value-added services (including cargos-screening services) at the Air Freight CFS Warehouse has commenced in February 2020.

Our Group plans to invest approximately HK\$6.0 million in the warehouse as the set-up cost including but not limited to the cost of renovation, installation of computer equipment, CCTV and x-ray screening systems, out of which our Group has invested approximately HK\$1.9 million, including one x-ray system and the remaining amount of approximately HK\$4.1 will be invested in the first quarters of 2020 (out of which HK\$0.4 million, HK\$1.2 million and HK\$2.5 million would be invested in the first, second and third quarter of 2020, respectively) despite there are no any financing commitment stated in the Memorandum for both parties. Approximately HK\$3.7 million out of the remaining investment of HK\$4.1 million would be funded by the net proceeds of the Share Offer to purchase another three x-ray systems and the remaining HK\$0.4 million will be funded by internal resources. Having considered (i) we have purchased one x-ray system to satisfy the anticipated demand from our existing customers based on the requirement that by April 2020, 25% of the cargos are mandatorily required to be screened; (ii) the progressive increase of the percentage of cargos that are required to be screened and eventually reach 100% by June 2021, our Group expects an increasing demand on cargos-screening services from our existing customers and new customers, and as such, intends to purchase three x-ray screening systems progressively to provide our customers cargos-screening services under our warehousing and other value-added services.



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We intend to utilise approximately HK\$3.7 million, or approximately 21.0% of our net proceeds from the Share Offer on the purchase.

### **Expansion of our labour force to capture for our business growth**

Our large labour force is crucial to our continuing success. Our Directors believe that recruiting, training, retaining and motivating skilled staff with satisfactory performance and a broad range of experience is critical to maintaining our competitive strengths and seeking success. While maintaining the relationship with dispatch work agencies for the supply of dispatch labour force to allow operational flexibility, we have invested and will continue to invest in our employees and will continue to recruit and train skilled employees for our business.

Despite the reduced number of employees primarily attributable to the consolidation of handling of temporary overflow of stocks for its warehousing and other value-added services from other warehouses to our Kwai Bon Logistics Centre and the voluntary resignation of drivers in PRC and in Hong Kong, as we have secured new domestic transportation service businesses from customers such as Top Global Logistics Company, and additional air cargo terminal operation services, domestic and cross-border transportation services business from our existing customers such as Top Global Express Carrier, we intend to recruit additional skilled and experienced staff to expand our in-house team of operational staff such as operations managers, operators and/or drivers, to expand our business operation and transportation fleet. Recruitment of additional operations managers and operators is considered crucial and necessary to meet our operational needs for our overall expansion plan. Our operators and drivers are generally front-line staff whom share similar major qualifications or other requirements and years of working experience. While our operators are generally on-site workers whereas drivers are primarily responsible for transporting and delivering of goods to our customers, there are instances where operators are allocated to perform the role of drivers due to actual business needs and *vice versa* during the Track Record Period.

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With the expansion of four cargos-screening systems in response to the introduction of increasing screening percentage of known cargoes, we also need to hire operations manager and operators to operate the x-ray screening systems. The following table sets out the number, qualifications and years of experience required for the positions we intend to recruit:

<u>Position</u>	<u>Number of staff</u> <i>(Approximately)</i>	<u>Major qualifications or other requirements and years of working experience</u>	<u>Key roles and responsibilities</u>
Operations manager	one	<ul style="list-style-type: none"> <li>● At least five years of working experience in the logistics and related industries</li> <li>● Substantial knowledge and experience in air cargo ground handling operation</li> <li>● holder of regulated air cargo screening facility training programme certificate preferred</li> </ul>	<ul style="list-style-type: none"> <li>● perform management functions including coordinating, directing, controlling and scheduling air cargo ground handling services to assure timely and efficient operation</li> </ul>
Operators and drivers	12	<ul style="list-style-type: none"> <li>● Completion of secondary education</li> <li>● Holder(s) of forklift licence and driving licences are preferred</li> <li>● At least two years of working experience in the logistics and related industries</li> <li>● holder of regulated air cargo screening facility training programme certificate preferred</li> </ul>	<ul style="list-style-type: none"> <li>● provide air cargo terminal operation services</li> <li>● transport and deliver goods to our customers and ensure the security of such goods during such process</li> </ul>

We will send our relevant employees to attend courses such as workplace, safety and health programmes, etc.

We also plan to continue to enhance our human resources management processes and regularly evaluate the performance of our employees and provide competent employees with career prospect within our Group. We will also continue to evaluate our compensation system and optimise our incentive program to ensure that we offer competitive compensation packages to our employees and those incentives are aligned with performance.

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We intend to utilise approximately 24.7%, or approximately HK\$4.4 million, of our net proceeds from the Share Offer, as well as our operating cash flow on this expansion plan. For further details, please refer to the sections headed “Future Plans and Use of Proceeds” in this prospectus.

### **Investments in and upgrading of our information technology systems**

With a sizeable transportation fleet, the management and use of our transportation fleet in an efficient manner is important for us to manage our operation cost and better arrange the delivery schedule of our transportation fleet. With a view of enhancing our transportation fleet management and utilisation, we plan to engage a third-party software developer to devise and develop a tracking system which records the details of our transportation vehicles on a real-time basis, including the number of delivery orders, volume of goods, delivery location and the availability of storage capacity in each of the transportation fleet. By developing such a platform, our operational staff will gain instant and real-time access to the upgraded transportation fleet database and obtain latest information on the availability of transportation vehicles to make better planning on collection and delivery in response to our customers’ requests promptly.

In addition, we intend to install a mobile app, enabling drivers to get load information and send real-time location, future position, and job status information to our headquarters, improving visibility along the transportation supply chain. With this mobile app, we may consider to add new booking features to provide clarity to drivers on order instructions and written acknowledgment of said instructions. For example, when a load is posted or entered for direct booking, users can now request that drivers confirm they have read and understood the details before allocating the job. Once a driver hits “accept” from the mobile app, the action is dated and time-stamped in the order’s history. This will act as a binding confirmation that they have reviewed all the details, protecting all parties involved. This new feature increases the clarity of communication across the supply chain and ensures orders are fulfilled accordingly.

We also intend to acquire a customised enterprise resource planning and finance system that will allow our Group to integrate our various functions, such as financial management and accounting, operations and sales, into an integrated system. The integrated system will improve workflow efficiency between the various functions.

To pursue this strategy, we expect to use approximately HK\$3.5 million, representing approximately 19.7% of our net proceeds from the Share Offer. For further details, please refer to the section headed “Future Plans and Use of Proceeds — Use of Proceeds” in this prospectus.

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### OUR SERVICES

Our Group mainly provides three types of services, namely (i) air cargo terminal operation; (ii) transportation; and (iii) warehousing and other value-added services.

The following table sets out our revenue by services segments during the Track Record Period:

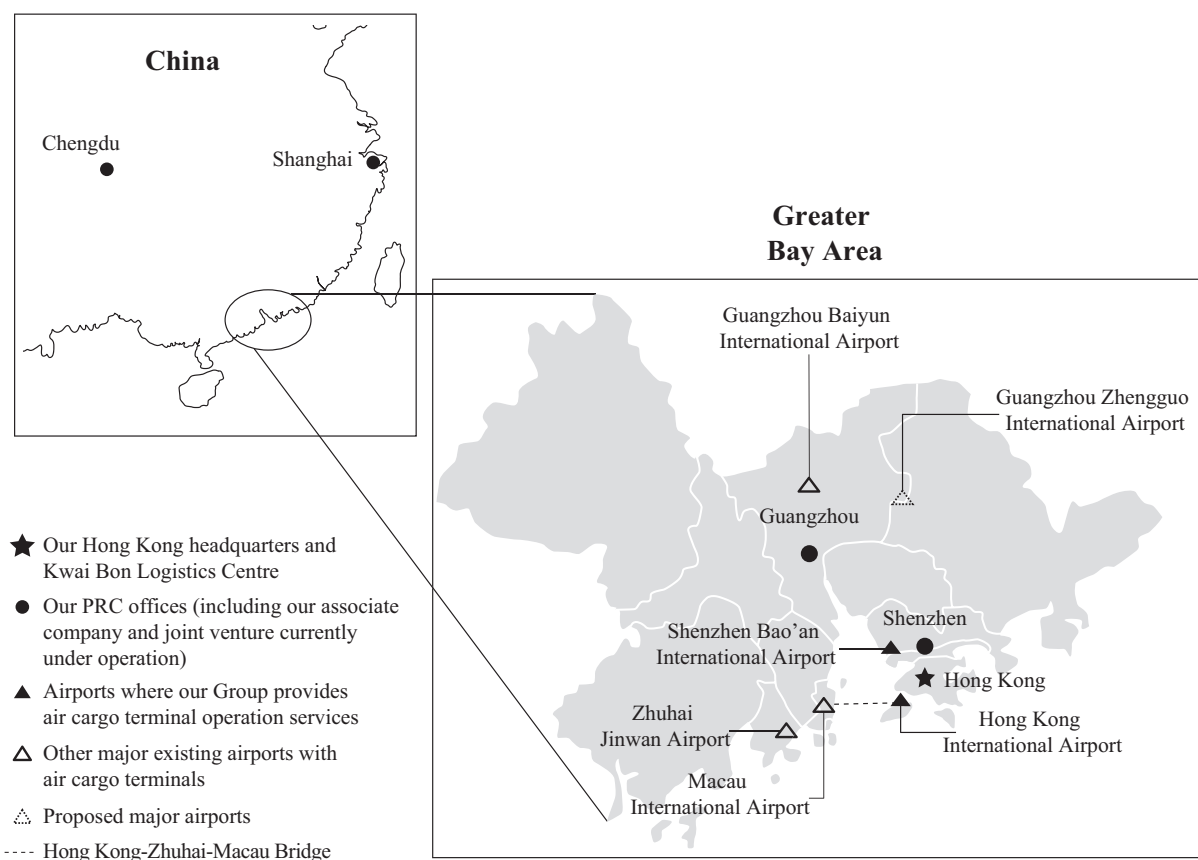
	For the year ended 31 March						For the six months ended 30 September			
	2017		2018		2019		2018		2019	
	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)
	(Unaudited)									
Air cargo terminal operation services										
— Ground handling	91,114	29.5	103,851	32.3	108,713	31.0	58,814	33.8	54,076	33.8
— Ancillary delivery	68,880	22.3	63,322	19.7	79,968	22.8	37,105	21.4	34,416	21.5
	159,994	51.8	167,173	52.0	188,681	53.8	95,919	55.2	88,492	55.3
Transportation services	117,001	37.8	120,960	37.6	135,132	38.5	64,882	37.3	57,353	35.8
Warehousing and other value-added services	32,227	10.4	33,752	10.4	27,324	7.7	13,000	7.5	14,322	8.9
<b>Total</b>	<b>309,222</b>	<b>100.0</b>	<b>321,885</b>	<b>100.0</b>	<b>351,137</b>	<b>100.0</b>	<b>173,801</b>	<b>100.0</b>	<b>160,167</b>	<b>100.0</b>

The following table sets out the cargo volume processed/number of trips completed for our air cargo terminal operation services and transportation services during the Track Record Period:

	For the year ended 31 March			For the six months ended 30 September	
	2017	2018	2019	2018	2019
	('000)	('000)	('000)	('000)	('000)
Air cargo terminal operation services					
— Ground handling ( <i>tonnes</i> )	196	220	222	110	107
— Ancillary delivery ( <i>number of trips completed</i> )	119	95	118	54	46
Transportation services ( <i>number of trips completed</i> )	118	105	148	74	50

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The following map illustrates our operation network in Hong Kong and the PRC as at the Latest Practicable Date:



The table below sets forth a breakdown of our revenue by geographical location based on the location of our operation, and based on the location where the contract is negotiated and effected for our revenue from cross-border transportation services during the Track Record Period:

	For the year ended 31 March						For the six months ended 30 September			
	2017		2018		2019		2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Hong Kong	257,773	83.4	272,869	84.8	309,424	88.1	152,299	87.6	140,789	87.9
PRC <sup>(Note)</sup>	51,449	16.6	49,016	15.2	41,713	11.9	21,502	12.4	19,378	12.1
<b>Total</b>	<b>309,222</b>	<b>100.0</b>	<b>321,885</b>	<b>100.0</b>	<b>351,137</b>	<b>100.0</b>	<b>173,801</b>	<b>100.0</b>	<b>160,167</b>	<b>100.0</b>

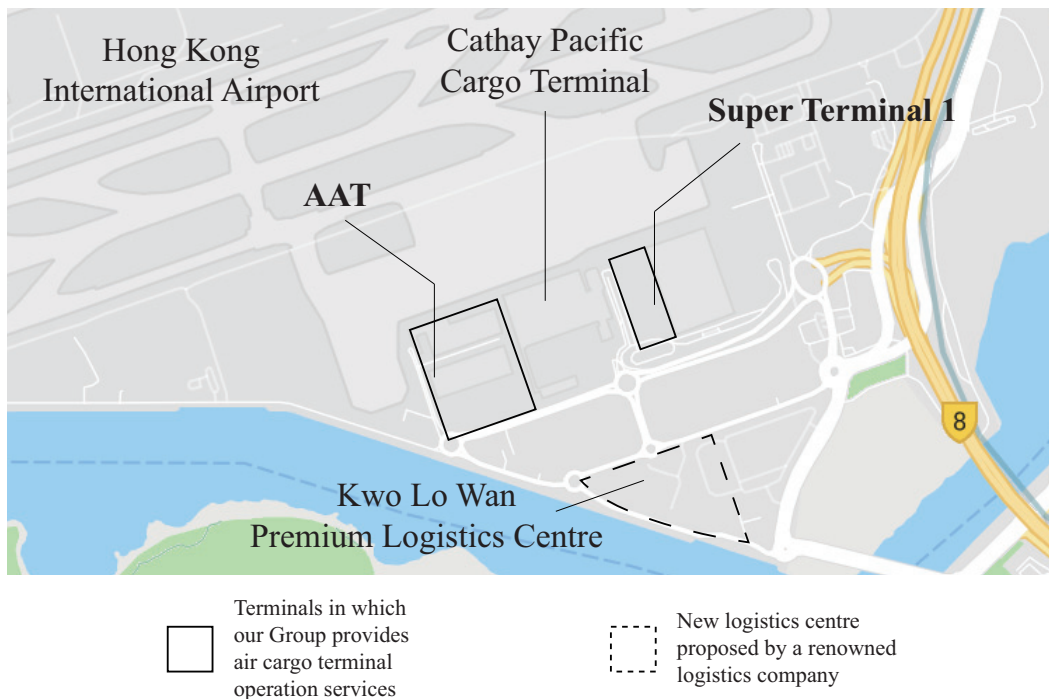
(Unaudited)

*Note:* This principally covers Shenzhen, Shanghai and Guangzhou, the PRC.

**Air cargo terminal operation**

During the Track Record Period, we provided air cargo terminal operation services to our customers, who are mainly global express carriers and air cargo terminal operators. Under the arrangements with our customers, we provide services in our customers' terminal inside AAT and Super Terminal 1 of the Hong Kong International Airport (being the world's largest international air cargo hub in 2018 according to the Airports Council International), and at Shenzhen international express courier operations centre of the Shenzhen Bao'an International Airport (being one of the five largest air cargo airports in China in 2018). We handle the air cargoes of our customers which generally include courier packages, vulnerable cargoes, oversized goods and electronic goods.

**Air cargo terminal operation services in Hong Kong**



The air cargo terminal operation services provided to our customers include (i) loading, unloading, building up and breaking down of ULDs/packages; (ii) cargo consolidation and palletisation; and (iii) sorting of packages. Upon the requests from our customers who operate designated distribution centres covering the Hong Kong Island, Kowloon and New Territories in Hong Kong and Shenzhen in the PRC, we may also carry out the same services at their respective designated distribution centres.

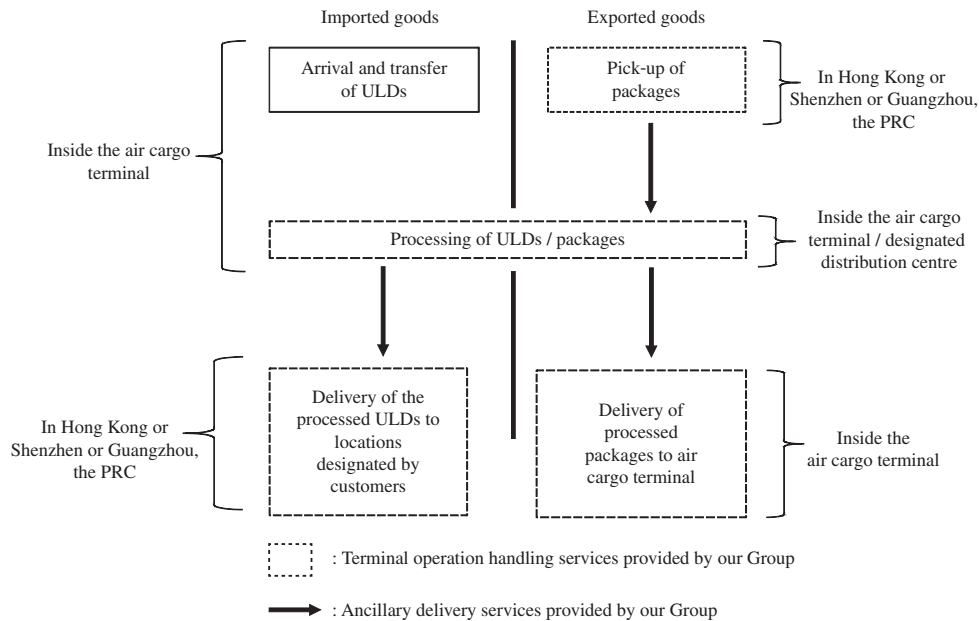
Our customers have set out standard operating procedures for our staff to follow to ensure safety of cargoes and personnel and high efficiency of the operations of the air cargo terminals. To ensure our staff understand the protocol of our customers, we provide regular trainings to our staff.

## BUSINESS

As an integral part to our full suite of air cargo terminal operation services, our ancillary delivery services include pick-up, transportation and delivery services of goods between (i) the air cargo terminals and the delivery locations designated by our customers in Hong Kong or Shenzhen or Guangzhou, the PRC; and (ii) the air cargo terminals and our designated distribution centres of our customers.

### *Operations flow*

Set out below is the operations flow for our air cargo terminal operation services:



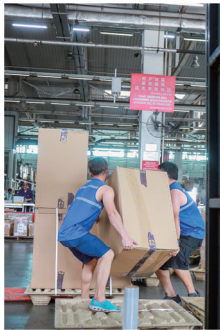
### *Arrival and transfer of ULDs/Pick-up of packages*

For imported goods, the ULDs will arrive at the airports either by the aircraft of our customers or of other airlines. Our customers would arrange the transfer of the ULDs from the aircraft to their air cargo terminal inside AAT or Super Terminal 1 of the Hong Kong International Airport, or Shenzhen international express courier operations centre of the Shenzhen Bao'an International Airport.

For exported goods, our staff or dispatched labour pick up the packages from the locations designated by our customers in Hong Kong or Shenzhen or Guangzhou, the PRC and deliver the packages to (i) our customers' air cargo terminal; or (ii) our customers' designated distribution centres.

## BUSINESS

### *Processing of ULDs/packages*



### *Delivery of processed ULDs/packages*



### **Imported goods**

### **Exported goods**

<p>When the ULDs arrive at our customers' air cargo terminal, our staff or dispatch labour would unload the ULDs and inspect the conditions of the ULDs for any inconsistency, damage or suspected pilferage of the ULDs.</p>	<p>When the packages arrive at our customers' air cargo terminal or designated distribution centres, our staff or dispatch labour would unload the packages and inspect the conditions of the packages for any inconsistency, damage or suspected pilferage of the packages.</p>
<p>Our Group provides palletisation service, which is a process by which goods are bundled together on a flat transport structure (typically a wooden board) known as a pallet in order to assist mechanical handling of stacked goods. By palletising the goods, our staff can use mechanical equipment such as forklifts to move the goods around in the air cargo terminal or onto a ULD. Our staff will first check the conditions of the packages before arranging the packages with similar size on one pallet to optimise capacity of one pallet. After palletisation, we will apply plastic sheets to protect and secure the stacked goods. The processed ULDs will be sorted based on the delivery locations designated by our customers to facilitate delivery.</p>	
<p>Our staff with forklift licence will use forklifts to move the pallet from the ULDs in preparation for delivery, which would be sorted based on the delivery locations designated by our customers to facilitate delivery. Processing of ULDs will be recorded in the system of our customers and checked by the supervisor of our customers.</p>	<p>Our staff with forklift licence will use forklifts to move palletised packages onto the ULD in preparation for export. Processing of the packages will be recorded in the system of our customers and checked by the supervisor of our customers.</p>
<p>As at the Latest Practicable Date, our Group maintained more than five forklifts to support our air cargo terminal operation services.</p>	
<p>For processed ULDs, they will be delivered by our staff or dispatch labour to the locations designated by our customers in Hong Kong or Shenzhen or Guangzhou, the PRC, which include the customers' designated distribution centres or the end customers' delivery locations.</p> <p>Processed packages in our customers' designated distribution centres will be transferred by our staff or dispatch labour from such designated distribution centres to the air cargo terminal for export. Our customers will arrange the transfer the processed packages from the air cargo terminal to the aircraft.</p>	



## BUSINESS

### *Major contractual terms and conditions*

During the Track Record Period, our air cargo terminal operation services agreements with Top Global Express Carrier generally contain the following major terms.

Scope of service : Services including (i) collection, sorting and palletising cargoes for import and export at our customer's designated distribution centres and/or air cargo terminal; (ii) ancillary delivery of cargoes between the air cargo terminals and either the customer's designated distribution centres or the delivery locations designated by our customer in Hong Kong, Shenzhen or Guangzhou, the PRC; and (iii) ancillary administration works.

Contract period : The contract period is for a term of two to three years.

Service charge : Our Group provides services on either (i) a fixed rate per different size of cargo; or (ii) cost per labour for each month.

For ancillary delivery of goods between (i) the air cargo terminal and our customer's designated locations in Hong Kong or Shenzhen or Guangzhou, the PRC; or (ii) the air cargo terminal and our customer's designated distribution centres, our Group charges on either (i) per truck for each trip; or (ii) monthly fee.

Payment terms : Our Group will submit weekly or monthly invoice in arrears for our customer to settle within a range from 30 days to 45 days from the receipt of the invoice.

Insurance : Our Group is generally required to maintain insurance which include, amongst others, cargo liability insurance, employees' compensation insurance, third party bodily injury vehicle insurance and third party property damage vehicle insurance with coverage as specified in the agreement. Our Group shall name Top Global Express Carrier as an additional named insured.

Sub-contracting : Our Group is not allowed to subcontract any or all of the services to any third party without prior written consent of our customer.

## BUSINESS

Termination : Our customer is entitled to terminate the agreement by giving a range from 30 days to 180 days written notice.

In addition, our customer is entitled to terminate our agreement immediately under certain circumstances, including but not limited to (i) insolvency of the contracting entity in our Group; (ii) breach of the agreement which is not remedied within 30 days of notice of the breach; and (iii) change in control of the contracting entity in our Group.

KPIs : We are required to meet the KPIs or performance standards set by our customer including (i) completeness, timeliness and security of delivery; (ii) timeliness in responding to customer's tracing requests; (iii) ability to provide requisite labour for our customer; and (iv) level of productivity. Failure to meet the KPIs may result in monetary penalties or early termination of the relevant agreement.

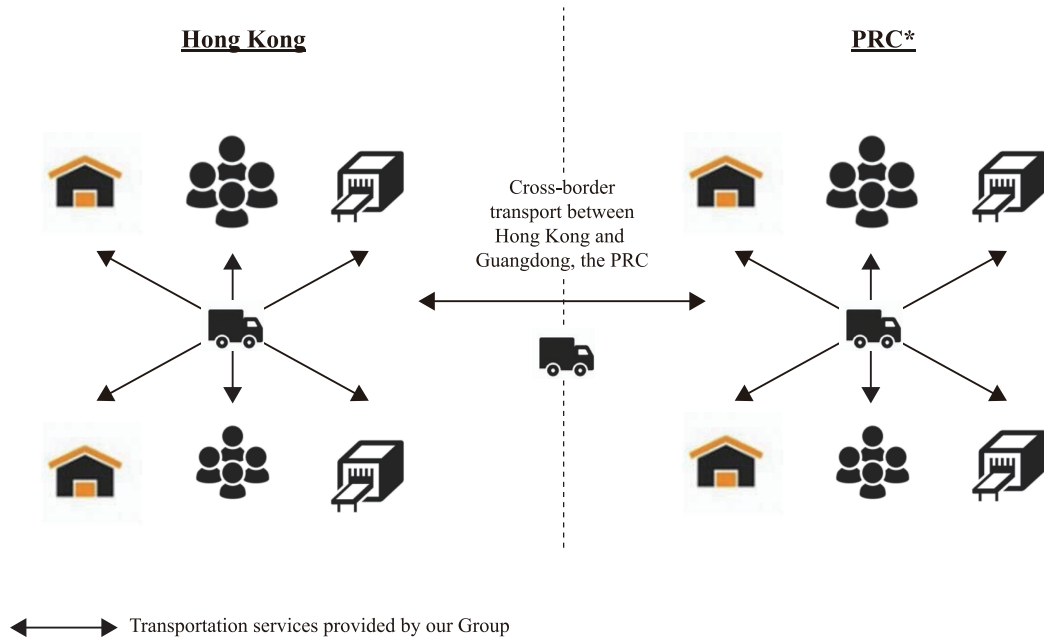
### Transportation services

We provide transportation services by picking up and delivering a wide range of freight types between designated locations in accordance with the specified schedule of our customers, who are mainly global express carriers, freight forwarders, corporates and individual customers. We generally receive quotation invitation from our customers for the provision of transportation services. Our Group may also enter into term contracts with our customers who are generally freight forwarders or corporates. Our transportation services either under term contract with, or on scheduled or *ad hoc* basis to, customers in Hong Kong and the PRC. We are generally capable of completing the transportation services within the same day or the next possible business day.

Our transportation services mainly include:

- (i) point-to-point transportation services within Hong Kong;
- (ii) point-to-point transportation services within or adjacent to Shenzhen, Guangzhou, Shanghai and Chengdu, the PRC; and
- (iii) two-way non-stop cross-border transportation services between Hong Kong and Guangdong Province, the PRC.

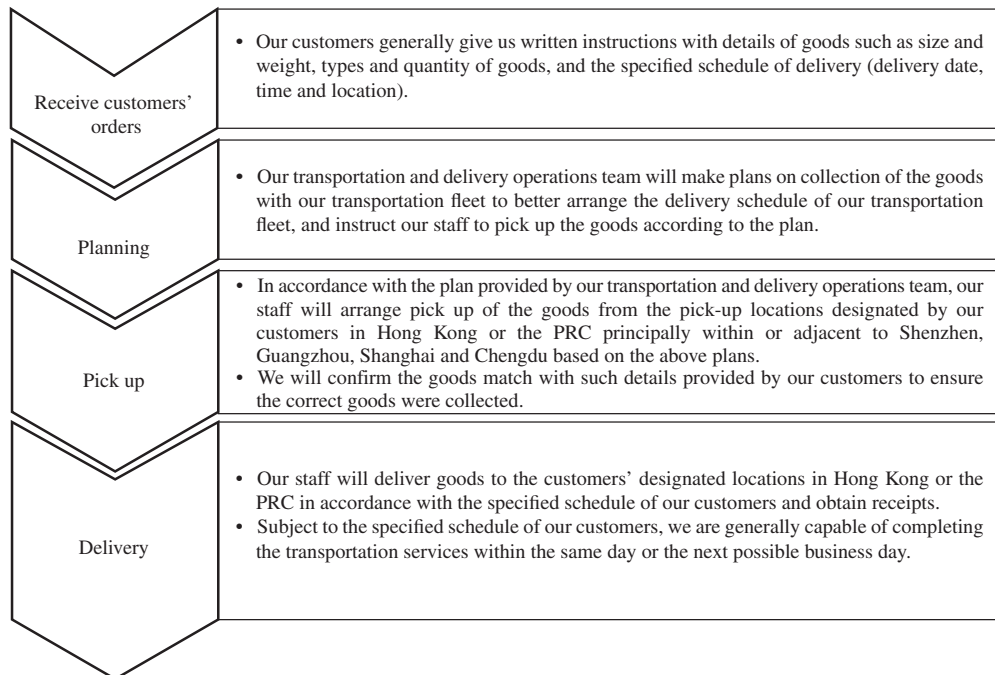
# BUSINESS



\* Primarily within or adjacent to Shenzhen, Guangzhou, Shanghai and Chengdu, the PRC

## Operations flow

Set out below is the operations flow of our transportation services:



## BUSINESS

### *Major contractual terms and conditions*

We generally receive quotation invitation from our customers for the provision of transportation services. Our Group may also enter into term contracts with our customers who are generally freight forwarders or corporates. Our transportation services agreements generally contain the following major terms:

- Scope of service : Transportation services including (i) point-to-point transportation services within Hong Kong; (ii) point-to-point transportation services within or adjacent to Shenzhen, Shanghai, Guangzhou and Chengdu, the PRC; and (iii) two-way non-stop cross-border transportation services between Hong Kong and Guangdong Province, the PRC.
- Contract period : The contract period is generally for a term of one year. For some of our major customers, the contract period would be a range from one to three years.
- Service charge : Our Group provides services on either (i) by per truck for each trip; (ii) a fixed rate per kg of cargo; or (iii) a fixed rate for each route.
- Payment terms : Our Group will submit weekly or monthly invoice in arrears for our customers to settle within 30 days to 60 days from the receipt of the invoice.
- Insurance : Our Group is required to maintain insurance to cover loss incurred by our customers during the provision of services pursuant to the respective agreements.
- Termination : Our customers are entitled to terminate the agreement by giving a range of 30 days to 90 days written notice.

Our customers generally are entitled to terminate our agreement immediately under certain circumstances, including but not limited to (i) force majeure events; and (ii) breach of the agreement which is not remedied within 10 days of notice of the breach.

Top Global Express Carrier is entitled to terminate the agreements immediately in the event of liquidation or bankruptcy of the contracting entity in our Group.

## BUSINESS

Depending on our capability, possession of transportation vehicles, availability of labour, complexity of the contract and cost effectiveness, we provide our transportation services either by utilising our own transportation fleet or by engaging external transportation service providers. For details, please refer to the paragraph headed “Transportation Fleet” in this section.

### **Warehousing and other value-added services**

As part of our integrated services, we offer warehousing and other value-added services to our customers, including global express carriers, freight forwarders, corporates and individual customers in our Kwai Bon Logistics Centre.

The Kwai Bon Logistics Centre is primarily used for (i) temporary storage of goods picked up from our customers under our transportation services that are only required to be delivered to the designated locations on a later date; and (ii) offering general long-term or short-term storage services to our customers. We also offer related value-added services including weighing, loading and unloading, palletising, repackaging and labelling services.

During the Track Record Period, our Group leased three premises (including Kwai Bon Logistics Centre) in the New Territories to facilitate the handling of temporary overflow of stocks received:

<u>Premises</u>	<u>Tenancy</u>	<u>Status</u>
Kwai Bon Logistics Centre	One tenancy	See “Property Interests” in this section for further details
A premise in the New Territories	One tenancy	The tenancy expired in September 2017, and was not renewed
Another premise in the New Territories	Three tenancies	One tenancy was terminated in February 2018 and the remaining two tenancies were terminated in March 2018

With the view to streamline our operations, fulfil a specific customer’s need and to achieve better management, we did not renew the tenancy of a premise in the New Territories which has an aggregate gross floor area of approximately 32,000 sq.ft. as our specific customer no longer require such warehousing and other value-added services in that area. We also terminated the three tenancies in another premise in the New Territories which has an aggregate gross floor area of approximately 49,000 sq.ft. and consolidated the provision of our warehousing and other value-added services into our Kwai Bon Logistics Centre which has an aggregate gross floor area of approximately 70,000 sq.ft. as at 30 September 2019. The total monthly rental expenses were approximately HK\$1.0 million for the four tenancies that were terminated or not renewed (as the case may be).

## BUSINESS

Kwai Bon Logistics Centre, the whole block of an industrial building in Kwai Chung, Hong Kong was leased from an Independent Third Party with a total gross floor area of over 70,000 sq.ft. For further details, please refer to the paragraph headed “Property Interests” in this section.

When goods arrive at our Kwai Bon Logistics Centre, our staff will assign a storage area to store the goods according to customer category and type of goods, and weigh and load the cargoes accurately and securely. We also provide palletisation services to facilitate the mechanical handling of stacked goods. For packages that would be subsequently delivered to air cargo terminal for export, they will be documented, labelled with the corresponding airway bill and then sent to the air cargo terminal for acceptance.

### *Major contractual terms and conditions*

During the Track Record Period, our customers generally invite us to provide quotations for our warehousing and other value-added services. Our warehousing and other value-added services arrangements generally contain the following major terms:

- |                  |   |  |
|------------------|---|--|
| Scope of Service | : | Warehousing and other value-added services including (i) storage of goods; (ii) weighing, loading and unloading; (iii) palletising; (iv) repackaging; and (v) labelling. |
| Service charge   | : | Our Group charges by a fixed fee for different duration of storage depending on the size of the leased space and the amount of value-added services provided.            |
| Payment terms    | : | Our Group will submit invoice in arrears for our customers to settle within 30 days from the receipt of the invoice.   |

Set out below are the specific terms of the agreement that was entered into between our Group with Top Global Express Carrier:

- |                 |   |  |
|-----------------|---|--|
| Contract period | : | The contract period is for a term of three years.  |
| Insurance       | : | Our Group is required to maintain insurance to cover loss incurred by our customer during the provision of services with insurance coverage as specified in the agreement. |
| Termination     | : | Our customer is entitled to terminate the agreement by giving 90 days written notice. We are entitled to terminate the agreement by giving 120 days written notice.        |

In addition, our customer is entitled to terminate our agreement immediately under certain circumstances, including but not limited to (i) liquidation or bankruptcy of the contracting entity in our Group; and (ii) breach of the agreement which is not remedied within 30 days of notice of the breach.

## **OUR CUSTOMERS**

As at the Latest Practicable Date, we served over 174 customers in Hong Kong and 24 customers in the PRC which varied in terms of sizes, nature and operating models. Our core customers are mainly global express carriers, air cargo terminal operators, freight forwarders, corporates and individual customers, primarily based or with operations in Hong Kong and the PRC.

For the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019, the aggregate revenue attributable to our top five customers were approximately HK\$256.7 million, HK\$264.5 million, HK\$286.2 million and HK\$131.7 million, respectively, which accounted for approximately 83.0%, 82.2%, 81.5% and 82.3% of our total revenue, respectively. For the same period, revenue attributable to our largest customer, namely the Top Global Express Carrier, was approximately HK\$203.8 million, HK\$198.9 million, HK\$217.6 million and HK\$102.5 million, which accounted for approximately 65.9%, 61.8%, 62.0% and 64.0% of our total revenue, respectively. All of our five largest customers are either based or have operations in Hong Kong or the PRC. Up to the Latest Practicable Date, we had relationship with our five largest customers ranging from approximately less than one to 16 years.

## BUSINESS

The table below sets out the revenue from our Group's top five customers based on the ranking in respect of revenue generated by our Group during the Track Record Period:

*For the six months ended 30 September 2019*

Rank	Customer	Type(s) of services provided by our Group	Principal business and background of the customer	Approximate years of relationship with our Group as at the Latest Practicable Date	Typical credit term offered to our customers (days)	Payment method	Revenue (HK\$'000)	As a percentage of revenue (%)
1	Top Global Express Carrier <i>(Note 1)</i>	Air cargo terminal operation services; and warehousing and other value-added services	The world's largest express carrier group which principally engaged in provision of logistics services. It includes a company listed on the New York Stock Exchange which recorded revenue of approximately US\$69.7 billion for the financial year 2019. As at 29 February 2020, it had net assets of approximately US\$18.8 billion	16	30–60	Bank transfer	102,471	64.0
2	Customer A	Transportation and warehousing and other value-added services	Member of a global private logistics group which principally engaged in provision of international freight forwarding and logistics services	7	60	Bank transfer	12,588	7.9
3	Top Global Logistics Company	Transportation and warehousing and other value-added services	One of the world's leading third party logistics companies incorporated in Switzerland and listed on Six Swiss Exchange in April 2018 engaged in providing a comprehensive portfolio of freight management and contract logistics services with a diversified blue-chip customer base	1	30	Bank transfer	8,461	5.3
4	HK Air Cargo Terminal Operator	Air cargo terminal operation services	A company held by four entities, out of which one entity is dual listed on the London Stock Exchange and Singapore Stock Exchange, two entities are listed on the Stock Exchange, and the remaining entity is a non-listed entity, which principally engaged in air cargo terminal operation in Hong Kong	5	30	Bank transfer	4,284	2.7
5	Customer B	Transportation and warehousing and other value-added services	A PRC e-commerce retailer which principally engaged in providing luxury goods retail platform	Less than 1	30	Bank transfer	3,886	2.4
							131,690	82.3

*Note:*

- The revenue contributed by Top Global Express Carrier includes the revenue contributed by one of our customers, a worldwide express carrier having a business relationship with our Group since 2012, which was acquired by Top Global Express Carrier in May 2016.



## BUSINESS

*For the year ended 31 March 2019*

Rank	Customer	Type(s) of services provided by our Group	Principal business and background of the customer	Approximate years of relationship with our Group as at the Latest Practicable Date	Typical credit term offered to our customers (days)	Payment method	Revenue (HK\$'000)	As a percentage of revenue (%)
1	Top Global Express Carrier <i>(Note 1)</i>	Air cargo terminal operation services; and warehousing and other value-added services	The world's largest express carrier group which principally engaged in provision of logistics services. It includes a company listed on the New York Stock Exchange which recorded revenue of approximately US\$69.7 billion for the financial year 2019. As at 29 February 2020, it had net assets of approximately US\$18.8 billion	16	30–60	Bank transfer	217,621	62.0
2	Customer A	Transportation and warehousing and other value-added services	Member of a global private logistics group which principally engaged in provision of international freight forwarding and logistics services	7	60	Bank transfer	29,615	8.4
3	German-based Express Carrier	Transportation and warehousing and other value-added services	German based global logistics group which principally engaged in provision of logistics services. It includes a company listed on the Frankfurt Stock Exchange which recorded revenue of approximately Euro 61.6 billion for the financial year 2018, it had net assets of approximately Euro 14.4 billion	2	30–60	Bank transfer	22,172	6.3
4	HK Air Cargo Terminal Operator	Air cargo terminal operation services	A company held by four entities, out of which one entity is dual listed on the London Stock Exchange and Singapore Stock Exchange, two entities are listed on the Stock Exchange, and the remaining entity is a non-listed entity, which principally engaged in air cargo terminal operation in Hong Kong	5	30	Bank transfer	8,575	2.4
5	Top Global Logistics Company	Transportation and warehousing and other value-added services	One of the world's leading third party logistics companies incorporated in Switzerland and listed on Six Swiss Exchange in April 2018 engaged in providing a comprehensive portfolio of freight management and contract logistics services with a diversified blue-chip customer base	1	30	Bank transfer	8,208	2.3
							<u>286,191</u>	<u>81.5</u>

*Note:*

- The revenue contributed by Top Global Express Carrier includes the revenue contributed by one of our customers, a worldwide express carrier having a business relationship with our Group since 2012, which was acquired by Top Global Express Carrier in May 2016.

## BUSINESS

*For the year ended 31 March 2018*

Rank	Customer	Type(s) of services provided by our Group	Principal business and background of the customer	Approximate years of relationship with our Group as at the Latest Practicable Date	Typical credit term offered to our customers (days)	Payment method	Revenue (HK\$'000)	As a percentage of revenue (%)
1	Top Global Express Carrier <i>(Note 1)</i>	Air cargo terminal operation services; and warehousing and other value-added services	The world's largest express carrier group which principally engaged in provision of logistics services. It includes a company listed on the New York Stock Exchange which recorded revenue of approximately US\$69.7 billion for the financial year 2019. As at 29 February 2020, it had net assets of approximately US\$18.8 billion	16	30–60	Bank transfer	198,940	61.8
2	Customer A	Transportation and warehousing and other value-added services	Member of a global private logistics group which principally engaged in provision of international freight forwarding and logistics services	7	60	Bank transfer	30,606	9.5
3	A PRC e-commerce retailer	Transportation services	Member of a PRC e-commerce retailer	3	30	Bank transfer	14,730	4.6
4	HK Air Cargo Terminal Operator	Air cargo terminal operation services	A company held by four entities, out of which one entity is dual listed on the London Stock Exchange and Singapore Stock Exchange, two entities are listed on the Stock Exchange, and the remaining entity is a non-listed entity, which principally engaged in air cargo terminal operation in Hong Kong	5	30	Bank transfer	10,581	3.3
5	Customer C	Transportation and warehousing and other value-added services	Member of a regional private logistics group which principally engaged in providing logistic solution in Asia Pacific Region	8	30	Bank transfer	9,637	3.0
							264,494	82.2

*Note:*

- The revenue contributed by Top Global Express Carrier includes the revenue contributed by one of our customers, a worldwide express carrier having a business relationship with our Group since 2012, which was acquired by Top Global Express Carrier in May 2016.

## BUSINESS

*For the year ended 31 March 2017*

Rank	Customer	Type(s) of services provided by our Group	Principal business and background of the customer	Approximate years of relationship with our Group as at the Latest Practicable Date	Typical credit term offered to our customers (days)	Payment method	Revenue (HK\$'000)	As a percentage of revenue (%)
1	Top Global Express Carrier <i>(Note 1)</i>	Air cargo terminal operation services; and warehousing and other value-added services	The world's largest express carrier group which principally engaged in provision of logistics services. It includes a company listed on the New York Stock Exchange which recorded revenue of approximately US\$69.7 billion for the financial year 2019. As at 29 February 2020, it had net assets of approximately US\$18.8 billion	16	30–60	Bank transfer	203,759	65.9
2	Customer A	Transportation and warehousing and other value-added services	Member of a global private logistics group which principally engaged in provision of international freight forwarding and logistics services	7	60	Bank transfer	28,252	9.1
3	Customer D	Transportation and warehousing and other value-added services	A private company in PRC which principally engaged in provision of freight transport agent services	9	30	Bank transfer	9,247	3.0
4	HK Air Cargo Terminal Operator	Air cargo terminal operation services	A company held by four entities, out of which one entity is dual listed on the London Stock Exchange and Singapore Stock Exchange, two entities are listed on the Stock Exchange, and the remaining entity is a non-listed entity, which principally engaged in air cargo terminal operation in Hong Kong	5	30	Bank transfer	8,436	2.7
5	Customer E	Transportation and warehousing and other value-added services	A private company in Hong Kong principally engaged in provision of logistics services	12	30	Cheque	7,026	2.3
							256,720	83.0

*Note:*

- The revenue contributed by Top Global Express Carrier includes the revenue contributed by one of our customers, a worldwide express carrier having a business relationship with our Group since 2012, which was acquired by Top Global Express Carrier in May 2016.

To the best knowledge and belief of our Directors after making all reasonable enquiries, none of our Directors or any Shareholders, who owns more than 5% of the share capital of our Company immediately following completion of the Share Offer and the Capitalisation Issue, nor any of their respective associates, has any interest in any of the five largest customers of our Group for each of the financial year and period over the Track Record Period.

## BUSINESS

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

### **Customer concentration**

During the Track Record Period, we primarily provided (i) air cargo terminal operation services (including ground handling and ancillary delivery services); (ii) transportation services (including cross-border transportation services); and (iii) warehousing and other value-added services to Top Global Express Carrier. Top Global Express Carrier contributed approximately 65.9%, 61.8%, 62.0% and 64.0% of our total revenue, respectively for the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019.

#### *Background of our largest customer*

Top Global Express Carrier, our largest customer during the Track Record Period, was the world's largest express carrier in 2018 according to the Frost and Sullivan Report. It is principally engaged in providing customers and businesses worldwide with a broad portfolio of transportation, e-commerce, and business solutions. In May 2016, Top Global Express Carrier acquired another worldwide express carrier, which has a business relationship with our Group since 2012 and was our second largest customer for the year ended 31 March 2017 prior to aggregating its revenue contribution of approximately HK\$32.2 million to our Group with that of Top Global Express Carrier. Thus, the aggregated revenue from Top Global Express Carrier becomes more significant.

Its worldwide network is served by five regions outside the U.S.: (i) Canada; (ii) Asia Pacific; (iii) Europe; (iv) Middle East, Indian Subcontinent and Africa (MEISA); and (v) Latin America, Caribbean (LAC). Top Global Express Carrier has been listed on the New York Stock Exchange since 1997. Based on its annual report for the year ended 31 May 2019, Top Global Express Carrier recorded total revenue of approximately US\$69.7 billion. As at the Latest Practicable Date, the market capitalisation of Top Global Express Carrier was approximately US\$29.2 billion.

#### *Business relationship with our largest customer*

Since 2003, Top Global Express Carrier engaged us as a contractor to provide air cargo terminal operation services inside AAT of the Hong Kong International Airport. We have also expanded our service offerings to Top Global Express Carrier in selected cities of the PRC (including the provision of air cargo terminal operation services at Shenzhen international express courier operations centre of the Shenzhen Bao'an International Airport) and also diversified into the provision of ancillary delivery, transportation and warehousing services in Hong Kong.

#### *Contractual agreements with our largest customer*

During the Track Record Period, we have entered into various agreements with Top Global Express Carrier from time to time for the provision of (i) air cargo terminal operation; (ii) transportation; and (iii) warehousing and other value-added services.

## BUSINESS

Set out below are the number of renewals of our service agreements with Top Global Express Carrier:

<u>Contract</u>	<u>Types of services</u>	<u>Expiry date of the latest contract</u>	<u>Number of renewals</u>
Contract A	Ancillary delivery services and transportation services in Shenzhen and Guangzhou	September 2019 and was not renewed	the first contract was entered into in September 2006 with a term of two years, with five consecutive renewals for transportation services provided in Shenzhen and Guangzhou, the PRC with a term ranging from one to three years
Contract B	Transportation services in Shanghai	September 2020	the first contract was entered into in June 2009 with a term of two years, with five consecutive renewals for transportation services provided in Shanghai, the PRC with a term ranging from one to three years
Contract C	Warehousing and other value-added services in Hong Kong	September 2020	the first contract was entered into in October 2011 with a term of three years, with two consecutive renewals with a term of three years
Contract D	Air cargo terminal ground handling services in Shenzhen	October 2020	the first contract was entered into in July 2007 with a term of one year, with eight consecutive renewals for services provided in Shenzhen Bao'an International Airport with a term ranging from one to two years
Contract E	Air cargo terminal ground handling and ancillary delivery services in Hong Kong	June 2021	the first contract was entered into in April 2003 with a term of five years, with four consecutive renewals for services provided in AAT with a term ranging from three to five years
Contract F	Cross-border transportation services	December 2021	the first contract was entered into in July 2012 with a term of three years, with two consecutive renewals for cross-border transportation services with a term of three years
Contract G	Warehousing and other value-added services in Hong Kong and cross-border transportation services	May 2022	the first contract was entered into in June 2019 with a term of three years

## BUSINESS

Please refer to the paragraphs “Our services — Air cargo terminal operation — Major Contractual Terms and Conditions”, “Our services — Transportation services — Major contractual terms and conditions” and “Our services — Warehousing and other value-added services — Major contractual terms and conditions” in this section above for the details of our contractual agreements with Top Global Express Carrier in relation to provision of our air cargo terminal operation services, transportation services and warehousing and other value-added services.

### *Renewal of the Service Agreements*

As at the Latest Practicable Date, all agreements with Top Global Express Carrier would expire in September 2020 or after. Having a long and established business relationship with Top Global Express Carrier is important for us to build up our understanding on the logistics flow and operations of Top Global Express Carrier, thereby enabling us to seamlessly cooperate with Top Global Express Carrier and its end customers. Having considered that (i) we have been providing air cargo terminal operation services (including ground handling and ancillary delivery services) to Top Global Express Carrier for over 15 years; (ii) no material dispute occurred between our Group and Top Global Express Carrier; (iii) our Group’s solid experiences in providing air cargo terminal operation services (including ground handling and ancillary delivery services) to large scale international express carriers; and (iv) there were no material impediment in meeting the KPIs set out by Top Global Express Carrier during the term of the service agreements with Top Global Express Carrier, our Directors believe that there should not be any material obstacle or impediment for us to renew the contractual agreements with Top Global Express Carrier when they expire.

### *Mutual and complementary reliance between our largest customer and our Group*

Our Directors believe maintaining a close and long-term relationship between our Group and Top Global Express Carrier is mutually beneficial to both of us and we have developed a mutual reliance and benefit for the following reasons:

- (i) *Valued business partner for mutual benefits:* Our Directors believe that with our over 15 years of long-term cooperation with Top Global Express Carrier, we have provided air cargo terminal operation services, transportation services and warehousing and other value-added services to Top Global Express Carrier continuously as a valued business partner and both of us have developed a mutual reliance and benefit in terms of service quality and cost effectiveness. According to the Frost and Sullivan Report, there was a tendency among our larger customers, including Top Global Express Carrier, to reduce the number of their logistics service providers in order to reduce complexity, ensure consistency of service provision and performance management across geographies and to benefit from further supply chain optimisation opportunities. Top Global Express Carrier has primarily relied us for the provision of air cargo ground handling services in Hong Kong and other growing markets of the PRC. Furthermore, to the best knowledge and belief of our Directors and making reasonable due diligence inquiries, we are (i) the sole air cargo terminal service provider of Top Global Express Carrier to run its air cargo terminal operation inside AAT of the Hong Kong International Airport for over 15 years as well as Shenzhen international express courier operations centre of the Shenzhen

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Bao'an International Airport to us since 2006; (ii) one of the few major service providers of cross-border transportation services to Top Global Express Carrier in Hong Kong; and (iii) one of the few major service providers in providing domestic transportation services to Top Global Express Carrier in Hong Kong, Shenzhen and Guangzhou. Top Global Express Carrier has continuously expanded the scope of services offered by our Group to it in terms of type of services, operation scale and geographical locations that are instrumental to its business expansion in Hong Kong and selected PRC cities. Our Directors believe that the long-term cooperation has cultivated confidence and mutual reliance between our Group and Top Global Express Carrier over the years.

- (ii) *significant investment in operational resources continuously made for Top Global Express Carrier's operation and expansion:* Our services are complementary to the presence and geographical coverage of both business operation and expansion in Hong Kong and other growing markets of the PRC. In addition, we have made continuous investments in our transportation fleet, facilities and labour force to facilitate its ongoing business development of Top Global Express Carrier in Hong Kong and selected PRC cities. For example, we set up a new team of labour force and transportation fleet to support air cargo terminal operation activities seamlessly in Shenzhen and built up an efficient and timely air cargo flow inside Shenzhen international express courier operations centre of the Shenzhen Bao'an International Airport since the commencement of its operation in 2006 when Top Global Express Carrier started to expand its business in Shenzhen, the PRC. As at the Latest Practicable Date, we provided over 290 labour force (including full-time employees and dispatch labour) for air cargo terminal operations per day in three shifts and seven days a week for Top Global Express Carrier in Hong Kong and Shenzhen, the PRC. Between 2011 and 2019, we also acquired more than 31 new trucks for providing two-way non-stop cross-border transportation services between Hong Kong and Guangdong Province, the PRC and approximately 18 new trucks for providing domestic transportation services in Hong Kong and the PRC, respectively, the investment cost of which in aggregate amounted to approximately HK\$39.0 million. In early 2013, we expanded and relocated our warehousing facilities to our Kwai Bon Logistics Centre of a total gross floor area of over 70,000 sq.ft. Top Global Express Carrier not only relies on us to provide air cargo ground handling services to carry out business activities, but also benefits from our sizable operational resources of labour force and transportation fleet to develop new services and business in Hong Kong and other selected growing areas of the PRC.
- (iii) *Maintaining high service quality and performance without disruptions:* Ground quality is a key factor for success in air cargo management which is one of the important assessment criteria in selecting air cargo handling service provider by Top Global Express Carrier. Top Global Express Carrier's expectation is that air cargo ground handling services provided by its subcontractors, like our Group, usually operates flawlessly with minimal incident rate (loss of freight due to damage or pilferage), optimised throughput and limited costs. Top Global Express Carrier has an established set of KPIs and require its service providers to comply with. Our Directors believe that

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we have continued to be able to satisfy the standards set out by Top Global Express Carrier for over 15 years. Moreover, our Directors believe that Top Global Express Carrier could benefit from our provision of air cargo ground handling services at higher efficiency with low operating costs given our operational systems and employees are integrated into the air cargo terminal operations of Top Global Express Carrier in Hong Kong Shenzhen, the PRC. We did not expose Top Global Express Carrier to service deterioration or business disruptions since we commenced the provision of air cargo ground handling services to Top Global Express Carrier in 2003. Our Directors believe that maintaining the current business relationship with us is vital for Top Global Express Carrier to guarantee service quality and avoid any unforeseen disruption to its operations.

- (iv) *High risks and costs for switching to other service providers:* Our Directors consider that the process of identifying and approving new air cargo terminal operation service providers by Top Global Express Carrier might be difficult since there are a few sizable service providers who have proven track record and the ability to provide high quality services with strong operational resources and commitment. Top Global Express Carrier may need to go through numerous rounds of selection and may incur additional and significant time and cost in engaging any substitute service providers. In the event that a new service provider is selected, it may take considerable time and cost for (i) Top Global Express Carrier to train the new service provider to familiarise with its system and workflow; and (ii) the new service provider to set up or put in place necessary infrastructure and human resources. Furthermore, the trainings provided to the new service provider may not yield successful and desirable result, and it might result in unexpected operational problems. Therefore, our Directors are of the view that these operational risks will in return pose reputational risk to Top Global Express Carrier, who may not likely take such risk. Being the current service provider having a long term business relationship in providing reliable and quality services to Top Global Express Carrier, our Directors consider that we have a team of sizable and experienced labour force, strong transportation fleet and integrated system, which are advantages over other potential competitors.

### **Sustainability of our business**

There is no guarantee that we can continue to maintain our business relationship with Top Global Express Carrier in the long term. However, our Directors consider that the concentration of customers would not render our Company unsuitable for Listing after considering the following:

#### *Mutual and complementary business relationship*

As discussed above, our Directors believe that reliability and timely delivery of services is the key to maintain the competitiveness in the air cargo ground handling services industry, and we have built a mutual and complementary business relationship with our major customers, including Top Global Express Carrier. To our Directors' best knowledge after making reasonable enquiries and confirmed by Frost and Sullivan, our major customers do not have their own air cargo terminal operation services team in Hong Kong, and therefore they can enjoy our professional services at a



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lower operating cost comparing with developing its own local logistics centre or logistics team. According to the Frost and Sullivan Report, the trend for outsourcing air cargo ground handling services is expected to continue as outsourcing allows our customers to focus on their core operations and improve supply chain costs and performance. Our Group have consistently met the KPIs set by Top Global Express Carrier and it is not commercially beneficial to change the current business relationship between our Group and Top Global Express Carrier, as it would pose Top Global Express Carrier the risk of material interruption in its operation, resulting in its end customers not being satisfied with its services. Further, our service agreement with Top Global Express Carrier has been successfully renewed for another term of three years in 2018. Our Directors are confident that our Company will continue to be able to renew the service agreements and continue the business relationship with each of our other major customers.

### *Industry landscape*

Our Group has over 20 years of experience in the air cargo ground handling services industry and is well-positioned in the growing air cargo ground handling services segment. According to the Frost and Sullivan Report, the outlook of Hong Kong's air cargo ground handling services market remain positive. With our proven track record, strong capabilities and deep industry expertise with sizable labour force and strong transportation fleet, our Directors believe we are well prepared to take on new customers and explore new business opportunities.

### *Introduction of new customers*

Given our extensive experience in serving large scale global express carriers, our Directors believe that our Group is able to expand the scope of our air cargo ground handling services to new customers. During the Track Record Period and up to the Latest Practicable Date, we were engaged by over 100 new customers (which are mainly corporates and individual customers) for the provisioning of transportation, warehousing and other value-added services compared with the year ended 31 March 2016. In 2018, our Group commenced providing domestic transportation and warehousing and other value-added services to a member of Top Global Logistics Company. Our new customers are either introduced to our Group by referrals from our existing clients or by marketing efforts of our management. Our Directors are of the view and confirmed by Frost and Sullivan that the logistics market is fragmented and therefore, offer opportunities for us to expand, and we are able to reduce the degree of customer concentration in the future.

With our continued effort in introducing new customers, our revenue contributed by other customers excluding Top Global Express Carrier increased from approximately HK\$105.5 million for the year ended 31 March 2017 to approximately HK\$122.9 million for the year ended 31 March 2018 and further to approximately HK\$133.5 million for the year ended 31 March 2019, representing approximately 34.1%, 38.2% and 38.0% of our total revenue for the years ended 31 March 2017, 2018 and 2019, respectively. For the six months ended 30 September 2019, our revenue contributed by other customers (excluding Top Global Express Carrier) was approximately HK\$57.7 million, representing approximately 36.0% of our total revenue for such period.

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### *Transferability of our experience and knowledge in the air cargo ground handling services industry*

Our Group's services, transportation fleet and facilities are not specifically designed for Top Global Express Carrier, and allow us to serve various express carriers, air cargo terminal operators, freight forwarders and corporates and individuals. With over 20 years of experience in the air cargo ground handling services market, we have built solid experience to serve our customers in a reliable and timely manner. Our Directors are of the view that given our extensive resources, our services can be readily and swiftly transferred to serve other potential new customers. In particular, our Group won the tender and entered into service agreements with another worldwide express carrier (which was acquired by Top Global Express Carrier in May 2016) and Hong Kong Air Cargo Terminal Operator in 2012 and 2014, respectively, and provided transportation services to German-based Express Carrier between 2017 and 2019.

### *Experienced management team*

Our management has in-depth knowledge of the air cargo ground handling services industry and our Groups' operations. Mr. Chan Yu, our chief executive officer and an executive Director, has over 13 years of experience in the air cargo ground handling industry. Mr. LB Chan, our chairman and an executive Director has over five years of experience in business management. The key members of our senior management team have experience ranging from two to 18 years in the air cargo ground handling services industry.

## **SALES AND MARKETING**

### **Pricing**

We generally adopt a "cost-plus" pricing policy. Depending on the types of services, we typically charge service fees on a fixed fee basis at pre-determined lump sum or a fixed fee or rate per the number of trip, the weight of cargoes and packages handled and the duration of services rendered. Our service fees are generally determined based on a number of factors, including (i) the nature, type and scope of services required; (ii) the estimated operating costs to be incurred; (iii) estimated number and types of labour and transportation vehicles required; (iv) availability of our resources; (v) the length of the contracts and the urgency of the intended timetable; (vi) customers' profile and their credibility; (vii) prevailing market prices of similar services and market conditions; and (viii) our expected profit margins. We generally charge our customers on a monthly basis or upon completion of services.

### **Credit policy and payment**

Our sales to customers take place in the form of sales on credit. We generally issue invoices to our customers on a weekly or monthly basis based on the quantity of services rendered in that particular period, hence the weekly or monthly fee varies depending on the actual services provided. Payment from our customers is usually settled by way of cheque or bank transfer.

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We grant our customers credit period ranging from 30 to 60 days from the invoice date, whereby the length of the 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. For certain customers, our Group requests advance payments before rendering of express delivery services and no credit period is granted by our Group. As at 31 March 2017, 2018 and 2019 and 30 September 2019, our trade receivables (net allowance for doubtful debts/credit losses) were approximately HK\$39.0 million, HK\$44.8 million, HK\$49.0 million and HK\$45.0 million, respectively, of which approximately HK\$7.1 million, HK\$6.1 million, HK\$6.9 million and HK\$7.3 million were past due but not impaired. We had not made any provision for impairment of trade receivables for the years ended 31 March 2017 and 2018 as the trade receivables past due but not impaired were from customers with no history of default during the Track Record Period. As at 31 March 2019 and 30 September 2019, our Group has provided general impairment loss allowance on trade receivables of approximately HK\$0.7 million and HK\$0.7 million, respectively, which relate to impairment of financial assets in accordance with the requirements of HKFRS 9. Our management closely monitors the credit exposure and repayment conditions of our customers. We will make specific provisions if our management believes that any customer is or is likely to be in financial distress and is unable to settle its long outstanding trade amount. For further details of our credit policy, please refer to the section headed "Financial Information — Description of Certain Items of Statements of Financial Position — Trade and other receivables" in this prospectus.

### **Marketing and promotion**

We rely on word-of-mouth by providing quality services to attract referral and to retain our customers. With over 20 years of experience in the air cargo ground handling services industry in Hong Kong and our established relationship with our existing customers, we are able to expand our business by relying on our existing customer base, our industry reputation and referrals from customers, and hence we generally do not organise promotional activities. With our track record, we were also invited by our customers to bid for tenders to become their services provider. To maintain a good relationship with our customers, we contact them from time to time to exchange market and industry information, and to explore potential business opportunities.

In order to continue to build our brand image, we display our Group's name and logos on our truck fleet and on our staff's uniform. We also operate our website at [www.asia-expresslogs.com](http://www.asia-expresslogs.com) where we introduce and promote our Group and services.

### **Seasonality**

Our sales may be subject to seasonality. During the Track Record Period, we recorded relatively lower revenue during festive seasons, in particular the Lunar New Year in February. We believe this seasonal pattern is primarily due to the fewer business activities in such holiday season of our customers resulting in a decrease in demand of our services.

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### TRANSPORTATION FLEET

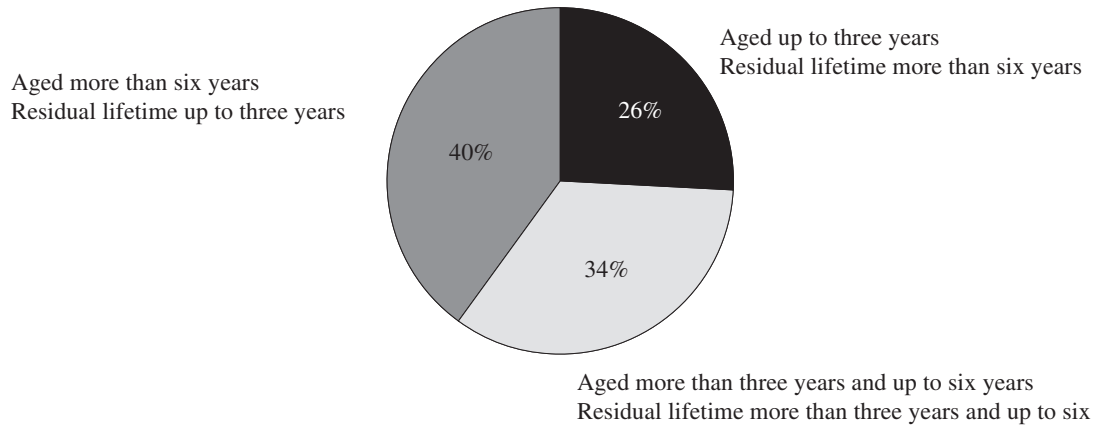
Transportation vehicles is the most important operating assets for our business. It is always a priority for us to have reliable transportation fleet to support our operations. Our Directors believe that our investment in machinery has improved our position to undertake projects of different scales and complexity. Our Directors also consider that the possession of our own transportation fleet at our disposal, coupled with outsourcing part of transportation services to external transportation service providers on a needed basis, allow us to devise flexible work plans and apply suitable machinery specifically catered for the needs and requirements of different customers, as well as enable us to expediently deploy them to various locations as required.

As at the Latest Practicable Date, we carried a large fleet of 168 self-owned transportation vehicles of various sizes and tonnages. The table below sets out the details of our own transportation fleet as at the Latest Practicable Date:

<u>Type of vehicle</u>	<u>Weight</u>	<u>Major features and application</u>	<u>As at the Latest Practicable Date</u>		
			<u>Hong Kong</u>	<u>PRC</u>	<u>Total</u>
Light goods trucks	Less than 5.5-tonne trucks	mainly for domestic transportation	—	12	12
Medium goods trucks	5.5-tonne to 9-tonne trucks	installed with rollerbed floor mainly for domestic transportation	41	5	46
Light heavy goods trucks	16-tonne trucks	installed with rollerbed floor mainly for domestic transportation	68	—	68
Heavy goods trucks	24-tonne or above trucks	installed with rollerbed floor and air-ride suspension mainly for cross-border transportation	28	—	28
Private cars			<u>7</u>	<u>7</u>	<u>14</u>
Total			<u>144</u>	<u>24</u>	<u>168</u>

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### Aging and residual lifetime of our self-owned transportation vehicles



Out of our 168 self-owned transportation vehicles as at the Latest Practicable Date and taking into account our vehicles have an average of ten years life span under normal usage and fair wear and tear, approximately 40% has a residual lifetime of up to three years, 34% has a residual lifetime of more than three years and up to six years and 26% has a residual lifetime more than six years (i.e. 26%, 34% and 40% of our self-owned transportation vehicles have used age of up to three years, more than three years and up to six years, and more than six years, respectively). To support our two-way non-stop transportation services across the borders of Hong Kong and Guangdong Province, the PRC, over 30 self-owned transportation fleet are registered with Intermodal Transshipment Facilitation Scheme in Hong Kong and Quick Pass mode in China for non-stop cross-border Guangdong-Hong Kong transportation to ensure secure and timely cross-border delivery. In addition, our Group enters into agreements with companies (“**Licensed Companies**”) which have obtained cross-border license plates (“**License Plates**”) under the relevant PRC laws and regulations that can be used for “through-trucks” (直通貨車) services for transportation of goods between Hong Kong and the PRC. Under such agreements, we are allowed to exclusively make use of the License Plates on our self-owned transportation fleet to provide our cross-border transportation services. As at the Latest Practicable Date, we leased over 30 License Plates from the Licensed Companies who were Independent Third Parties.

Over 140 self-owned fleet were installed with GPS tracking system as at Latest Practicable Date. The GPS tracking system is monitored by our staff at our control centre and real time data can be assessed by our supervisors. The GPS tracking system assists in ensuring on-time delivery of the goods by providing records of (i) real time vehicle location tracing; and (ii) pop up alert when the vehicle departs from the designated route. This can guarantee the cargo security and improve real-time delivery status along transportation.

During the Track Record Period, we leased crane trucks from our suppliers after considering leasing instead of acquiring the crane trucks because of cost-effectiveness. For the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019, we incurred rental expenses of crane trucks of approximately HK\$0.2 million, HK\$0.3 million, HK\$0.3 million and

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HK\$0.2 million, respectively. In addition, we engaged external transportation services providers to assist our Group in the provision of transportation services on a needed basis depending on our capability, possession of transportation vehicles, and availability of labour. For details, please refer to the paragraph headed “Our Suppliers — Dispatched work agencies and external transportation services providers” in this section.

We also have an in-house team of licenced and experienced drivers to ensure that our transportation vehicles are well maintained and operating efficiently.

### **Utilisation**

For the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019, the average utilisation rate of our own transportation fleet was approximately 99.4%, 98.0%, 98.1% and 97.6%, respectively. The average utilisation rate is calculated by taking the average daily number of trucks in use divided by total number of trucks times the number of working days (excluding Sunday and general holiday in Hong Kong).

In general, the average life span of our transportation fleet as at 30 September 2019 was approximately 10 years. As at 30 September 2019, the average remaining useful lives of our self-owned transportation fleet were approximately four years. Among our self-owned transportation fleet, 24-tonnes heavy good trucks commonly used for our cross-border transportation services are aged with the remaining useful lives of less than three years on average, and wear and tear naturally occur.

We do not have a pre-determined schedule or routine replacement cycle for our transportation fleet. We will replace our transportation fleet based on the condition of each fleet, our business needs and government regulations.

We intend to expand and upgrade our transportation fleet by acquiring 33 new trucks. For the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019, we acquired new trucks and motor vehicles in the amount of approximately HK\$3.5 million, HK\$1.7 million, HK\$12.5 million and HK\$2.9 million, respectively.

### **Plan for expansion and upgrading of our own transportation fleet**

It is our policy to possess own transportation fleet and maintain continuous investment in our own fleet to ensure high quality assurance while avoiding over-reliance on external transportation service providers. We have invested in and will continue to invest in our self-owned transportation fleet. In addition, our demand for external transportation services increased during the Track Record Period primarily due to the lack of capacity of our own transportation fleet. Acquiring additional trucks for expansion and upgrading of transportation fleet is commensurate with our past business strategies.

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The following table sets out the types and number of our transportation fleet to be purchased in Hong Kong:

<u>Types of vehicles</u>	<u>Weight</u>	<u>Our self-owned transportation fleet as at Latest Practicable Date</u>	<u>New transportation fleet planned to be purchased</u>	<u>Total</u>
		<i>a</i>	<i>b</i>	<i>c = a + b</i>
Medium good trucks	5.5-tonne to 9- tonne trucks	41	6	47
Light heavy good trucks	16-tonne trucks	68	27	95
Heavy goods trucks	24-tonne or above trucks	28	—	28
Private cars		<u>7</u>	<u>—</u>	<u>7</u>
Total		<u>144</u>	<u>33</u>	<u>177</u>
<b>Total estimated purchase cost (HK\$'000)</b>			<u><u>15,270</u></u>	
<i>Financed by:</i>				
Net proceeds from the Share Offer (HK\$'000)			<u><u>6,150</u></u>	
Finance lease, bank borrowings and/or internal resources (HK\$'000)			<u><u>9,120</u></u>	

### *Major bases and assumptions adopted for the expansion plan*

It is estimated that the investment cost for the above plan would be approximately HK\$15.3 million, of which approximately HK\$6.2 million will be financed by net proceed from the Share Offer and approximately HK\$9.1 million will be financed by finance leases, banking borrowings and/or our internal resources. Such plan is based on the best estimate of our Directors in light of the current market conditions on the following assumptions:

- (i) anticipated number of 33 new trucks to be acquired and upgraded for business from new customers and additional business from existing customers for domestic transportation services in Hong Kong; renewal of existing cross-border transportation services and potential business opportunities from the infrastructure investments and the PRC's government's initiatives as well as the explosive growth of e-commerce activities, which result in an estimation of:
  - (A) the forecast increase in number of trips to be completed for our ancillary delivery services and domestic transportation service segments of approximately 53,000 trips and 48,000 trips for the years ending 31 March 2021 and 2022, respectively. Such forecast increased number of trips to be handled for our ancillary delivery and domestic transportation services is primarily estimated with reference to (a) historical growth rate of the number of trips to be completed in respect of ancillary

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delivery and domestic transportation services for existing customers during the Track Record Period; (b) anticipated number of trips to be handled primarily driven by the forecast increase in the cargo volume to be handled in the ground handling service segment for Top Global Express Carrier whereby our Group is the sole transportation service provider plus the expansion of Top Global Express Carrier's air cargo terminal operation merged with that of another global express carrier in Hong Kong; (c) anticipated number of trips to be handled for new business and/or contracts recently renewed by or newly awarded from existing and new customers of approximately 15,000 trips and 19,000 trips for the years ending 31 March 2021 and 2022 respectively, such as (i) two new routes exclusively assigned to our Group pursuant to Contract E around December 2018 and new Contract G recently entered into in June 2019 with Top Global Express Carrier, (ii) a new contract for domestic transportation services from another e-commerce trading company in the PRC; and other new contracts recently entered into with new customers (which was principally determined with reference to the historical number of completed trips since the contracts being newly awarded and up to 30 September 2019 and/or the anticipated number of trips to be completed preliminarily indicated by new customer, and the pricing terms stipulated in the new contracts); (d) indicative number of trips to be completed based on the non-legally binding memorandums of understanding with certain existing and potential customers of approximately 24,000 trips and 16,000 trips for the years ending 31 March 2021 and 2022 respectively. Considering a possibility of and uncertainties on fluctuation on the number of trips, the distance of the trips, the volume of goods transported and pricing terms in light of the current, political, economic, market and other conditions and the short length of business relationship of, creditworthiness and payment records of some of the new customers after recent credit assessment, our Directors prudently estimate that the expected revenue from these new business and/or new contracts would amount to approximately HK\$47.1 million and HK\$53.8 million for the years ending 31 March 2021 and 2022, respectively; (e) number of trips with relatively low-value transactions that our Group turned down due to no operational capacity during the Track Record Period; (f) indicative number of trips based on, to the best knowledge, belief and estimates in light of the current market conditions and making all reasonable due diligence inquiries, negotiations with or request for quotations and/or requests from existing customers and enquiries from new or potential customers from time to time; and (g) the current political, economic, market and other conditions with the forecast overall growth in demand for air cargo ground handling services in accordance with the Frost and Sullivan Report. Medium and light heavy good trucks are commonly used and shared for our ancillary delivery service segment and transportation service segment;

- (B) that for the forecast increase in number of trips to be completed for our cross-border transportation service segment of approximately 13,000 trips and 10,000 trips for the years ending 31 March 2021 and 2022, respectively having considered (a) historical growth rate of the number of trips to be completed for existing



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customers during the Track Record Period; (b) indicative number of trips to be completed based on the non-legally binding memorandums of understanding with certain existing and potential customers; (c) number of trips with relatively low-value transactions that our Group turned down due to no operational capacity during the Track Record Period; (d) number of trips based on requests from existing customers and enquiries from new or potential customers from time to time; and (e) the current political, economic, market and other conditions with the forecast overall growth in demand for cross-border transportation services in accordance with the Frost and Sullivan Report. Heavy good trucks are typically used for our cross-border transportation service segment;

- (C) estimated portion of using our owned transportation and outsourcing transportation services to be proposed on a 20% and 80% basis for the year ending 31 March 2021 and 35% and 65% basis for the year ending 31 March 2022 by reference to the historical 40% and 60% basis for the year ended 31 March 2019 which is calculated by the approximate actual number of trips performed by external transportation service providers for us in portion to the total number of trips completed by us for each of the Track Record Period and having taken our Directors' best and prudent estimates in light of the current market conditions making reasonable due diligence inquiries; and
- (D) anticipated average annual number of trips to be handled per truck which is estimated primarily based on daily average number of trip per truck from 2 to 4 trips multiplied by the estimated average working days of approximately 260 days per annum.

On the above bases and assumptions, we plan to acquire 33 new trucks for increasing six medium goods trucks and 27 light heavy goods trucks for our ancillary delivery services and domestic transportation services, and will either arrange our existing manpower, recruit additional drivers from our net proceeds from the Share Offer, or engage independent contractors to operate such additional trucks. The table below sets out the number of each major types of 33 new trucks required for the specified periods as indicated:

<u>Types of vehicles</u> <sup>(Note)</sup>	<u>From Listing to the year ending 31 March 2021</u>	<u>For the year ending 31 March 2022</u>	<u>Total</u>
Medium good trucks	2	4	6
Light heavy good trucks	<u>12</u>	<u>15</u>	<u>27</u>
Total	<u><u>14</u></u>	<u><u>19</u></u>	<u><u>33</u></u>

*Note:* The maximum volume of stock that can be undertaken by the 33 additional trucks is approximately 1.5 tonnes and 6 tonnes, respectively.

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- (ii) high average utilisation rates of our owned transportation fleet were approximately 99.4%, 98.0%, 98.1% and 97.6%, respectively, for the Track Record Period which limit our overall operation capacity;
- (iii) estimated unit purchase cost of each type of trucks based on quotations obtained and by reference to historical average unit purchase cost of same or similar type and loading capacity purchased by our Group ranging from approximately HK\$0.4 million to HK\$0.8 million. The estimated average unit purchase cost of replacing existing trucks is higher than that of purchasing additional transportation fleet primarily due to the differences in loading capacity, size and configurations and specifications, such as pantechicon body, maximum speed, maximum power output and maximum torque; and
- (iv) it is assumed that approximately 40% of purchase costs per truck will be financed by net proceeds from the Share Offer and the remaining 60% balances will be funded by finance leases and/or bank borrowings. The proposed sources of funding with their respective portion generally commensurated with its past business strategy during the Track Record Period.

For further details, please refer to the sections headed “Business — Business Strategies” and “Future Plans and Use of Proceeds” in this prospectus.

### *Cost and benefit analysis*

Our Directors also consider that it is in the interests of our Group to purchase rather than lease the transportation fleet that we intend to replace or purchase using the net proceeds from the Share Offer. A comparison of the annual leasing costs that could be potentially saved and the additional annual operating costs of our transportation fleet is set out below:

<u>Types of vehicles</u>	<u>Average approximate annual operating costs</u> <i>(Note 1)</i>	<u>Annual leasing costs from external transportation services providers</u> <i>(Note 2)</i>	<u>Estimated annual expense savings per truck</u>	<u>Number of additional vehicles purchased</u>	<u>Total estimated annual savings</u>
	<i>Approximate HK\$'000</i>	<i>Approximate HK\$'000</i>	<i>Approximate HK\$'000</i>	<i>Approximate</i>	<i>Approximate HK\$'000</i>
	a	b	c = a - b	d	e = c * d
Medium goods trucks	264	304	(40)	6	(240)
Light heavy goods trucks	<u>301</u>	<u>413</u>	<u>(112)</u>	<u>27</u>	<u>(3,024)</u>
Total				<u><u>33</u></u>	<u><u>(3,264)</u></u>

#### *Notes:*

- It includes maintenance costs, insurance, fuel costs, depreciation, staff cost, car-parking fees and other related operating cost on an annual basis.
- It is based on existing quotations from the external transportation services providers.

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Based on the above comparison, the estimated total annual leasing costs from external transportation services providers are greater than the estimated aggregate annual depreciation and annual operating costs. Hence, our Directors are of the view that it is more economical for our Group to purchase rather than lease the transportation fleet in order to save cost and increase our productivity, efficiency, certainty and flexibility in arranging our delivery schedule. For further details, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

### **Repair and maintenance**

Our Group believes that maintaining the conditions of the transportation fleet is important to provide quality and reliable services to our customers and keep our workplace and operations safe for our employees. Generally, we inspect and perform regular maintenance on our trucks for around four to six times a year. Our staff also perform a daily checking on the trucks before commencing operations. When our transportation fleet breaks down, it will be sent to repair centres for repair. To ensure reliable and quality repair and maintenance services for our transportation fleet, we have maintained a long term relationship with a designated vehicle maintenance centre of eight years which provides 24-hour emergency maintenance services. For the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019, our transportation fleet repair and maintenance costs amounted to approximately HK\$11.2 million, HK\$10.8 million, HK\$8.1 million and HK\$3.5 million, respectively, because the aged trucks were replaced with new ones during the Track Record Period.

### **OUR SUPPLIERS**

Our suppliers mainly include (i) dispatched work agencies providing dispatched labour; (ii) external transportation services providers providing transportation services; (iii) companies supplying packaging materials and the lease of crane trucks; and (iv) landlords of our logistics centre and offices. When selecting and evaluating a potential supplier, we generally consider (i) the quality of the supplier’s services or products; (ii) delivery time; (iii) the pricing of its services or products; and (iv) the reputation of the supplier. Our Directors consider that we do not have difficulty to find alternative suppliers of the required materials or services for our Group as there are many suppliers of the required materials or services in Hong Kong and the PRC.

Save for the agreements in respect of our leased properties and service contracts in respect of the dispatch labour services and external transportation services we entered into, we did not enter into any long term agreement with our suppliers during the Track Record Period. We generally agree with our suppliers a pre-agreed quotation, which will be subject to fluctuations on an order-by-order basis. The quotation include the type of materials or services required, price and payment terms.

Our suppliers generally grant us a credit period of 15 to 60 days while certain suppliers request upfront payment before delivery of services and no credit period has been granted to our Group and we generally settle the payment by bank transfer or cheque. During the Track Record

Period and up to the Latest Practicable Date, our Group did not experience any material delays or difficulties in performing our works due to our suppliers' delay in supplying the required services or materials. We do not store excess inventory of packaging materials.

### **Dispatched work agencies and external transportation services providers**

During the Track Record Period, we engaged independent contractors to provide dispatch labour and transportation services to facilitate our Group in carrying out part of our services in Hong Kong. Our Directors believe that such arrangements would (i) increase flexibility and cost effectiveness in carrying out our services; and (ii) reduce fixed overhead costs such as salaries for additional employees and drivers.

During the Track Record Period, our Group engaged dispatched work agencies and used dispatched labour from such dispatched work agencies from time to time to in the provision of our services. Our Directors believe such arrangement increases our flexibility and cost effectiveness in carrying out our services. In accordance with the master agreements between our Group and the dispatched work agencies, there is no direct employment relationship between the dispatched labour and our Group, and we are not liable to the salaries, benefits, and employment related insurance for the dispatched staff. We engaged over 35 dispatched work agencies during the Track Record Period, who were Independent Third Parties. For the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019, the cost incurred for dispatched labour by our Group amounted to approximately HK\$63.9 million, HK\$73.2 million, HK\$90.7 million and HK\$40.8 million, respectively, representing approximately 21.6%, 24.3%, 27.5% and 27.5% of our Total Operating Costs, respectively.

In addition to our self-owned transportation fleet, we engaged external transportation services providers to assist our Group in the provision of transportation services on a needed basis after considering, among others, the capacity and delivery schedule of our self-owned transportation fleet. We engaged over 180 external transportation service providers during the Track Record Period, who were Independent Third Parties. For the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019, external transportation service costs amounted to approximately HK\$91.7 million, HK\$101.4 million, HK\$123.5 million and HK\$52.9 million, respectively, representing approximately 31.0%, 33.7%, 37.5% and 35.7% of our Total Operating Costs, respectively.

During the Track Record Period, the dispatch labour services and external transportation services agreement we entered into generally contain the following terms:

Scope of Service : The dispatched work agencies provide dispatch labour to carry out air cargo ground handling services in accordance with the instructions of our Group.

The external transportation services providers provides transportation fleet and drivers to assist us in the provision of transportation services in accordance with the instructions of our Group.

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Contract Period : The contract period with the dispatched work agencies is generally for a term of one year and will be renewed for an indefinite term unless otherwise terminated.

The contract period with external transportation services providers is generally for a term ranging from one year to 21 months.

Service charge : The dispatched work agencies charge us at a pre-agreed price per a certain man-hours slot with a range from HK\$50 to HK\$56 per hour for each labour.

The external transportation services providers charge us at a pre-agreed price based on either (i) monthly transportation fee for each designated route; or (ii) fixed fee per trip; and a fixed fee per hour for each driver.

Payment terms : The dispatched work agencies and the external transportation services providers will submit monthly invoice in arrears for our Group to settle within 30 days from the receipt of invoice.

Obligations : The dispatched work agencies are responsible to ensure its compliance with all the requirements under any applicable laws in relation to its business operations (including the employment of the dispatched workers).

Termination : Both our Group, the dispatched work agencies and the external transportation services providers are entitled to terminate the agreement by giving 30 days written notice.

### **Five largest suppliers**

For the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019, costs incurred attributable to our five largest suppliers in aggregate accounted for approximately 17.6%, 20.6%, 26.0% and 21.4% of our Total Operating Costs, being less than 30% of our Total Operating Costs, and costs incurred attributable to our largest supplier accounted for approximately 6.6%, 8.1%, 13.5% and 11.0% of our Total Operating Costs, respectively. During the Track Record Period and up to the Latest Practicable Date, we had relationship with our five largest suppliers ranging from approximately one year to 11 years.

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The following tables set out certain information of our Group's top five suppliers based on the direct costs incurred during the Track Record Period:

### *For the six months ended 30 September 2019*

Rank	Supplier	Type(s) of products/services provided to our Group	Principal business and background of the supplier	Approximate years of relationship with our Group as at the Latest Practicable Date	Typical credit term offered by our suppliers (days)	Payment method	Costs incurred (HK\$'000)	As a percentage of Total Operating Costs incurred (%)
1	Supplier A	Dispatch labour	Private logistics companies owned by same beneficial owner in Hong Kong which principally engaged in provision of logistics services	11	30	Cheque	16,326	11.0
2	Supplier B	Dispatch labour	A private company in Hong Kong which principally engaged in provision of logistics services	5	30	Cheque	4,973	3.4
3	Supplier C	Transportation services	Private logistics company in Hong Kong which principally engaged in providing fuel	8	30	Cheque	3,698	2.5
4	Supplier D	Dispatch labour	A sole proprietorship in Hong Kong which principally engaged in provision of logistics services	4	30	Cheque	3,418	2.3
5	Supplier E	Transportation services	A partnership in Hong Kong which principally engaged in provision of logistics services	7	30	Cheque	3,240	2.2
							<u>31,655</u>	<u>21.4</u>

### *For the year ended 31 March 2019*

Rank	Supplier	Type(s) of products/services provided to our Group	Principal business and background of the supplier	Approximate years of relationship with our Group as at the Latest Practicable Date	Typical credit term offered by our suppliers (days)	Payment method	Costs incurred (HK\$'000)	As a percentage of Total Operating Costs incurred (%)
1	Supplier A	Dispatch labour	Private logistics companies owned by same beneficial owner in Hong Kong which principally engaged in provision of logistics services	11	30	Cheque	35,977	13.5
2	Supplier B	Dispatch labour	A private company in Hong Kong which principally engaged in provision of logistics services	5	30	Cheque	10,202	3.8
3	Supplier E	Transportation services	A partnership in Hong Kong which principally engaged in provision of logistics services	7	30	Cheque	8,510	3.2
4	Supplier F	Transportation services	A private company in PRC which principally engaged in provision of logistics services	1	40	Cheque	7,498	2.8
5	Supplier C	Transportation services	Private logistics company in Hong Kong which principally engaged in providing fuel	8	30	Cheque	7,231	2.7
							<u>69,418</u>	<u>26.0</u>

## BUSINESS

*For the year ended 31 March 2018*

Rank	Supplier	Type(s) of products/services provided to our Group	Principal business and background of the supplier	Approximate years of relationship with our Group as at the Latest Practicable Date	Typical credit term offered by our suppliers (days)	Payment method	Costs incurred (HK\$'000)	As a percentage of Total Operating Costs incurred (%)
1	Supplier A	Dispatch labour	Private logistics companies owned by same beneficial owner in Hong Kong which principally engaged in provision of logistics services	11	30	Cheque	24,274	8.1
2	Supplier G	Transportation services	Member of a group which principally engaged in provision of logistics services. The group includes a company listed on New York Stock Exchange which recorded revenue of approximately US\$2.6 billion for the financial year 2018. As at 31 December 2019, it had net assets of approximately US\$5.5 billion.	7	30	Cheque	12,051	4.0
3	Supplier E	Transportation services	A partnership in Hong Kong which principally engaged in provision of logistics services	7	30	Cheque	9,301	3.1
4	Supplier B	Dispatch labour	A private company in Hong Kong which principally engaged in provision of logistics services	5	30	Cheque	9,275	3.1
5	Supplier D	Dispatch labour	A sole proprietorship in Hong Kong which principally engaged in provision of logistics services	4	30	Cheque	7,043	2.3
							61,944	20.6

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*For the year ended 31 March 2017*

Rank	Supplier	Type(s) of products/services provided to our Group	Principal business and background of the supplier	Approximate years of relationship with our Group as at the Latest Practicable Date	Typical credit term offered by our suppliers (days)	Payment method	Costs incurred (HK\$'000)	As a percentage of Total Operating Costs incurred (%)
1	Supplier A	Dispatch labour	Private logistics companies owned by same beneficial owner in Hong Kong which principally engaged in provision of logistics services	11	30	Cheque	19,458	6.6
2	Supplier E	Transportation services	A partnership in Hong Kong which principally engaged in provision of logistics services	7	30	Cheque	11,410	3.9
3	Supplier B	Dispatch labour	A private company in Hong Kong which principally engaged in provision of logistics services	5	30	Cheque	8,384	2.8
4	Supplier H	Transportation services	A private company in PRC which principally engaged in provision of logistics services	4	40	Cheque	6,425	2.2
5	Supplier D	Dispatch labour	A sole proprietorship in Hong Kong which principally engaged in provision of logistics services	4	30	Cheque	6,195	2.1
							<u>51,872</u>	<u>17.6</u>

To the best knowledge and belief of our Directors after making all reasonable enquiries, none of our Directors or any Shareholders, who owns more than 5% of the share capital of our Company immediately following completion of the Share Offer and the Capitalisation Issue, nor any of their respective associates, has any interest in any of the five largest suppliers of our Group for the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019.

### INFORMATION TECHNOLOGY

Our Group has subscribed for a vehicle tracking system with GPS that are installed in most of our transportation fleet. With such tracking system in place, we can trace the location of each vehicle to ensure the reliability of our transportation services as well as to ensure the security of goods during transportation. To assist our operations, we have implemented human resources management system and attendance system to store the record of our employees' personal details, salary payments, mandatory provident fund payments, attendance and leave record. Such systems allow our Group to monitor our level of workforce. Please refer to the sections headed "Business — Business Strategies" and "Future Plans and Use of Proceeds" for further details of the investment in and upgrading of our information technology systems.



## BUSINESS

### LICENCES, PERMITS AND REGISTRATION

The table below set out the details of our major licences, permits and registrations as at the Latest Practicable Date:

<u>Licence, certificate or registration</u>	<u>Issuing body</u>	<u>Date of grant</u>	<u>Date of expiry</u>
Permit for Road Transport Business	Shanghai Transport Committee	7 November 2019	6 November 2023
Permit for Road Transport Business	Guangzhou Transport Committee	22 February 2016	31 March 2020 <i>(Note)</i>
Permit for Road Transport Business	Shenzhen Transport Committee	24 October 2016	23 October 2020
Irradiating apparatus licence	Radiation Board of Hong Kong	5 November 2019	4 November 2020

*Note:* According to the notice issued by the Ministry of Transportation of the PRC Government published on 17 March 2020, the expiry date of the Permit for Road Transport Business will be automatically extended for 45 days counting from the day which the COVID-19 epidemic is over. During the aforesaid extension period, the local competent department of transportations will not take administrative measures against companies which fail to renew the permit in time.

Our Directors confirm that our Group had obtained all necessary licences and permits for our business operations in Hong Kong in compliance with relevant laws and regulations as at the Latest Practicable Date. Our Directors confirm, and as advised by our PRC Legal Advisers, that our Group had obtained all necessary licences and permits for our business operations in the PRC in compliance with relevant laws and regulations as at the Latest Practicable Date. Our Directors confirm that our Group did not experience any material difficulties in obtaining and/or renewing such licences and permits. Furthermore, our Directors are not aware of any circumstances that would significantly hinder or delay the renewal of such licences and permits upon their expiration. Therefore, our Directors do not foresee any major difficulties in compliance with such registration that would cause material impacts on our Group's operations and business.

### AWARDS AND ACCREDITATIONS

The table below set out our major award obtained by our Group during the Track Record Period up to the Latest Practicable Date:

<u>Awards</u>	<u>Issuing body</u>	<u>Year of Grant</u>
TAPA Trucking Security Requirements Certificate	TAPA	2018

## **QUALITY ASSURANCE**

We believe our ability to maintain the quality of our services is important to the growth of our Group.

Our quality assurance measures are designed and implemented by quality assurance department, who oversee our logistics services to ensure we provide quality services and satisfy our customers' KPIs at all times. In particular, please refer to paragraphs "Our Services — Air cargo terminal operation — Major contractual terms and conditions" in this section above for the KPIs set by Top Global Express Carrier. Regular meetings are held where senior management would review the effective of our operations and to respond to feedback from customers with the view to keep improving our quality standards.

Our quality assurance policy generally include the following:

1. We develop a set of customised KPIs with our customers after understanding their needs.
2. We encourage feedbacks from our customers. Within 24 hours upon receiving feedbacks from our customers, our staff will respond to the customers and thereafter, follow up with our customers' feedback.
3. The quality assurance department of our Group will conduct regular and/or surprise spot check on our services in order to improve the service standard.
4. We will regularly communicate with our customers regarding the service quality of our Group.

During the Track Record Period and as at the Latest Practicable Date, we had not experienced any material complaints or disputes from our customers in relation to the quality of our services.

## **HEALTH AND WORK SAFETY**

We value health and work safety of our employees is of utmost importance. Due to the nature of work in the air cargo terminal operation services and transportation services industry which generally involves carrying heavy objects and usage of machinery, workers are subjected to risks of accidents and injuries. In response, we have established guidelines in our staff manual for our staff to follow. We have in place safety checklists for our supervisors to conduct checking from time to time. Our supervisors are also encouraged to attend external training on occupational safety to keep abreast of latest developments in work safety and attain certificates from the Occupational Safety and Health Council in Hong Kong.

In relation to work safety for our drivers, we have (i) installed real time cameras at the driver seats of some of our vehicles to monitor the driving behavior of our drivers; and (ii) provided in-house training for drivers to improve their driving skills and manners.

## BUSINESS

We have provided training programmes and weekly briefings to educate and remind our employees of the importance of and the correct practices for health and safety in the workplace.

The personnel at our human resources and administration department records and keeps track of any injuries of our employees that have occurred during their performing of work duties, to ensure insurance claims and treatments are effectively pursued to protect our employees and our Group.

During the Track Record Period, there had not been any major work-related injuries of our employees or traffic accidents that would have caused material adverse impact on the business, operations or financial performance of our Group.

### ENVIRONMENTAL MATTERS

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

### INSURANCE

Our insurance coverage includes cargo liability insurance, employees' compensation insurance, third party bodily injury insurance, third party property damage vehicle insurance, public liability insurance, motor vehicle accident liability mandatory insurance (機動車交通事故責任強制保險), motor vehicle commercial insurance\* (機動車商業保險) and customs liability. For the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019, our Group incurred insurance expenses of approximately HK\$3.0 million, HK\$2.9 million, HK\$2.2 million and HK\$1.3 million, respectively. Our Directors are of the view that our insurance coverage is in line with the general coverage in the industry and is adequate for our operations. As at the Latest Practicable Date, we had not made nor been the subject of any material insurance claims. However, our business operations are susceptible to potential losses caused by a wide range of business disruptions and we may not be fully indemnified for our losses under our current insurance coverage. Please refer to the section headed "Risk Factors — Risks Relating to our Business — Our insurance coverage may not be sufficient to cover all losses or potential claims from our customers which would affect our business, financial condition and results of operations" in this prospectus for more details.

### COMPETITION

According to the Frost and Sullivan Report, the air cargo terminal operation services market in Hong Kong is considered to be concentrated with only less than 20 players in 2018. The total revenue generated from the air cargo terminal operation services increased steadily at a CAGR of

## BUSINESS

approximately 4.4% from approximately HK\$1,007.7 million in 2013 to approximately HK\$1,250.8 million in 2018. In contrast, transportation and warehousing services market in Hong Kong is considered as a highly fragmented market with more than 11,000 service providers of various scale of operation in Hong Kong in 2018. The transportation sector has over 7,400 land freight transportation establishments and more than 200 operators with cross-border capability in Hong Kong in 2018. For further details, please refer to the section headed “Industry Overview” in this prospectus.

There are various entry barriers for new market players to establish business presence in the logistics services in Hong Kong. According to the Frost and Sullivan Report, this include a strong and experienced management, deep industry expertise, strong capability with sizeable transportation fleet and labour force, an established relationship and network, and industry expertise and service offering. Please refer to the section headed “Industry Overview” in this prospectus for further information on the competitive landscape of the air cargo services market in Hong Kong.

### PROPERTY INTERESTS

As at the Latest Practicable Date, our Group owned one property in the PRC. The property, is located at Room 4818, Tower B, 33 Zhong Shan San Lu, Yuexiu District, Guangzhou, the PRC, and is primarily used as our office.

The table below lists out the address and function of our leased properties in Hong Kong and the PRC as at the Latest Practicable Date:

<u>Address</u>	<u>Gross floor area</u>	<u>Monthly rental</u>	<u>Function</u>	<u>Leased period</u>
Nos. 19–21 Wing Kin Road, Kwai Chung, New Territories, Hong Kong (i.e. the Kwai Bon Logistics Centre)	70,258 sq.ft.	HK\$421,548	Warehouse	From 1 February 2018 to 31 January 2022 <i>(Note 1)</i>
Nos. 1613–1615, Level 16, Tower I, Metroplaza, Kwai Chung	1,564 sq.ft.	HK\$48,484	Office	From 8 February 2018 to 7 February 2021
Unit 1209, 1211, 1213, 1215, 1217, 1219, Guangyin Building, 38 Futian South Road, Huanggang Port, Futian District, Shenzhen, PRC*	296 sq.m.	RMB22,479	Office	From 1 April 2018 to 31 March 2021

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Address	Gross floor area	Monthly rental	Function	Leased period
Rooms 105 and 205, Building A, Shenzhen Baoan District Airport Road, Airport Logistics Park Domestic Freight Village (Phase 2), Shenzhen, PRC*	270 sq.m.	RMB16,117	Office	From 1 August 2019 to 31 July 2022
Room 1110, Tower 30A, Tian Shan Road, Changning District, Shanghai, PRC*	110.47 sq.m.	RMB11,000	Office	From 1 January 2019 to 31 December 2020
Room 617, 6/F., Xinhong Building, No. 623 Si Ping Road, Hongkou District, Shanghai, PRC*	20 sq.m.	RMB2,650	Office	From 1 April 2019 to 31 March 2020 <sup>(Note 2)</sup>

*Notes:*

- (1) Both landlord and tenant shall have the right to terminate the tenancy agreement by giving not less than six months prior written notice and such termination notice shall not take effect earlier than 31 July 2020.
- (2) The tenancy agreement has been renewed for a term of six months expiring on 30 September 2020 at a monthly rental of RMB2,650.

All properties are leased from Independent Third Parties. Our Directors do not foresee any major difficulties or impediments in renewing the relevant leases upon their expiration.

We cannot assure you that we may be able to successfully renew the tenancy agreement of our Kwai Bon Logistics Centre. Please refer to the section headed “Risk Factors — Risks relating to our business — Our business is dependent on our transportation fleet and major operational facility” in this prospectus on the risk associated therewith.

### INTELLECTUAL PROPERTIES

Details of our material intellectual property rights, which were determined by the Directors on the basis of their materiality to our business operation, financial position and prospects are provided in the section headed “Statutory and General Information — Further Information about the Business of our Group — 10. Intellectual Property Rights of our Group” in Appendix IV to this prospectus.

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As at the Latest Practicable Date, we were not involved in any proceedings with regard to, and we have not received notice of any claims of, infringement of any intellectual property rights that may be threatened or pending in which we may be involved either as a claimant or respondent.

### RESEARCH AND DEVELOPMENT

During the Track Record Period and up to the Latest Practicable Date, we did not engage in any research and development activities, and our Directors had no plans to engage in any research and development activities in the foreseeable future.

### EMPLOYEES

As at 31 March 2017, 2018, 2019 and 30 September 2019 and the Latest Practicable Date, our Group had a total of 292, 275, 238, 233 and 226 full-time employees, respectively. The table below sets out a breakdown of our full-time employees by functions as at the Latest Practicable Date:

<b>Function</b>	<b>Number of employees</b>		
	<b>Hong Kong</b>	<b>PRC</b>	<b>Total</b>
Management	5	—	5
Administration, human resource and accounting	26	19	45
Operations	86	84	170
Quality Assurance	2	4	6
<b>Total</b>	<b>119</b>	<b>107</b>	<b>226</b>

*Note:* Three of our staff are nominated persons for cargo security who have attended and completed the RACSF training programme.

We generally recruit our employees from the open market by placing recruitment advertisements and posting job listings on newspapers and the Labour Department of Hong Kong. Our Group values human resources and assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of our Group.

The remuneration payable to our employees includes basic salaries, allowances and discretionary bonuses. The ability to recruit and retain experienced and skilled labour is crucial to our business development and growth. The basic salaries of our employees are generally determined by the employee's rank, position, qualification, experience and performance. The discretionary bonuses are paid on an annual basis, depending on the duration of services and performance of the individual staff and the profit of our Group in the preceding financial year. In order to attract and retain our employees, we assess the remuneration package offered to our employees on an annual basis to determine whether any adjustment to the basic salaries and bonus should be made. For the

## **BUSINESS**

years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019, our employee benefits expenses were approximately HK\$70.6 million, HK\$57.9 million, HK\$50.1 million and HK\$23.8 million, respectively.

We provide training to enhance our employees' skills, knowledge and capability. For new hires, we offer an induction program followed by on-the-job training during their probation period, and continually monitors their progress. In-house training courses are conducted to give our employees understanding regarding basic logistics information, regulations and other relevant topics. Further, our Group also provides on-site trainings to enhance our employees' understanding on the standard operating procedures, such as the proper techniques in cargoes handling, loading and unloading.

In order to increase the flexibility and cost effectiveness, we engaged dispatch labour agencies to provide dispatch labour in Hong Kong when the needs arise during the Track Record Period. For details, please refer to the paragraph headed "Our Suppliers — Dispatched work agencies and external transportation services providers" in this section.

During the Track Record Period, our Group had not experienced any significant difficulties in recruiting employees, and had not experienced any significant staff or labour disputes. Our Directors confirm that our Group's relationship with our employees is satisfactory in general. Our Directors consider that the management policies, working environment, career prospects and benefits extended to our employees have contributed to building a good employee relations and employee retention. During the Track Record Period and up to the Latest Practicable Date, there was no labour union established by our employees.

### **LITIGATION AND CLAIM**

During the Track Record Period and as at the Latest Practicable Date, our Group was involved in a personal injury claim against us in our ordinary course of business. Our Directors are of the view that the occurrence of such personal injury claim is not uncommon in the industry.

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The following table sets forth details of the ongoing personal injury claim against our Group as at the Latest Practicable Date:

<u>Name of our Group company</u>	<u>Particulars of accident/claim</u>	<u>Identity of the injured worker/capacity of the plaintiff</u>	<u>Compensation claimed/ amount settled</u>	<u>Status of claim as at the Latest Practicable Date</u>
Kwai Bon (HK), which received the cargo handling work outsourced by the main contractor and further sub-contracted out such work to a subcontractor of our Group.	<p>On 19 March 2016, a worker of our subcontractor alleged that his right foot/ankle, left foot/ankle, back and neck were injured when he was unloading the goods from a forklift truck and stacking them onto a large aircraft pallet.</p> <p>The said worker, being the plaintiff, made a claim under the Employees' Compensation Ordinance in November 2017 and subsequently filed a personal injury claim under common law in August 2019.</p>	Employee of the subcontractor of our Group.	<p>An employee's compensation of HK\$575,662 was paid by the subcontractor of our Group to the plaintiff in April 2019.</p> <p>The personal injury claim is still ongoing as at the Latest Practicable Date. The amount of claim as set out in the statement of damages filed by the plaintiff is approximately HK\$3.1 million plus interest to be assessed (if the plaintiff's future loss of earnings is taken into account) or alternatively approximately HK\$0.8 million plus interest to be assessed (if there is no future loss of earnings for the plaintiff but the plaintiff is considered to have lost his earning capacity), which shall jointly and severally be liable by the co-defendants, namely the main contractor, our Group and the subcontractor of our Group.</p>	<p>On 12 November 2019, we have filed a defence with the court and hence the case is still in its early stage. As advised by the legal advisers representing our Group in such claim (the "PI Legal Advisers"), given that the case is still ongoing and the parties to this case are yet to make discovery of documents and serve witness statements, it is therefore premature at this stage to conclude the quantum and the liability, especially the apportionment of liability among all the co-defendants. Having considered the above opinion from the PI Legal Advisers, the Directors are of the view that it is premature to draw any conclusion on the final outcome of this case and the precise impact to our Company.</p> <p>As further advised by the PI Legal Advisers, the directors of Kwai Bon (HK) are unlikely to have any criminal liability personally pursuant to this accident.</p>

On 6 March 2020, Kwai Bon (HK) and the sub-contractor of our Group entered into a deed of indemnity, pursuant to which the sub-contractor of our Group has agreed to fully indemnify Kwai Bon (HK) against all claims, loss, damages, costs, expenses and any liabilities suffered or incurred by Kwai Bon (HK) as a result of or in connection with the personal injury claim.



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Having considered, among other things, (i) the nature and degree of injuries; (ii) the status of recovery of the injured employee; (iii) the premature stage of the proceedings to conclude the quantum and liability; and (iv) the indemnity given by the sub-contractor of our Group, our Directors consider that no provision for contingent liabilities in respect of such litigation is necessary.

Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, our Group was not engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial conditions.

### REGULATORY COMPLIANCE

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, there was no non-compliance incident of our Group which is deemed to be material or systemic non-compliance.

### INTERNAL CONTROL AND RISK MANAGEMENT MEASURES

Our Directors are responsible for formulating and overseeing the implementation of our internal control measures and the effectiveness of our risk management system, which is designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance.

To manage our external and internal risks and to ensure the smooth operations of our business, we have engaged an internal control consultant (the “**Internal Control Consultant**”) in November 2017 to assist our Group to review and provide recommendations on improving our internal control system. The Internal Control Consultant has reviewed and provided recommendations on our internal control system, including the following material recommendations:

- (i) we shall grant the right of access to our accounting system to proper personnel only in order to minimise the risk of misstatement of financial information;
- (ii) we shall establish dual control in sales invoicing procedures and regularly review the account receivables from customers and recoverability of any long outstanding debts from clients to ensure reliability of financial information;
- (iii) we shall establish dual control in payment procedures to avoid the risk of misappropriation of funds;
- (iv) we shall maintain a fixed assets register, formulate a fixed asset capitalisation policy and establish acquisition and disposal of fixed assets policy; and
- (v) we shall ensure that all our computers were installed with licensed information technology software.

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The Internal Control Consultant conducted a follow up review in April 2018 and August 2018 based on the recommendations. Based on the result of this follow up review, we demonstrated we have implemented all major internal control measures recommended. No material deficiencies were identified during the follow up review. In particular, we have adopted a series of internal control policies, procedures and programs designated to achieve effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal control system include the following:

**Internal Audit:** we put in place the internal audit charter that clearly states the roles and responsibilities, authority and reporting relationship of our internal audit function. We have outsourced the internal audit function to an external consultant to evaluate and assess our Group's risk management and internal control mechanism periodically.

**Employee handbook and policies:** employee handbook has been established by our management to define, amongst others, our code of conduct. Our employee handbook has been distributed to and acknowledged by each of our staff.

**Conflict of interests:** mechanisms for our employees to declare conflict of interests have been established in our internal control policy. All of our employees shall declare on potential conflict of interests as and when required.

The following set out the key risk management and control procedures for our business:

### **Operational risk management**

Mr. Chan Yu, our chief executive officer and executive Director, is responsible for maintaining our operations and assessing the operational risks of our business. He is responsible for implementing our risk management policies and procedures. Recognising the importance of work safety, we have implemented safety guidelines based on applicable regulations and require all of our employees to strictly comply with such guidelines. We also carry out regular checks on our transportation fleet ensure that it is safe for use. In addition, we require our drivers, staff and operators of our equipment to attend training sessions on the required safety standards and we provide our employees with regular work place safety trainings.

### **Risk control**

There were certain risks that require management's attention, including insufficient written records of approval processes, failure to detect unethical behaviours, absence of dual control in financial system. In order to control such risks, our Group has endorsed the staff handbook, internal control and corporate governance manual which require all Directors and employees of our Group to observe.

### **Regulatory risk management**

Upon Listing, our Group may be exposed to the risks of non-compliance with the GEM Listing Rules. We have engaged South China Capital Limited as our compliance adviser as required under Rule 6A.19 of the GEM Listing Rules. Our Group will also consider to retain a Hong Kong legal adviser to advise us on compliance matters in relation to applicable Hong Kong laws and regulations.

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### DIRECTORS AND SENIOR MANAGEMENT

Our Board currently consists of six Directors, comprising two executive Directors, one non-executive Director and three independent non-executive Directors. Our Board is responsible and has general powers for the management and conduct of our business. The following table sets forth certain information concerning our Directors:

Name	Age	Position	Date of joining our Group	Date of appointment as a Director	Major roles and responsibilities	Relationship with other Directors and senior management
Mr. Chan Le Bon (陳烈邦)	31	Chairman of our Board and executive Director	April 2014	2 January 2018	Overall management, business development and strategic planning of our Group	None
Mr. Chan Yu (陳宇)	39	Chief executive officer and executive Director	May 2006	2 January 2018	Overall day-to-day management, business development and administration of our Group	None
Mr. Choy Wing Hang, William (蔡穎恒)	42	Non-executive Director	March 2018	23 March 2018	Overall supervision of our Board and strategic planning of our Group	None
Mr. Fu Lui (府磊)	39	Independent non-executive Director	March 2020	23 March 2020	Supervising, providing independent advice to our Board and serving as chairman of our audit committee and member of each of our remuneration committee and nomination committee	None
Mr. Chan Chi Ho (陳志豪)	43	Independent non-executive Director	March 2020	23 March 2020	Supervising, providing independent advice to our Board and serving as chairman of our remuneration committee and member of each of our audit committee and nomination committee	None
Ms. Chui Sin Heng (徐倩珩)	39	Independent non-executive Director	March 2020	23 March 2020	Supervising, providing independent advice to our Board and serving as chairman of our nomination committee and member of each of our audit committee and remuneration committee	None

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

The following table sets forth certain information concerning our other senior management members:

Name	Age	Position	Date of joining our Group	Date of appointment for current position	Major roles and responsibilities	Relationship with other Directors and senior management
Mr. Yip Chun Ming, Alex (葉峻銘)	35	Chief financial officer and company secretary	January 2018	2 January 2018 (Company secretary)	Overseeing the financial matters and company secretarial affairs of our Group	None
				23 May 2018 (Chief financial officer)		
Mr. Ma Ka Wing (馬嘉榮)	45	Senior manager	August 2001	1 April 2018	Overseeing the day-to-day operation and liaising with customers of our Group	None
Mr. Yeung Kam Sing (楊金城)	67	Senior manager	August 2012	August 2012	Overseeing the day-to-day operations by providing supervision and trainings to our employees and implementing internal policies of our Group	None
Ms. Chen Yuli (陳玉梨)	41	Senior manager	June 2008	July 2014	Overseeing overall daily operations in the PRC and liaising with customers of our Group	None

### DIRECTORS

#### Executive Directors

**Mr. LB Chan (陳烈邦)**, aged 31, is our Controlling Shareholder, chairman of our Board and executive Director. He joined our Group in April 2014 as an assistant director, during which he was mainly responsible for overseeing our business operations. Since June 2017, Mr. LB Chan was appointed as a director of Kwai Bon (HK). He is mainly responsible for the overall management, business development and strategic planning of our Group.

Mr. LB Chan obtained a bachelor's degree in multimedia from the Swinburne University of Technology in Australia in December 2013.

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

**Mr. Chan Yu (陳宇)**, aged 39, is our Controlling Shareholder, chief executive officer and executive Director. He joined our Group in May 2006 and is primarily responsible for the overall day-to-day management, business development and administration of our Group. He is also a director of Kwai Bon (HK), Kwai Bon (Guangzhou), Kwai Bon (Shenzhen) and Kwai Bon (Shanghai), being our operating subsidiaries.

Mr. Chan Yu has over 13 years of experience in the air cargo ground handling industry. He worked as a finance and administration manager in our Group in May 2006 and became a finance and administration controller in our Group in April 2010, during which he was mainly responsible for evaluating and monitoring different logistics projects, engaging in business development as well as investment management of our Group. In addition, since 2013, Mr. Chan has been the key person acting in the capacity as an acting chief executive officer of the Group, responsible for making major planning and decisions in respect of Kwai Bon (HK), the Group's headquarters, and giving and channeling directions and instructions on behalf of Kwai Bon (HK) to relevant local management and staff of our PRC subsidiaries with respect to their day-to-day business operations. He has been formally appointed as a chief executive officer of the Group in May 2018.

Mr. Chan Yu was also a director of Guangdong Yijin Transportation Co., Ltd\* (廣東益津運輸有限公司) (“**Guangdong Yijin**”), a company which principally holds vehicle licences for its customer(s) to provide cross-border transportation services, from August 2017 to September 2018.

Mr. Chan Yu was previously a supervisor of the following company shown in the table below since February 2018 which was incorporated in the PRC and was dissolved by deregistration. It is confirmed by Mr. Chan Yu that the following deregistration was made voluntarily by way of submitting applications to the relevant authorities in the PRC because such company had ceased to carry on business or operation since February 2018 and was dormant for more than three months immediately before the relevant application. The relevant details of the deregistered company are as follows:

<u>Company name:</u>	<u>Place of establishment</u>	<u>Principal business activities prior to dissolution</u>	<u>Date of dissolution</u>	<u>Details</u>
Guangzhou Kuying Logistics Co., Ltd. (廣州市庫盈物流有限公司) (“ <b>Guangzhou Kuying</b> ”)	PRC	Warehousing, general freight forwarding and transportation	16 July 2019	It was deregistered due to cessation of business.

Mr. Chan Yu confirmed that there is no wrongful act on his part leading to the dissolution of the above company and he is not aware of any actual or potential claim that has been made or will be made against him as a result of the dissolution of the above company. The above dissolved company is not related to our Group and hence, the dissolution did not affect our Group and/or the Listing.

Mr. Chan Yu obtained a bachelor's degree in business administration (major in finance) from the Chinese University of Hong Kong in December 2002.

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### Non-executive Director

**Mr. William Choy** (蔡穎恒), aged 42, is our non-executive Director. He joined our Group in March 2018 and is primarily responsible for the overall supervision of our Board and strategic planning of our Group.

Mr. Choy has over 15 years of experience in the investment field. He joined C-Bons Holding (International) Limited and its subsidiaries (collectively, “**C-Bons Group**”) in April 2004, which is principally engaged in the manufacturing and trading of sanitary products, property development and resort and tourism development, and he is currently the chief investment officer and managing director of C-Bons Group in Hong Kong and the vice-president of C-Bons Group in the PRC. He is primarily responsible for the overall investment business and strategic development of C-Bons Group.

Mr. Choy is also a director of other companies listed on the Stock Exchange as set out below:

<u>Company name</u>	<u>Principal business during tenure</u>	<u>Position</u>	<u>Period of service</u>
Cool Link (Holdings) Limited (stock code: 8491)	A Singapore-based importer of food products	Independent non-executive director	September 2017 to present
Southern Energy Holdings Group Limited (formerly known as China Unienergy Group Limited) (stock code: 1573)	A producer of anthracite coal based in Guizhou Province, the PRC	Independent non-executive director	June 2016 to August 2019

Save as disclosed above, Mr. Choy does not have any current or past directorships in any listed companies in Hong Kong or overseas in the last three years prior to the Latest Practicable Date.

Mr. Choy was previously a director of the following companies shown in the table below which were incorporated in Hong Kong or the PRC and dissolved by deregistration. It is confirmed by Mr. Choy that all the following deregistrations were made voluntarily by way of submitting applications to the companies registry of Hong Kong or the relevant authorities in the PRC because these companies had ceased to carry on business or operation for more than three months immediately before the relevant application. The relevant details are as follows:

<u>Company name</u>	<u>Place of incorporation or establishment</u>	<u>Principal business activities prior to dissolution</u>	<u>Date of dissolution</u>	<u>Details</u>
CLF Management Contracting Limited	Hong Kong	General trading and investment	6 September 2013	It was deregistered under section 291AA of the Predecessor Companies Ordinance due to cessation of business.

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Company name	Place of incorporation or establishment	Principal business activities prior to dissolution	Date of dissolution	Details
Vencela International Limited (formerly known as Singo Enterprise Limited)	Hong Kong	Import, export and trading	12 December 2014	It was deregistered under section 751(3) of the Companies Ordinance due to cessation of business.
C-Bons Properties Development Limited	Hong Kong	Investment holding	17 November 2017	It was deregistered under section 751(3) of the Companies Ordinance due to cessation of business.
Foshan Nanhai Hengde Shengjia Trade Co., Ltd (佛山市南海恒德勝嘉貿易有限公司)	PRC	Wholesale of machinery and electronic products	12 June 2018	It was deregistered due to cessation of business.
Win Ever Holding Limited	Hong Kong	Investment holding	1 February 2019	It was deregistered under section 751(3) of the Companies Ordinance due to cessation of business.
Win Shing Holding Limited	Hong Kong	Investment holding	1 February 2019	It was deregistered under section 751(3) of the Companies Ordinance due to cessation of business.
C-Bon Pharmaceuticals (International) Limited	Hong Kong	Manufacture, import and export of pharmaceuticals	5 July 2019	It was deregistered under section 751(3) of the Companies Ordinance due to cessation of business.

Mr. Choy confirmed that there is no wrongful act on his part leading to the dissolutions of the companies above and he is not aware of any actual or potential claim that has been made or will be made against him as a result of the dissolutions of such companies. None of the abovementioned dissolved companies are related to our Group and hence the dissolutions did not affect our Group and/or the Listing.

Mr. Choy obtained a bachelor of arts degree from the University of British Columbia in Canada in May 2002, and a doctor of business administration degree from the California University of Management (USA) in March 2008.

### Independent non-executive Directors

**Mr. Fu Lui (府磊)**, aged 39, was appointed as an independent non-executive Director on 23 March 2020. He is also the chairman of our audit committee and a member of each of our remuneration committee and nomination committee.

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Fu has over 15 years of experience in accounting and financial management. From September 2002 to September 2006, he served as an accountant in the audit department at Deloitte Touche Tohmatsu, where he was mainly responsible for accounting matters. From September 2006 to June 2010, he worked as the finance manager of CSPC Pharmaceutical Group Limited (formerly known as China Pharmaceutical Group Limited) (stock code: 1093), which is engaged in the development, manufacture, marketing and sales of medicines and pharmaceutical related products in the PRC. He was mainly responsible for the financial reporting, reviewing the internal control system and handling compliance matters of the company. Since July 2010, he has been the financial controller and company secretary of China Uptown Group Company Limited (stock code: 2330), which is engaged in (i) property development; and (ii) trading of raw sugar, where he was mainly responsible for financial and company secretarial matters.

Mr. Fu is also a director of the other companies listed on the Stock Exchange as set out below:

<u>Company name</u>	<u>Principal business during tenure</u>	<u>Position</u>	<u>Period of service</u>
Southern Energy Holdings Group Limited (formerly known as China Unienergy Group Limited) (stock code: 1573)	A producer of anthracite coal based in Guizhou Province, the PRC	Independent non-executive director	June 2016 to August 2019
CSmall Group Limited (stock code: 1815)	An integrated online and offline internet-based jewellery retailer in the PRC	Independent non-executive director	February 2018 to present

Mr. Fu obtained a bachelor's degree in accountancy from The Hong Kong Polytechnic University in November 2002 and a master of business administration from The Chinese University of Hong Kong in December 2009. He has been a member of the Hong Kong Institute of Certified Public Accountants since July 2007 and advanced to a fellow since May 2016. He has also been a member of the Association of Chartered Certified Accountants since August 2006 and advanced to a fellow since August 2011.

**Mr. Chan Chi Ho (陳志豪)**, aged 43, was appointed as an independent non-executive Director on 23 March 2020. He is also the chairman of our remuneration committee and a member of each of our audit committee and nomination committee.

Mr. Chan has over 10 years of experience in the industry of planning, design and project management of infrastructure facilities. In July 1998, he worked as a project engineer at Maunsell AECOM, being mainly responsible for different construction and infrastructure projects. In March 2006, Mr. Chan worked as a project director and became the managing director of EDM Construction Ltd., being mainly responsible for the management and coordination of the fitting out works for different residential, commercial and institutional construction projects.



## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Since July 2010, Mr. Chan has been appointed as an independent non-executive director of HMV Digital China Group Limited, a company listed on the Stock Exchange (stock code: 8078), which is engaged in businesses of movie production, movie distribution, cinema operations, artiste management and retail stores.

Mr. Chan obtained a bachelor's degree in engineering from the University of Hong Kong in December 1998. He has been a member of the Hong Kong Institution of Engineers since March 2003.

Mr. Chan was the director of the following companies which were incorporated in Hong Kong and dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance. It is confirmed by Mr. Chan that all the following deregistrations were made voluntarily by way of submitting applications to the Companies Registry of Hong Kong because these companies had ceased to carry on business or operation for more than three months immediately before the relevant application. The relevant details are as follows:

<u>Name of company</u>	<u>Principal business activities prior to dissolution</u>	<u>Date of dissolution</u>
EDM Engineering Limited	Builder works and contracting works	19 March 2010
Juicy Juicz Limited	Juice bar and cafe	10 February 2012

Mr. Chan was also a director of the following company which was incorporated in Hong Kong and was voluntarily wound-up pursuant to section 233(4) of the Predecessor Companies Ordinance. The relevant details are as follows:

<u>Name of company</u>	<u>Principal of business activities prior to voluntary winding up</u>	<u>Date of voluntary winding up</u>
Hong Kong Public Art Research Foundation Limited	Public art consultancy works	29 January 2009

Mr. Chan confirmed that there is no wrongful act on his part leading to the dissolutions and/or the commencement of the voluntary winding up process of the companies above and he is not aware of any actual or potential claim that has been made or will be made against him as a result of the dissolutions and/or voluntary winding up of such companies. None of the abovementioned dissolved and/or voluntarily wound-up companies are related to our Group and hence the dissolutions and/or voluntary winding up did not affect our Group and/or the Listing.

**Ms. Chui Sin Heng** (徐倩珩) (“Ms. Chui”), aged 39, was appointed as an independent non-executive Director on 23 March 2020. She is also the chairman of our nomination committee and a member of each of our audit committee and remuneration committee.

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Ms. Chui has over 15 years of experience in finance and accounting. From September 2004 to February 2007, Ms. Chui worked with Westpac Banking Corporation, a company listed in the Australian Stock Exchange (stock code: WBC) as an accountant, mainly responsible for accounting matters. From March 2007 to November 2011, Ms. Chui worked with Piper Jaffray Asia Limited, a company previously operated by Piper Jaffray Companies which is an investment bank listed on the New York Stock Exchange (stock code: PJC) with her last position as an associate in investment banking, mainly responsible for handling corporate finance transactions. From April 2012 to July 2012, Ms. Chui worked as a senior manager, mainly responsible for corporate finance transactions in South West Capital Limited, a company that advises on corporate finance and deals in futures contracts and securities. From August 2012 to April 2014, Ms. Chui worked as an assistant vice president in the transaction execution group, mainly responsible for execution of business transactions as her last position in Kim Eng Securities (Hong Kong) Limited, a wholly-owned subsidiary of Malaysia Banking Berhad, a company principally engaged in dealing in securities and advising on securities. From May 2014 to September 2015, Ms. Chui worked as the head of investor relations, mainly responsible for business development in Beijing Tong Ren Tang Chinese Medicine Co., Ltd (stock code: 3613), a company listed on the Stock Exchange and principally engaging in manufacturing and sale of Chinese medicine. From November 2015 to August 2016, Ms. Chui was a director of the investment banking division, mainly responsible for business management and development of CMBC International Holdings Limited, a wholly-owned subsidiary of China Minsheng Banking Corp., Ltd. a company listed on the Stock Exchange (stock code: 1988). Since August 2016, Ms. Chui has been a director in corporate finance and investor relations (being mainly responsible for strategic execution of corporate finance transactions and investor relations in Union Medical Healthcare Limited (stock code: 2138), a company listed on the Stock Exchange and principally engaged in the provision of medical and healthcare services. Since February 2020, Ms. Chui has also been appointed as an independent non-executive director of MBV International Limited, a company principally engaged in sourcing, wholesaling, supplying and marketing imprintable apparel and gift products in Malaysia and Singapore.

Ms. Chui obtained a bachelor of commerce in accounting and international business and a master of commerce in international finance from The University of New South Wales in Australia in April 2002 and May 2003, respectively.

Ms. Chui was admitted as a certified practicing accountant of CPA Australia in February 2007.

Save as disclosed in this prospectus (if any), each of our Directors confirms with respect to himself/herself that: (i) apart from our Company, he/she has not held any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the Latest Practicable Date; (ii) save as disclosed in the section headed “Statutory and General Information — Further information about our Directors, Substantial Shareholders and experts — 11. Directors — (a) Disclosure of interests” in Appendix IV to this prospectus, he/she does not have any interest in the Shares within the meaning of Part XV of the SFO; (iii) there is no other information that should be disclosed for himself/herself pursuant to Rule 17.50(2) of the GEM Listing Rules; and (iv) to the best of the knowledge,

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

information and belief of our Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders as at the Latest Practicable Date.

### SENIOR MANAGEMENT

**Mr. Yip Chun Ming, Alex (葉峻銘)**, aged 35, is the chief financial officer and the company secretary of our Group. He joined our Group as the company secretary in January 2018 and became the chief financial officer in May 2018. Mr. Yip is mainly responsible for overseeing the financial matters and the company secretarial affairs of our Group.

Mr. Yip has over 10 years of experience in the finance and accounting field. He was an accounting manager from January 2016 to July 2017 and a deputy finance manager from February 2015 to December 2015 (being mainly responsible for supervising and handling accounting and financial matters) at Janco Global Logistics Limited, a subsidiary of Janco Holdings Limited, a company listed on the Stock Exchange (stock code: 8035), which is principally engaged in freight forwarding and logistics one-stop services in Hong Kong. Mr. Yip also worked at Deloitte Touche Tohmatsu in Hong Kong with his last position as a senior associate (being mainly responsible for advising on financial management, corporate management and auditing) from September 2008 to October 2014.

Mr. Yip obtained a bachelor of commerce in September 2006 and a master of commerce in April 2008 from the University of New South Wales in Australia. He has been qualified as a certified public accountant in Australia since February 2012 and a certified public accountant in Hong Kong since May 2015.

**Mr. Ma Ka Wing (馬嘉榮)**, aged 45, was appointed as the senior manager of our Group in April 2018. He is primarily responsible for overseeing the daily operation and liaising with customers of our Group.

Mr. Ma has over 18 years of experience in the air cargo ground handling industry in Hong Kong. In August 2001, Mr. Ma joined Kwai Bon (HK) as an air cargo ground handling operation staff and in June 2004, he was promoted to be an operation manager, during which he was primarily responsible for overseeing the air cargo ground handling arrangement. Mr. Ma has been appointed as a director of Kwai Bon (HK) since January 2016 and has also been appointed as a senior manager of our Group since April 2018, being mainly responsible for the overall daily operations and customers' liaison.

Mr. Ma completed his secondary education in 1992 at Hong Kong Rennie's Mill Middle School (香港調景嶺中學), which has been closed down since 1993.

**Mr. Yeung Kam Sing (楊金城)**, aged 67, was appointed as the senior manager of our Group in August 2012. He is primarily responsible for overseeing daily business operations and training of employees of our Group.

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Yeung has over 25 years of experience in the logistics industry in Hong Kong. In August 2012, Mr. Yeung joined our Group as a senior manager, being mainly responsible for overseeing the day-to-day operations by providing supervision and trainings for our employees, and implementing internal policies of our Group.

Prior to joining Kwai Bon (HK), Mr. Yeung worked as a sales and marketing manager (being mainly responsible for sales administration and liaising with customers and was promoted to the position of distribution division manager (being mainly responsible for overseeing the operations of warehouses) at Crown Pacific Ltd. from 1986 to 1992. From January 1993 to July 2008, he worked as an operation manager and a senior operation manager as his last position (being mainly responsible for overseeing the logistics arrangements with customers and implementing employees' training programme) at FedEx HK Ltd. From October 2008 to September 2011, he was an operations director (being mainly responsible for overseeing the overall daily operations) of Ming Kee Cargo Company Limited.

Mr. Yeung completed his secondary education in 1973 at Hong Kong Christian College (基督教書院) which has been closed down.

**Ms. Chen Yuli (陳玉梨)**, aged 41, was appointed as the senior manager of our Group in July 2014. She is primarily responsible for overseeing business operations and logistics arrangements of our Group in both the PRC and Hong Kong and liaising with our customers.

Ms. Chen has over 10 years of experience in the logistics industry in the PRC and Hong Kong. In June 2008, Ms. Chen joined Kwai Bon (Shenzhen) as an operation staff and in February 2013, she was promoted to be an operation manager, during which she was primarily responsible for overseeing the logistics arrangements and services between Hong Kong and the PRC. Ms. Chen has been appointed as a senior manager of our Group since July 2014 being mainly responsible for the overall daily operations in the PRC and liaising with our customers.

Ms. Chen obtained a bachelor of public administration and computer studies in February 1999 from South China Normal University (華南師範大學) in the PRC.

Save as disclosed in this prospectus (if any), each of our senior management members has not been a director of any public company, the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the Latest Practicable Date.

### COMPLIANCE OFFICER

**Mr. Chan Yu (陳宇)** is the compliance officer of our Company. For details of his biography, please see the paragraph headed "Directors — Executive Directors" in this section.

### COMPANY SECRETARY

**Mr. Yip Chun Ming, Alex (葉峻銘)** is the company secretary of our Company. For details of his biography, please see the paragraph headed "Senior Management" in this section.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

We place importance on our corporate governance practice and our Board believes that a good corporate governance practice can improve accountability and transparency for the benefit of our Shareholders. Our Board has adopted the code provisions of the Corporate Governance Code (the “CG Code”) set out in Appendix 15 to the GEM Listing Rules as our code on corporate governance. Our Board will also review and monitor the practices of our Company from time to time with an aim to maintain and improve the standard of our corporate governance practices. We intend to comply with the code provisions of the CG Code upon Listing.

## **BOARD COMMITTEES**

Our Board has established the audit committee, the remuneration committee and the nomination committee and delegated various responsibilities to these committees, which assist our Board in discharging its duties and overseeing particular aspects of our Group’s activities.

### **Audit committee**

We established an audit committee on 23 March 2020 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraph C.3 of the CG Code. The duties of our audit committee include, among others, (a) making recommendations to our Board on the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor; (b) reviewing our financial statements, our annual reports, half-year reports and quarterly reports, accounts and significant financial reporting judgements contained therein; and (c) reviewing our financial controls, internal control and risk management systems.

Our audit committee consists of three independent non-executive Directors, namely Mr. Fu Lui, Mr. Chan Chi Ho and Ms. Chui Sin Heng. Mr. Fu Lui is the chairman of our audit committee.

### **Remuneration committee**

We established a remuneration committee on 23 March 2020 with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and paragraph B.1 of the CG Code. The duties of our remuneration committee, under the principle that no Director should be involved in deciding his own remuneration include, among others, making recommendations to our Board on (a) our overall remuneration policy and structure for all of our Directors and senior management; (b) the establishment of a formal and transparent procedure for developing remuneration policies; (c) the remuneration packages of our executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their offices or appointments; and (d) the remuneration of our non-executive Director and independent non-executive Directors.

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Our remuneration committee consists of three independent non-executive Directors, namely Mr. Chan Chi Ho, Mr. Fu Lui and Ms. Chui Sin Heng. Mr. Chan Chi Ho is the chairman of our remuneration committee.

### **Nomination committee**

We established a nomination committee on 23 March 2020 with written terms of reference in compliance with paragraph A.5 of the CG Code. The duties of our nomination committee include, among others, (a) reviewing the structure, size and composition (including the skills, knowledge and experience) of our Board at least annually and making recommendations to the Board on any proposed changes to our Board to complement our corporate strategy; (b) identifying individuals suitably qualified to become members of our Board and selecting or making recommendations to our Board on the selection of individuals nominated for directorships; (c) assessing the independence of our independent non-executive Directors; and (d) making recommendations to our Board on the appointment and succession planning for our Directors.

Our nomination committee consists of three independent non-executive Directors, namely Ms. Chui Sin Heng, Mr. Chan Chi Ho and Mr. Fu Lui. Ms. Chui Sin Heng is the chairman of our nomination committee.

### **BOARD DIVERSITY POLICY**

Our Company has adopted a board diversity policy (the “**Board Diversity Policy**”) on 23 March 2020 which sets out the objective and approach of which our Board could achieve and maintain a high level of diversity. Our Company recognises the benefits of having a diversified Board, as such we will ensure that members of our Board have the appropriate balance of skills, experience and diversity of perspectives that are required to support our business strategies and sustainable development. Pursuant to the Board Diversity Policy, we seek to achieve Board diversity through consideration of various factors, including but not limited to the skills, knowledge, professional experience and qualifications, cultural and educational background, age, gender, ethnicity and length of service. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on our Board.

Our nomination committee is delegated to be responsible for compliance with relevant code governing board diversity under the CG Code. After Listing, our nomination committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness, and where necessary, will make revisions that may be required and recommend any such revision to the Board for consideration and approval.

### **REMUNERATION POLICY**

Our Directors and senior management receive compensation in the forms of salaries, benefits in kind and discretionary bonuses with reference to salaries paid by comparable companies, time commitment and the performance of our Group. We reimburse our Directors and senior

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

management for expenses which are necessarily and reasonably incurred for providing services to our Company or executing their functions in relation to our operations. Our executive Directors are also employees and receive, in their capacity as employees, compensation in the form of salaries and other allowances and benefits in kind. We regularly review and determine the remuneration and compensation package of our Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of our Directors and the performance of our Group.

After the Listing, our remuneration committee will review and determine the remuneration and compensation packages of our Directors with reference to their experience, responsibilities, workload and time devoted to our Group and performance of our Group. Our Directors and senior management may also receive options to be granted under the Share Option Scheme.

For each of the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019, the aggregate amount of remuneration paid or payable by our Group to our Directors was approximately HK\$2,497,000, HK\$1,058,000, HK\$1,182,000 and HK\$543,000, respectively. Our Group's five highest paid individuals included Mr. Chan Yu, our executive Director. The aggregate amount of remuneration including salaries and allowances, performance related incentive payments, retirement benefit schemes contributions, other allowances and benefits in kind, share-based payment and discretionary bonuses which were paid by our Group to the five highest paid individuals for each of the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019 were approximately HK\$4.8 million, HK\$3.0 million, HK\$2.9 million and HK\$1.4 million, respectively. Excluding Mr. Chan Yu, the aggregate amount of remuneration including salaries and allowances, performance related incentive payments and retirement benefit schemes contributions, other allowances and benefits in kind and discretionary bonuses which were paid to our four highest paid individuals for each of the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019 were approximately HK\$2.3 million, HK\$1.9 million, HK\$2.2 million and HK\$1.1 million, respectively. The emoluments paid to Mr. Chan Yu decreased significantly from approximately HK\$2.5 million for the year ended 31 March 2017 to approximately HK\$0.7 million for the year ended 31 March 2018, which was primarily due to the inclusion of the share-based payment of approximately HK\$1.9 million paid to him for the year ended 31 March 2017 as a result of the transfer of 5% equity interests in Kwai Bon (HK) to Mr. Chan Yu as a service award payment on 15 December 2016. Such share-based payment was determined with reference to the valuation conducted by an independent valuer. No such item was noted for the two years ended 31 March 2019. For further details of the share-based payment, please refer to the consolidated statements of changes in equity in the Accountants' Report set out in Appendix I to this prospectus.

During the year ended 31 March 2017, no emoluments were paid to Mr. LB Chan, our executive Director. Mr. LB Chan did not receive any emoluments for the financial year ended 31 March 2017 as he became a major shareholder holding 95% of the issued shares in Kwai Bon (HK) since December 2016 and was entitled to dividends payment by Kwai Bon (HK) subject to the discretion of the board and the approval of the board and the shareholders of Kwai Bon (HK). For each of the years ended 31 March 2018 and 2019 and the six months ended 30 September 2019, the amount of remuneration paid to Mr. LB Chan was approximately HK\$0.4 million, HK\$0.5 million and HK\$0.2 million, respectively.

Save as disclosed above, no other payments have been paid or are payable by our Group in respect of the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019 to our Directors or the five highest paid individuals of our Group.

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

It is estimated that, under the arrangements currently in force, the aggregate remuneration (excluding any discretionary bonus) payable by our Group to our Directors for the year ending 31 March 2021 will be approximately HK\$1.5 million.

During the Track Record Period, no remuneration was paid by our Group to, or received by, our Directors or the five highest paid individuals of our Group as an inducement to join or upon joining our Group or as compensation for loss of office and none of our Directors waived or agreed to waive any remuneration.

### **EMPLOYEES**

For details of the employees of our Group, including staff benefits and incentive plans provided by our Group, please refer to the section headed “Business — Employees” in this prospectus.

### **COMPLIANCE ADVISER**

In accordance with Rule 6A.19 of the GEM Listing Rules, we have appointed South China Capital Limited as our compliance adviser, who will have access to all relevant records and information relating to our Group that it may reasonably require to properly perform its duties, to advise us in the following circumstances in accordance with Rule 6A.23 of the GEM Listing Rules:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Group deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry of our Company of unusual movements in the price or trading volume of our listed securities or any other matters in accordance with Rule 17.11 of the GEM Listing Rules.

The term of the appointment of our compliance adviser will commence on the Listing Date and end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the second full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is earlier.



## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

### OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon exercise of any options which may be granted under the Share Option Scheme), our Company will be owned as to approximately 68.8% by 3C Holding, which is owned as to 95% by Mr. LB Chan and as to 5% by Mr. Chan Yu, respectively. As 3C Holding, Mr. LB Chan and Mr. Chan Yu are directly or indirectly entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of our Company immediately following the Listing, 3C Holding, Mr. LB Chan and Mr. Chan Yu will be regarded as a group of Controlling Shareholders under the GEM Listing Rules. As confirmed by each of our Controlling Shareholders, he/it has no intention to change their respective shareholding in our Company upon Listing.

Save as disclosed above, there is no other person who, immediately upon completion of the Capitalisation Issue and Share Offer (without taking into account any Shares which may be allotted and issued upon exercise of any options which may be granted under the Share Option Scheme), will be directly or indirectly interested in 30% or more of the Shares then in issue.

Mr. Chan Yu, being one of our Controlling Shareholders, was appointed as a director of Guangdong Yijin from August 2017 to September 2018. As confirmed by Mr. Chan Yu, Guangdong Yijin principally holds vehicle licences for its customer(s) and was dormant since October 2019. As such, our Directors do not expect any overlap or competition between our Group's business and the business of Guangdong Yijin in any material respects. Furthermore, save for Mr. Chan Yu, none of our executive Directors and Controlling Shareholders owned or controlled Guangdong Yijin during the Track Record Period. Accordingly, the operation of our Group is segregated from the operation of Guangdong Yijin.

Since February 2018, Mr. Chan Yu, being one of our Controlling Shareholders, was appointed as the supervisor of Guangzhou Kuying, a company which was principally engaged in the provision of warehousing, general freight and transportation services and was subsequently deregistered on 16 July 2019. As confirmed by Mr. Chan Yu, Guangzhou Kuying was dormant since his joining of the company. As such, our Directors do not expect any overlap or competition between our Group's business and the business of Guangzhou Kuying in any material respects. Further, none of our executive Directors and Controlling Shareholders owned or controlled Guangzhou Kuying during the Track Record Period and prior to its dissolution. Accordingly, the operation of our Group is segregated from, and has no influence over the operation of, Guangzhou Kuying.

Save as disclosed above and except their respective interest in our Company, none of our Controlling Shareholders and our Directors nor their respective close associates had any interest in a business which is likely to compete, directly or indirectly, with our Group's business, or had or may have any conflict of interest with our Group during the Track Record Period and as at the Latest Practicable Date and none of our Controlling Shareholders has entered into any consultancy agreement(s) with any parties for the purpose of the Listing.

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors believe that we are capable of carrying on our business independently from, and do not place reliance on, our Controlling Shareholders and their respective close associates, taking into consideration the factors set out below.

#### **Management independence**

Our Board comprises two executive Directors, one non-executive Director and three independent non-executive Directors. Save and except our executive Directors, namely Mr. LB Chan and Mr. Chan Yu, who are our Controlling Shareholders due to their respective interests in 3C Holding as disclosed above, our Board comprises a balanced composition of independent non-executive Directors who have sufficient character, integrity and calibre for their views to carry weight, and thus can effectively exercise independent judgment. Mr. William Choy, our non-executive Director provides overall supervision to our Board. In addition, each of our Directors is aware of his/her fiduciary duties as a director which require, among others, that he/she must act for the benefit of and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests.

If our Directors who to their knowledge are in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Group, the interested Directors shall declare such interest at the meeting of the Board at which the relevant transactions are to be first considered in accordance with the Articles of Association. The interested Directors shall also abstain from voting at the relevant Board meetings in respect of such transactions and shall not be counted in the quorum in accordance with the Articles of Association. As such, Mr. LB Chan and Mr. Chan Yu will not vote on those matters or transactions relating to any of our Controlling Shareholders or otherwise give rise to potential conflicts of interest at the Board meetings and they would not be counted towards quorum at the relevant meetings.

Since 3C Holding has no business and/or contract or arrangement with our Group other than holding the shareholding interest in our Company, our Directors do not foresee any issue which may affect our management independence.

Three out of our six Board members are independent non-executive Directors who have extensive experience in different professions. They have been appointed pursuant to the requirements under the GEM Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions. Mr. William Choy, our non-executive Director of our Board, also has extensive experience in the investment field. Our Directors believe that the presence of our Directors from different backgrounds provides a balance of views and opinions.

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Furthermore, our Board's main functions include the approval of our Group's overall business plans and strategies, monitoring the implementation of these policies and strategies and the management of our Company. Our Board acts collectively by majority decisions in accordance with the Articles of Association and the applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorised by our Board.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Group independently and are of the view that they are capable of managing our business independently from our Controlling Shareholders and their respective close associates after Listing.

### **Operational independence**

There had been no business dealings between our Group and our Controlling Shareholders and their respective close associates as at the Latest Practicable Date.

We have established our own management, administration, human resources, accounting, operations and quality assurance teams. We have sufficient capital, equipment and employees to operate our business independently from, and do not share our resources with, our Controlling Shareholders and their respective close associates.

Apart from Mr. LB Chan and Mr. Chan Yu, our executive Directors and Controlling Shareholders, the essential operation functions of our Group have also been and will continue to be overseen by Mr. Ma Ka Wing and Mr. Yip Chun Ming Alex, our other senior management members (whose biographies are disclosed in the section headed "Directors, Senior Management and Employees" in this prospectus), without solely and unduly requiring the support of our Controlling Shareholders and their respective close associates.

Our Group is the holder of our major licences and permits which are necessary for our business operations as at the Latest Practicable Date. Please see the section headed "Business — Licences, permits and registration" in this prospectus for details. Further, our Group holds all the patent, trademarks, copyrights and domain names with respect to our business. Please see "Statutory and General Information — Further information about the business of our Group — 10. Intellectual property rights of our Group" in Appendix IV to this prospectus for details. We have also implemented a set of internal control procedures to facilitate the effective and independent operation of our business. Please refer to the section headed "Business — Internal control and risk management measures" for details.

We have independent access to our customers and suppliers. Our core customers and suppliers are third parties independent from and not connected with our Controlling Shareholders and their respective close associates.

Based on the above, our Directors consider that our Group can operate independently from our Controlling Shareholders and their respective close associates.

## **RELATIONSHIP WITH CONTROLLING SHAREHOLDERS**

### **Financial viability and independence**

Our Company has an independent financial system and makes financial decisions according to our own business needs. We have our own internal control and accounting systems, accounting and finance department and treasury function for cash receipts and payments. We have independent bank accounts and do not share any of our bank accounts, loan facilities or credit facilities with our Controlling Shareholders or their close associates.

During the Track Record Period and up to the Latest Practicable Date, we financed our operations through a combination of borrowings from banks and cash generated from our operations. We have independent access to third party financing on market terms and conditions for our business operations as and when required. Our Directors are of the view that our Group is capable of obtaining financing from external banks independently without reliance on our Controlling Shareholders after the Listing. As of the Latest Practicable Date, save for the personal guarantee provided by Mr. Chan Yu and Mr. LB Chan, our Controlling Shareholders and executive Directors, in June 2018, there was no other guarantee or pledge provided to or by our Controlling Shareholders in order to secure the bank borrowings of our Group. All personal guarantee provided by the Controlling Shareholders as security for banking facilities and bank borrowings of our Group will be released and replaced by a corporate guarantee to be granted by our Company upon Listing.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that no amounts were due to or from our Controlling Shareholder(s) and/or companies controlled by them.

Having considered the above, our Directors are of the view that our Group is financially independent from our Controlling Shareholders and their respective close associates. Our Directors confirm that we will not rely on our Controlling Shareholders for financing after the Listing as our working capital is expected to be mainly funded by operating income.

### **DEED OF NON-COMPETITION**

For the purpose of the Listing, our Controlling Shareholders have entered into with and in favour of our Company (for ourselves and as trustee for our subsidiaries) a deed of non-competition, pursuant to which each of our Controlling Shareholders has confirmed that none of them is engaged in, or interested in, any business (other than our Group) which, directly or indirectly, competes or may compete with our business.

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

### CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to manage the conflict of interests arising from the possible competing business of our Controlling Shareholders and to safeguard the interests of our Company and our Shareholders:

- (i) our independent non-executive Directors will review, on an annual basis, the compliance with the deed of non-competition, and the decisions on matters reviewed will be disclosed in our annual reports (where necessary and appropriate);
- (ii) an annual declaration as to full compliance with the terms of the deed of non-competition will be made by our Controlling Shareholders, and will be disclosed in our annual reports (where necessary and appropriate);
- (iii) our Directors will operate in accordance with our Articles which require any interested Director not to vote (nor be counted in the quorum) on any resolution of our Board approving any contract or arrangement or other proposal in which they or any of their respective close associates are materially interested; and
- (iv) pursuant to the CG Code set out in Appendix 15 to the GEM Listing Rules, our Directors, including our independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's cost.

We will follow the measures in the CG Code which sets out the principles of good corporate governance in relation to, among others, our Directors, the chairman of our Board and the chief executive officer of our Group, our Board composition, the appointment, re-election and removal of our Directors, their responsibilities, remuneration and communications with our Shareholders. Our Company will state in our interim and annual reports whether we have complied with the CG Code, and will provide details of, and reasons for, any deviations from it in the corporate governance report which will be included in our interim and annual reports.

## SUBSTANTIAL SHAREHOLDERS

### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon exercise of any options that may be granted under the Share Option Scheme), the following persons will have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be directly or indirectly interested in 10% or more of the voting power in all circumstances at general meetings of any member of our Group:

#### Aggregate long positions in the Shares

<u>Name</u>	<u>Nature of interest</u>	<u>Number of Shares<sup>(1)</sup> immediately following completion of the Reorganisation, the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon exercise of any options that may be granted under the Share Option Scheme)</u>	<u>Approximate percentage of shareholding in our Company immediately following completion of the Reorganisation, the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon exercise of any options that may be granted under the Share Option Scheme)</u>
3C Holding	Beneficial owner <sup>(2)</sup>	330,120,000(L)	68.8%
Mr. LB Chan	Interest in a controlled corporation <sup>(2)</sup>	330,120,000(L)	68.8%
Diligent City	Beneficial owner <sup>(3)</sup>	29,880,000(L)	6.2%
Mr. William Choy	Interest in a controlled corporation <sup>(3)</sup>	29,880,000(L)	6.2%
Ms. Leung Song	Interest of spouse <sup>(4)</sup>	29,880,000(L)	6.2%

*Notes:*

- The letter “L” denotes the long position in our Shares.
- The entire issued share capital of 3C Holding is owned as to 95% by Mr. LB Chan and as to 5% by Mr. Chan Yu, respectively. By virtue of the SFO, Mr. LB Chan is deemed to be interested in such Shares held by 3C Holding.
- Prior to 28 June 2019, the entire issued share capital of Diligent City was owned by Mr. William Choy (as to 60%), Maia Global (as to 28%) and Solution Lion (as to 12%), respectively. On 28 June 2019, Diligent City repurchased its shares held by each of Maia Global and Solution Lion and in return, Diligent City transferred its Shares in our Company to each of them as consideration on a pro-rata basis. For further details, please refer to the section headed “History, Reorganisation and Corporate Structure — Reorganisation — Step 8 — Repurchase of shares by Diligent City” in this prospectus. As a result of such repurchase, Diligent City is wholly owned by Mr. William Choy. Furthermore, on 4 September 2019, our Company repurchased 8 Shares and 4 Shares from Maia Global and Solution Lion at a consideration of HK\$2,079,000 and HK\$1,039,000, respectively. For further details, please refer to the

## SUBSTANTIAL SHAREHOLDERS

section headed “History, Reorganisation and Corporate Structure — Reorganisation — Step 9 — Repurchases of Shares by our Company” in this prospectus. As a result of such repurchases, Diligent City owns approximately 6.2% of the entire issued share capital of our Company following completion of the Reorganisation, the Capitalisation Issue and the Share Offer (without taking into account of any Shares which may be allotted and issued upon exercise of the options that may be granted under the Share Option Scheme). By virtue of the SFO, Mr. William Choy is deemed to be interested in such Shares held by Diligent City.

4. Ms. Leung Song is the spouse of Mr. William Choy. By virtue of the SFO, Ms. Leung Song is deemed to be interested in the same number of Shares in which Mr. William Choy is deemed to be interested in under the SFO.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon exercise of the options that may be granted under the Share Option Scheme) have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be directly or indirectly interested in 10% or more of the voting power in all circumstances at general meetings of any member of our Group.

## SHARE CAPITAL

### SHARE CAPITAL

The authorised and issued share capital of our Company are as follows:

#### *Authorised share capital*

	<u>(HK\$)</u>
<u>10,000,000,000</u> Shares of HK\$0.01 each	<u>100,000,000.00</u>

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

#### *Issued share capital*

218 Shares in issue as at the date of this prospectus	2.18
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#### *Shares to be issued*

359,999,782 Shares to be issued pursuant to the Capitalisation Issue	3,599,997.82
<u>120,000,000</u> Shares to be issued pursuant to the Share Offer	<u>1,200,000.00</u>

#### *Total issued shares on completion of the Share Offer*

<u>480,000,000</u> Shares	<u>4,800,000.00</u>
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### Assumptions

The above table assumes the Capitalisation Issue and the Share Offer become unconditional and the issue of Shares pursuant thereto is made as described herein. It does not take into account any Shares which may be allotted and issued upon exercise of any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate granted to our Directors to allot and issue or repurchase Shares as referred to in the paragraphs headed “General mandate to issue Shares” or “General mandate to repurchase Shares” in this section, as the case may be.

### Public Float

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public. The Offer Shares represent 25% of the total issued share capital of our Company upon Listing.



## SHARE CAPITAL

### Ranking

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

### SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on 27 March 2020. The principal terms of the Share Option Scheme are summarised in “Statutory and General Information — Other Information — 15. Share Option Scheme” in Appendix IV to this prospectus.

### GENERAL MANDATE TO ISSUE SHARES

Our Directors have been conditionally granted a general unconditional mandate authorising them to exercise all the powers of our Company to allot, issue and deal with the Shares with a total number of not more than 20% of the number of our issued Shares immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon exercise of any options that may be granted under the Share Option Scheme), and the number of Shares repurchased by us, if any, pursuant to the repurchase mandate described below.

The general mandate will expire:

- (a) at the conclusion of our Company’s next annual general meeting;
- (b) at the expiration of the period within which our Company is required by any applicable laws of the Cayman Islands or the Articles to hold the next annual general meeting; or
- (c) when varied, revoked or renewed by passing an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

Further information of this general mandate is summarised in “Statutory and General Information — Further Information about our Company and our subsidiaries — 3. Resolutions in writing of our Shareholders passed on 23 March 2020 and 27 March 2020” in Appendix IV to this prospectus.

### GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been conditionally granted a general unconditional mandate to exercise all the powers of our Company to repurchase the Shares with a total number of not more than 10% of the total number of our issued Shares immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon exercise of any options that may be granted under the Share Option Scheme).

## SHARE CAPITAL

This repurchase mandate only relates to repurchases made on the Stock Exchange and/or on any other stock exchange on which our Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose) and which are in accordance with all applicable laws, rules and regulations. A summary of the relevant requirements of the GEM Listing Rules on this repurchase mandate is summarised in “Statutory and General Information — Further Information about our Company and our subsidiaries — 7. Repurchase by our Company of our own securities” in Appendix IV to this prospectus.

This repurchase mandate will expire:

- (a) at the conclusion of our Company’s next annual general meeting;
- (b) at the expiration of the period within which our Company is required by any applicable laws of the Cayman Islands or the Articles to hold the next annual general meeting; or
- (c) when varied, revoked or renewed by passing an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

Further information of this general mandate is summarised in “Statutory and General Information — Further Information about our Company and our subsidiaries — 3. Resolutions in writing of our Shareholders passed on 23 March 2020 and 27 March 2020” in Appendix IV to this prospectus.

### **CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED**

Pursuant to the Companies Law and the terms of the Memorandum and Articles of Association, our Company may from time to time by ordinary resolutions of our Shareholders (i) increase our capital; (ii) consolidate and divide our capital into shares of larger amount than our existing shares; (iii) divide our Shares into several classes; (iv) subdivide our Shares into shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may subject to the provisions of the Companies Law reduce our share capital or capital redemption reserve by our Shareholders passing a special resolution. For details, please refer to “Summary of the Constitution of our Company and Cayman Islands Company Law — 2. Articles of Association — (a) Shares — (iii) Alteration of capital” in Appendix III to this prospectus.

Pursuant to the Companies Law and the terms of the Memorandum and Articles of Association, all or any of the special rights attached to the Shares or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For details, please refer to “Summary of the Constitution of the Company and Cayman Islands Company Law — 2. Articles of Association — (a) Shares — (ii) Variation of rights of existing shares or classes of shares” in Appendix III to this prospectus.

## FINANCIAL INFORMATION

*You should read this section in conjunction with our consolidated financial statements, including the notes thereto, as set out in the Accountants' Report set out in Appendix I to this prospectus. Our Company's consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). You should read the entire Accountants' Report and not merely rely on the information contained in this section.*

*The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by our Company in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Company believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Company's expectations and projections will depend on a number of risks and uncertainties over which our Company does not have control. For further information, you should refer to the section "Risk factors" in this prospectus.*

### OVERVIEW

We are an established air cargo ground handling services provider in Hong Kong. Our air cargo ground handling services principally cover (i) air cargo terminal operation; (ii) transportation; and (iii) warehousing and other value-added services. We utilise our full suite of services to deliver integrated solutions to global express carriers, air cargo terminal operators, freight forwarders and corporates domestically and regionally. Having over 20 years of experience in the air cargo ground handling services industry with our headquarters in Hong Kong (being the world's largest international air cargo airport in 2018 according to the Airports Council International), we have extended our geographical coverage to Shenzhen, Guangzhou, Shanghai and Chengdu (which are major air cargo hubs across multiple high-growth economic regions in China such as the Greater Bay Area, the Yangtze River Region and Western China). Leveraging on our proven track record and deep local expertise in these high growth regions, our Directors believe that we are well positioned to capture emerging business opportunities driven by the completion of the Hong Kong-Zhuhai-Macau bridge, the Shenzhen-Zhongshan bridge as well as the "Belt and Road" and the "Greater Bay Area" initiatives introduced by the PRC government.

Our revenue increased by approximately HK\$12.7 million or 4.1% from approximately HK\$309.2 million for the year ended 31 March 2017 to approximately HK\$321.9 million for the year ended 31 March 2018, while our net profit increased by approximately HK\$2.2 million from approximately HK\$4.2 million for the year ended 31 March 2017 to approximately HK\$6.4 million for the year ended 31 March 2018.

## FINANCIAL INFORMATION

Our revenue increased by approximately HK\$29.2 million or 9.1% from approximately HK\$321.9 million for the year ended 31 March 2018 to approximately HK\$351.1 million for the year ended 31 March 2019, whereas our net profit changed from approximately HK\$6.4 million for the year ended 31 March 2018 to a net loss position of approximately HK\$0.1 million for the year ended 31 March 2019.

Our revenue decreased by approximately HK\$13.6 million or 7.8% from approximately HK\$173.8 million for the six months ended 30 September 2018 to approximately HK\$160.2 million for the six months ended 30 September 2019, whereas our net profit changed from a net loss position of approximately HK\$1.9 million for the six months ended 30 September 2018 to a net profit position of approximately HK\$3.4 million for the six months ended 30 September 2019.

### **BASIS OF PRESENTATION**

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 2 January 2018 under the Companies Law. In preparation for the Listing, the companies comprising our Group underwent the Reorganisation, further details of which are explained in the section headed “History, Reorganisation and Corporate Structure” in this prospectus.

Pursuant to the completion of the Reorganisation, our Company became the holding company of the companies now comprising our Group on 13 February 2018. Our Group resulting from our Group reorganisation, which involves interspersing our Company and Asia-express (BVI) between Kwai Bon (HK) and other holding companies on top of the existing group headed by Kwai Bon (HK), is regarded as a continuing entity. Accordingly, the historical financial information has been prepared on the basis as if our Company has always been the holding company of our Group.

### **KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS**

The major factors affecting our business, financial condition and results of operations are set out below.

#### **Market trend of air cargo throughput and the development of transport infrastructure**

We are an established air cargo ground handling services provider in Hong Kong. Our business performance will therefore, to a large extent, be affected by the air cargo ground handling market, the air cargo throughput and general economic conditions in Hong Kong and the PRC. If the air cargo throughput in Hong Kong and the PRC decline, such decline may likely lead to a corresponding decrease in demand for our services. Adverse developments in the air cargo ground handling services market in Hong Kong and the PRC could therefore materially and adversely affect our business, financial condition and results of operations. Further, with the development of transportation infrastructure such as the Hong Kong-Zhuhai-Macau Bridge, it may facilitate the provision of transportation services by our Group and enable us to reach potential new customers in the Greater Bay Area and expand our business operations.

## FINANCIAL INFORMATION

### Our relationship with our major customers

Our core customers are global express carriers and air cargo terminal operators, and we are largely dependent on their business performance, which are in turn affected by the market trend of the express carrier industry. As such, there is no assurance that our major customers will not terminate the service agreements with our Group prior to their expiry dates or they will continue to invite us for tendering or award us with new contracts in the future. Any change in business strategies of our major customers may adversely affect our business, financial condition and results of operations.

### Transportation costs

For the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019, our transportation costs were approximately HK\$139.7 million, HK\$147.4 million, HK\$175.1 million and HK\$76.8 million, respectively, representing approximately 47.2%, 49.0%, 53.2% and 51.9% of our Total Operating Costs for the corresponding periods. Our transportation costs will be affected by, among others, (i) service fees paid to external transportation service providers; (ii) parking fees; (iii) repair and maintenance costs; and (iv) fuel expenses. In the event that there is significant increase in the transportation costs, our operating expenses and pressure on our operating cash flows will increase, thereby materially and adversely affecting our business, results of operations, financial position and prospects.

For illustrative purposes only, the following table sets out a sensitivity analysis of the effect of fluctuations of our transportation costs on our profit before tax during the Track Record Period. Fluctuations are assumed to be 5% and 10%, which are commensurate with the historical fluctuations in the transportation costs during the Track Record Period:

<u>Hypothetical fluctuations</u> <sup>(Note)</sup>	Impact on profit before tax <sup>(Note)</sup>			
	For the year ended 31 March			For the six months ended
	2017	2018	2019	30 September
	HK\$'000	HK\$'000	HK\$'000	2019 HK\$'000
Transportation costs				
+/-5%	6,987	7,369	8,756	3,839
+/-10%	13,974	14,738	17,511	7,678

*Note:* Save for the hypothetical fluctuation in the transportation costs, all other factors are assumed to be unchanged.

For the illustrative purposes only, we would record a breakeven if the transportation costs had increased by approximately 4.1%, 5.8%, 1.3% and 5.5%, respectively for the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019, assuming other variables remain constant.

## FINANCIAL INFORMATION

### Employee benefits expenses and dispatch labour costs

The air cargo terminal operation services industry is a service-oriented industry and we depend on our staff or dispatched labour to provide services to our customers. Our employee benefits expenses consist primarily of wages and salaries, retirement benefits scheme contributions, and other allowances and benefits. Dispatch labour costs consist primarily of payments for the dispatched labour from dispatched work agencies. For the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019, our employee benefits expenses and dispatched labour costs in aggregate amounted to approximately HK\$134.5 million, HK\$131.0 million, HK\$140.8 million and HK\$64.6 million, respectively, representing approximately 45.4%, 43.6%, 42.8% and 43.6% of our Total Operating Costs. In the event that there is any significant increase in the employee benefits expenses or dispatched labour costs, our operating expenses and pressure on our operating cash flows will increase, thereby materially and adversely affecting our business, results of operations, financial position and prospects.

For illustrative purposes only, the following table sets out a sensitivity analysis of the effect of fluctuations of our aggregate cost of employee benefits expenses and dispatch labour costs on our profit before tax during the Track Record Period. Fluctuations are assumed to be 5% and 10%, which are commensurate with the historical fluctuations in the cost of aggregate of employee benefits expenses and dispatch labour costs during the Track Record Period:

<u>Hypothetical fluctuations</u> <sup>(Note)</sup>	Impact on profit before tax <sup>(Note)</sup>			
	For the year ended 31 March			For the six months ended 30 September
	2017	2018	2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Aggregate of employee benefit expenses and dispatch labour costs				
+/-5%	6,725	6,552	7,041	3,231
+/-10%	13,450	13,105	14,081	6,462

*Note:* Save for the hypothetical fluctuation in the aggregate of employee benefits expenses and dispatch labour costs, all other factors are assumed to be unchanged.

For illustrative purposes only, we would record a breakeven if the aggregate of the employee benefits expenses and dispatch labour costs had increased by approximately 4.3%, 6.6%, 1.6% and 6.6%, respectively for the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019, assuming other variables remain constant.

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Our significant accounting policies, judgments and estimates that are important for you to understand our financial condition and results of operations, are set forth in detail in Notes 3 and 4 of Appendix I to this prospectus respectively. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. Our estimates are based on historical experience, latest information and other assumptions that we believe to be reasonable under the circumstances. Actual results may differ under different assumptions and conditions. We believe the following accounting policies, estimates and judgments are of critical importance to us in the preparation of our consolidated financial statements.

### **Revenue recognition**

Revenue is recognised to depict the transfer of promised services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those services. We recognise revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the services underlying the particular performance obligation is transferred to customers.

If the control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct services.

We provide air cargo terminal operation services, transportation services and warehousing and other value-added services to our customers. Such contracts are entered into before the services begin. Under the terms of the contracts, the customers simultaneously receives and consumes the benefits provided by our performance as we perform. Revenue from air cargo terminal operation services, transportation services and warehousing and other value-added services is therefore recognised over time.

### **Property, plant and equipment**

Property, plant and equipment are stated in the consolidated 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 assets 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.

## FINANCIAL INFORMATION

### **Impairment losses**

At the end of the reporting period, our Group reviews the carrying amounts of its tangible assets and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, our Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss.

### **KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of our Group's accounting policies, which are described in Note 4 in the Accountants' Report of our Company set out in Appendix I, our Directors are required to make judgments, estimates and assumptions about 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 that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### **Recognition of deferred tax assets**

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting period. A deferred tax asset is recognised in respect of the tax losses of the Company to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Therefore, estimates are made to establish whether deferred tax balances should be recognised.

### **Estimated useful life of motor vehicles**

The Company determines the estimated useful lives based on the historical experience of the actual useful lives of motor vehicles and takes into consideration of any residual value of the relevant motor vehicles.



## FINANCIAL INFORMATION

### HKFRS 9 “Financial Instruments” and relevant amendments

During the year ended 31 March 2019 and the six months ended 30 September 2019, we have applied HKFRS 9 Financial Instruments and the related amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets and 3) general hedge accounting.

We have applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits, without restating comparative information.

We apply the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been assessed individually for debtors with significant balances or collectively using a provision matrix with appropriate groupings based on shared credit risk characteristics of customers.

Loss allowances for other financial assets at amortised cost mainly comprise of other receivables, pledged bank deposits and bank balances are measured on 12-month ECL (“12m ECL”) basis and there had been no significant increase in credit risk since initial recognition. For pledged bank deposits and bank balances, we only transact with reputable banks with high credit ratings assigned by international credit-rating agencies. There has been no recent history of default in relation to these banks. For all other instruments, we measure the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, we recognise lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition. The ECL is not material. Accordingly, no loss allowance has been recognised for other financial assets as at 1 April 2018.

All loss allowances for financial assets including trade receivables as at 31 March 2018 have been reconciled to the opening loss allowances at 1 April 2018 as follows:

	<b>Trade receivables</b>
	<b>HK\$’000</b>
At 31 March 2018 — HKAS 39	—
Amounts remeasured through opening retained profits	980
At 1 April 2018	980

## FINANCIAL INFORMATION

### *Impairment assessment in trade receivables subject to ECL measure*

Prior to 1 April 2018, when there is objective evidence of impairment loss, we take into consideration the estimation of 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 applicable). Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

Starting from 1 April 2018, our management estimates the amount of loss allowance of trade receivables based on the credit risk and past due status of trade receivables. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses. The assessment of credit risk of trade receivables involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise accordingly.

Our Directors considered that the adoption of the new impairment methodology under HKFRS 9 would not result in significant difference in bad debt provision and did not have any significant impact on our consolidated financial position and performance as compared with HKAS 39. For further details, please refer to pages I-16 to I-18 of the Accountants' Report in Appendix I to this prospectus.

### **HKFRS 15 “Revenue from Contracts with Customers”**

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15. Our Group has adopted HKFRS 15 throughout the Track Record Period and there is no difference in the timing of recognition of the revenue under HKFRS 15 and HKAS 18. Our Directors considered that the adoption of HKFRS 15 as compared to the requirements of HKAS 18 did not have any impact on our consolidated financial position and performance during the Track Record Period.

### **HKFRS 16 “Leases”**

HKFRS 16 superseded HKAS 17 “Leases” and the related interpretations. Our Group has not reassessed contracts which already existed prior to the date of initial application, but applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease for contracts entered into or modified on or after 1 April 2019. Our Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at 1 April 2019. Disclosures on our Group's leases have been made in note 24 of the Accountants' Report as set out in Appendix I to this prospectus.

## FINANCIAL INFORMATION

### *Presentation of right-of-use assets and lease liabilities*

HKFRS 16 requires almost all leases being recognised on the statements of financial position by lessees, as the distinction between operating and finance leases is removed. The only exceptions are short-term and low-value leases. The right-of-use asset is subsequently measured at cost, less accumulated depreciation and any accumulated impairment losses; and the lease liability is subsequently measured using the effective interest rate method. Accordingly, the depreciation charges of right-of-use assets and the interest expense on lease liabilities were recognised in the consolidated statements of profit or loss and other comprehensive income. These leases would not have been qualified for recognition as assets or liabilities, should HKAS 17 have been applied.

The table set forth below summarised the impacts of the adoption of HKFRS 16 on certain key items of our consolidated financial statements:

	<u>Reported under HKFRS 16</u>	<u>Reported under HKAS 17</u>	<u>Difference</u>
	HK\$'000	HK\$'000	HK\$'000
Profit after tax for the year/period ended:			
31 March 2017	4,257	4,210	47
31 March 2018	6,991	6,438	553
31 March 2019	(452)	(149)	(303)
30 September 2019	3,384	3,450	(66)
Total assets as at:			
31 March 2017	143,305	116,105	27,200
31 March 2018	139,149	119,738	19,411
31 March 2019	152,212	137,220	14,992
30 September 2019	154,860	127,140	27,720
Total liabilities as at:			
31 March 2017	99,416	71,589	27,827
31 March 2018	77,905	58,420	19,485
31 March 2019	102,971	87,601	15,370
30 September 2019	107,596	79,060	28,536
Total equity as at:			
31 March 2017	43,888	44,516	(628)
31 March 2018	61,243	61,318	(75)
31 March 2019	49,241	49,619	(378)
30 September 2019	47,264	48,079	(815)

## FINANCIAL INFORMATION

The table set forth below summarised the impacts of the adoption of HKFRS 16 on key financial ratios:

	<u>Reported under HKFRS 16</u>	<u>Reported under HKAS 17</u>	<u>Difference</u>
Gearing ratio as at:			
31 March 2017	105.6%	41.6%	64.0%
31 March 2018	46.6%	14.8%	31.8%
31 March 2019	96.7%	65.0%	31.7%
30 September 2019	123.1%	133.1%	(10.0%)
Debt to equity ratio as at:			
31 March 2017	74.1%	10.5%	63.6%
31 March 2018	14.4%	Net Cash	N/A
31 March 2019	59.1%	27.7%	31.4%
30 September 2019	84.1%	23.4%	60.7%
Interest coverage ratio as at:			
31 March 2017	4.4	7.6	(3.2)
31 March 2018	6.8	15.9	(9.1)
31 March 2019	2.3	3.8	(1.5)
30 September 2019	4.7	6.9	(1.7)
Return on equity as at:			
31 March 2017	9.7%	9.5%	0.2%
31 March 2018	11.4%	10.5%	0.9%
31 March 2019	(0.9%)	(0.3%)	(0.6%)
30 September 2019	7.2%	7.2%	—
Return on assets as at:			
31 March 2017	3.0%	3.6%	(0.6%)
31 March 2018	5.0%	5.4%	(0.4%)
31 March 2019	(0.3%)	(0.1%)	(0.2%)
30 September 2019	2.2%	2.7%	(0.5%)
Current ratio as at:			
31 March 2017	0.8	0.9	(0.1)
31 March 2018	1.2	1.3	(0.1)
31 March 2019	1.1	1.1	(0.0)
30 September 2019	1.1	1.2	(0.1)

## FINANCIAL INFORMATION

Based on management's assessment, the adoption of HKFRS 16 resulted in an increase in the right-of-use assets and the lease liabilities, which resulted in a significant increase in both assets and liabilities in the consolidated statements of financial position. The adoption also front-loaded the expense recognition in the consolidated statements of profit or loss and other comprehensive income over the period of the leases and the expenses decrease throughout the lease term. The effects on the consolidated statements of profit or loss and other comprehensive income as a result of the combination of the interest expenses arising from the lease liabilities and the depreciation charge of the right-of-use assets as compared to the rental expenses under HKAS 17 were insignificant for the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019.

The adoption of HKFRS 16 did not affect our Group's total cash flows position in respect of the leases. However, the presentation will be affected in the manner that the payment of lease liabilities in relation to fixed lease payments disclosed in financing activities should have been presented in operating activities under HKAS 17. The table set forth below summarised the impacts of the adoption of HKFRS 16 on the presentation of the consolidated statement of cash flows:

	<b>Reported under HKFRS 16</b>	<b>Reported under HKAS 17</b>	<b>Difference</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Operating cash flows before movements in working capital for the year/period ended:			
31 March 2017	26,299	14,675	11,624
31 March 2018	32,658	16,465	16,193
31 March 2019	15,349	8,984	6,365
30 September 2019	11,598	8,501	3,097
Net cash generated from operating activities for the year/period ended:			
31 March 2017	30,111	18,487	11,624
31 March 2018	31,481	15,288	16,193
31 March 2019	13,499	7,134	6,365
30 September 2019	4,549	1,452	3,097
Net cash (used in)/generated from financing activities for the year/period ended:			
31 March 2017	(22,098)	(21,171)	(927)
31 March 2018	(12,745)	(11,674)	(1,071)
31 March 2019	10,818	11,624	(806)
30 September 2019	(3,395)	(3,078)	(317)

## FINANCIAL INFORMATION

### RESULTS OF OPERATIONS

The table below sets out our Group's consolidated statements of profit or loss and other comprehensive income for the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019. This information is derived and should be read in conjunction with the consolidated financial information contained in the Accountants' Report set forth in Appendix I to this prospectus.

	For the year ended 31 March			For the six months ended 30 September	
	2017	2018	2019	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Revenue	309,222	321,885	351,137	173,801	160,167
Other income	1,338	847	4,227	1,240	3,822
Other gains and losses	(538)	(1,064)	(3,832)	(933)	(3,316)
Employee benefits expenses	(70,630)	(57,862)	(50,145)	(24,611)	(23,827)
Dispatch labour costs	(63,869)	(73,187)	(90,665)	(44,705)	(40,786)
Transportation costs	(139,740)	(147,377)	(175,110)	(86,311)	(76,780)
Depreciation of property, plant and equipment	(6,822)	(6,419)	(6,403)	(3,022)	(1,746)
Depreciation of right-of-use assets	—	—	—	—	(4,908)
Operating lease rentals in respect of rented premises	(15,090)	(16,011)	(6,819)	(3,399)	(69)
Other expenses	(7,196)	(8,538)	(8,432)	(3,581)	(4,560)
Listing expenses	—	(2,992)	(10,768)	(8,714)	(2,605)
Finance costs	(989)	(697)	(928)	(283)	(1,161)
Share of results of joint ventures	117	(4)	—	—	—
Share of results of an associate	(72)	33	25	26	19
<b>Profit (loss) before tax</b>	5,731	8,614	2,287	(492)	4,250
Income tax expense	(1,521)	(2,176)	(2,436)	(1,407)	(866)
<b>Profit (loss) for the year/period</b>	<u>4,210</u>	<u>6,438</u>	<u>(149)</u>	<u>(1,899)</u>	<u>3,384</u>

## FINANCIAL INFORMATION

### DESCRIPTION OF SELECTED ITEMS IN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

#### Revenue

During the Track Record Period, our Group's revenue was principally generated from (i) air cargo terminal operation services; (ii) transportation services; and (iii) warehousing and other value-added services. We provide our services to (i) express carriers; (ii) air cargo terminal operators; (iii) freight forwarders; and (iv) direct customers comprising corporates and individual customers. Our revenue is measured at the fair value of the consideration or receivable and represents amounts receivable for services provided in the normal course of business. For the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019, our revenue amounted to approximately HK\$309.2 million, HK\$321.9 million, HK\$351.1 million and HK\$160.2 million, respectively.

The table below sets forth the breakdown of our revenue by services segments for the periods indicated:

	For the year ended 31 March						For the six months ended 30 September			
	2017		2018		2019		2018		2019	
	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)
	(Unaudited)									
Air cargo terminal operation services										
— Ground handling	91,114	29.5	103,851	32.3	108,713	31.0	58,814	33.8	54,076	33.8
— Ancillary delivery	<u>68,880</u>	<u>22.3</u>	<u>63,322</u>	<u>19.7</u>	<u>79,968</u>	<u>22.8</u>	<u>37,105</u>	<u>21.4</u>	<u>34,416</u>	<u>21.5</u>
	159,994	51.8	167,173	52.0	188,681	53.8	95,919	55.2	88,492	55.3
Transportation services	117,001	37.8	120,960	37.6	135,132	38.5	64,882	37.3	57,353	35.8
Warehousing and other value-added services	<u>32,227</u>	<u>10.4</u>	<u>33,752</u>	<u>10.4</u>	<u>27,324</u>	<u>7.7</u>	<u>13,000</u>	<u>7.5</u>	<u>14,322</u>	<u>8.9</u>
Total	<u><u>309,222</u></u>	<u><u>100.0</u></u>	<u><u>321,885</u></u>	<u><u>100.0</u></u>	<u><u>351,137</u></u>	<u><u>100.0</u></u>	<u><u>173,801</u></u>	<u><u>100.0</u></u>	<u><u>160,167</u></u>	<u><u>100.0</u></u>

## FINANCIAL INFORMATION

The following table sets out the cargo volume processed/number of trips completed for our air cargo terminal operation services and transportation services during the Track Record Period:

	For the year ended 31 March			For the six months ended 30 September	
	2017	2018	2019	2018	2019
	('000)	('000)	('000)	('000)	('000)
Air cargo terminal operation services					
— Ground handling ( <i>tonnes</i> )	196	220	222	110	107
— Ancillary delivery ( <i>No. of trips completed</i> )	119	95	118	54	46
Transportation services ( <i>No. of trips completed</i> )	118	105	148	74	50

During the Track Record Period, provision of air cargo terminal operation services remained the largest contributor to our revenue and accounted for approximately 51.8%, 52.0%, 53.8% and 55.3% respectively. In relation to transportation services, it accounted for approximately 37.8%, 37.6%, 38.5% and 35.8% to our revenue for the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019, respectively. The provision of warehousing and other value-added services accounted for approximately 10.4% of our total revenue for both years ended 31 March 2017 and 2018 and accounted for approximately 7.7% and 8.9% of our total revenue for the year ended 31 March 2019 and the six months ended 30 September 2019, respectively.

### Other income

Our other income mainly consists of government subsidies received upon disposal of qualified commercial motor vehicles.

### Other gains and losses

Other gains and losses mainly represent loss on disposal of property, plant and equipment and exchange gain and loss. Our Group recorded a net loss in other gains and losses of approximately HK\$0.5 million, HK\$1.1 million, HK\$3.8 million and HK\$3.3 million for the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019, respectively.

### Employee benefits expenses

Employee benefits expenses consist primarily of wages and salaries, retirement benefits scheme contributions, and other allowances and benefits. It also included a share-based payment to Mr. Chan Yu of approximately HK\$1.9 million for the year ended 31 March 2017. For the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019, our employee benefits expenses amounted to approximately HK\$70.6 million, HK\$57.9 million, HK\$50.1 million and HK\$23.8 million, respectively. Our Group had a total of 292, 275, 238 and 232 full-time employees as at 31 March 2017, 2018 and 2019 and 30 September 2019, respectively.



## FINANCIAL INFORMATION

### Depreciation of property, plant and equipment and right-of-use assets in respect of motor vehicles

For the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019, the aggregate amount of our depreciation of property, plant and equipment and right-of-use assets in respect of motor vehicles amounted to approximately HK\$6.8 million, HK\$6.4 million, HK\$6.4 million and HK\$3.8 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 with rates ranging from 5% to 20% per annum.

### Operating lease rentals in respect of rented premises and depreciation of right-of-use assets in respect of office premises and warehouse

For the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019, our operating lease rentals in respect of rented premises and depreciation of right-of-use assets in respect of office premises and warehouse amounted to approximately HK\$15.1 million, HK\$16.0 million, HK\$6.8 million and HK\$2.9 million, respectively. Our rented premises include mainly warehouse and office premises.

### Transportation costs

Our transportation costs represented service fees paid to external transportation services providers, parking fees, repair and maintenance cost and fuel expenses. The table below sets forth the breakdown of our transportation costs during the Track Record Period:

	For the year ended 31 March						For the six months ended 30 September			
	2017		2018		2019		2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)									
External transportation fees	91,721	65.7	101,422	68.8	123,521	70.5	58,745	68.1	52,884	68.9
Parking fees	18,294	13.1	17,733	12.0	21,889	12.5	12,267	14.2	9,746	12.7
Repair and maintenance costs	11,179	8.0	10,777	7.3	8,128	4.6	5,562	6.4	3,525	4.6
Fuel expenses	8,723	6.2	8,226	5.6	11,779	6.7	4,898	5.7	5,631	7.3
Others <sup>(Note)</sup>	9,823	7.0	9,219	6.3	9,793	5.7	4,839	5.6	4,994	6.5
<b>Total</b>	<b><u>139,740</u></b>	<b><u>100.0</u></b>	<b><u>147,377</u></b>	<b><u>100.0</u></b>	<b><u>175,110</u></b>	<b><u>100.0</u></b>	<b><u>86,311</u></b>	<b><u>100.0</u></b>	<b><u>76,780</u></b>	<b><u>100.0</u></b>

*Note:* Includes motor vehicle insurance and tunnel and bridge toll fee.

### Dispatch labour costs

Our dispatch labour costs represented the amount paid to our dispatched work agencies for the provision of our air cargo ground handling services. For the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019, our dispatch labour cost amounted to

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approximately HK\$63.9 million, HK\$73.2 million, HK\$90.7 million and HK\$40.8 million, respectively. In general, the dispatched work agencies charged us at a pre-determined price for each type of service which is renewed periodically.

### Other expenses

Other expenses mainly include warehousing operating cost, utilities expenses, insurance, audit and legal professional fees, travelling and surrender charge from life insurance policy. For the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019, our other expenses amounted to approximately HK\$7.2 million, HK\$8.5 million, HK\$8.4 million and HK\$4.6 million, respectively.

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

	For the year ended 31 March						For the six months ended 30 September			
	2017		2018		2019		2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)									
Warehousing operating cost	3,822	53.1	4,173	48.9	5,148	61.1	1,713	47.8	2,782	61.0
Utilities	991	13.8	1,248	14.6	1,149	13.6	819	22.9	763	16.7
Insurance	832	11.6	1,057	12.4	486	5.8	403	11.3	486	10.7
Audit and legal professional fees	378	5.3	588	6.9	379	4.5	24	0.7	45	1.0
Travelling	468	6.5	362	4.2	438	5.2	188	5.3	152	3.3
Surrender charge from life insurance policy	—	—	317	3.7	—	—	—	—	—	—
Others <sup>(Note)</sup>	705	9.7	793	9.3	832	9.8	434	12.0	332	7.3
<b>Total</b>	<b>7,196</b>	<b>100.0</b>	<b>8,538</b>	<b>100.0</b>	<b>8,432</b>	<b>100.0</b>	<b>3,581</b>	<b>100.0</b>	<b>4,560</b>	<b>100.0</b>

*Note:* Includes training fees, registration fees, PRC non-income tax expenses and sales and marketing expenses.

### Income tax expense

Our Group was not subject to any income tax in the Cayman Islands and BVI during the Track Record Period. The provision for Hong Kong profits tax was calculated at 16.5% of our estimated assessable profits for the Track Record Period. Our PRC subsidiaries are subject to a uniform PRC enterprise income tax rate of 25% but Kwai Bon (Guangzhou) is entitled to an enterprise income tax rate of 10% as it is qualified as a small entity for reduced tax rate.

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

	For the year ended 31 March			For the six months ended 30 September	
	2017	2018	2019	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Hong Kong profits tax	—	—	20	—	607
PRC enterprise income tax	325	743	10	79	3
Deferred tax	1,196	1,433	2,406	1,328	256
	1,521	2,176	2,436	1,407	866

### *Tax currently payable and deferred tax*

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from 'profit or loss before tax' as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Our Group's liabilities for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in Track Record Period and a summary of significant accounting policies and other explanatory information (the "**Historical Financial Information**") and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

We had unused tax losses of approximately HK\$26.9 million, HK\$15.7 million as at 31 March 2017, 2018, respectively, that are available indefinitely for offsetting against its future taxable profits. Deferred tax asset has been recognised in respect of such losses. As at 31 March 2019 and 30 September 2019, we had no unused tax losses.

Our unused tax losses were mainly associated with the unused tax losses of Kwai Bon (HK) brought forward from the previous years arising from (i) higher depreciation allowance allowed by the Inland Revenue Department (i.e. initial and annual depreciation allowances) than accounting depreciation charges on book primarily relating to our newly purchased motor vehicles; (ii) its pre-tax losses for the years ended 31 March 2013, 2014 and 2015 mainly due to the increased employee benefit expenses and dispatched labour costs resulted from the increases in wage and headcounts particularly for providing services in our Kwai Bon Logistics Centre and Super Terminal 1 from 2013 to 2015. Such incremental costs could not be passed on to our customers because of our fixed fee arrangements entered into with our customers. In particular, key air cargo contracts of our

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Group with Top Global Express Carrier were executed in the year ended 31 March 2012 with a term of approximately 3 years until mid-2016 which made the Group unable to pass on the incremental costs to this customer.

During the Track Record Period and up to the Latest Practicable Date, we had paid all relevant taxes and there are no matters in dispute or unresolved with the relevant tax authorities in Hong Kong and the PRC.

Our effective income tax rate, equal to the sum of our income tax expenses divided by our profit before tax, was approximately 26.5%, 25.3%, 106.5% and 20.4% for the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019. Our effective tax rates for the Track Record Period were higher than Hong Kong statutory profits tax rate primarily due to tax effects on non-deductible expenses which comprised (i) the share-based payment to Mr. Chan Yu of approximately HK\$1.9 million paid to him for the year ended 31 March 2017, but no such item was noted for the year ended 31 March 2018; and (ii) listing expenses which was not deductible of approximately HK\$3.0 million, HK\$10.8 million and HK\$2.6 million charged for the years ended 31 March 2018 and 2019 and the six months ended 30 September 2019, respectively. In addition, our pre-tax profits of our PRC subsidiaries for the Track Record Period are subject to the applicable PRC enterprise income tax rates which are higher Hong Kong statutory profits tax rate, resulting in increases in our effective tax rates. Please refer to notes 8 and 25 of the Accountants' Report in Appendix I to this prospectus for details.

### PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

#### Six months ended 30 September 2018 compared to six months ended 30 September 2019

##### *Revenue*

Our overall revenue decreased by approximately HK\$13.6 million or 7.8% from approximately HK\$173.8 million for the six months ended 30 September 2018 to approximately HK\$160.2 million for the six months ended 30 September 2019 due to the combination of the following factors:

- (i) decrease in revenue from air cargo terminal operation services by approximately HK\$7.4 million or 7.7% to approximately HK\$88.5 million for the six months ended 30 September 2019 compared to approximately HK\$95.9 million for the six months ended 30 September 2018 mainly derived from the decrease in the cargo volume for Top Global Express Carrier whereby our Group is its sole transportation service provider.
- (ii) decrease in the revenue from transportation services by approximately HK\$7.5 million or 11.6% to approximately HK\$57.4 million for the six months ended 30 September 2019 compared to approximately HK\$64.9 million for the six months ended 30 September 2018 mainly contributed by the decrease in number of trips from German-based Express

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Carrier as we decided not to renew the service agreement with it upon its expiry in February 2019 having considered the relatively less profitability for such orders.

### *Other income*

Other income increased by approximately HK\$2.6 million or 216.7% to approximately HK\$3.8 million for the six months ended 30 September 2019 compared to approximately HK\$1.2 million for the six months ended 30 September 2018, which was mainly due to increase in government subsidies on the replacement of Euro III DCVs of approximately HK\$3.7 million.

### *Employee benefits expenses and dispatch labour costs*

The aggregate of our employee benefit expenses and dispatch labour costs decreased by approximately HK\$4.7 million or 6.8% to approximately HK\$64.6 million for the six months ended 30 September 2019 compared to approximately HK\$69.3 million for the six months ended 30 September 2018, which was mainly due to the decrease in demand of labour force driven by the decrease in our revenue.

### *Depreciation of property, plant and equipment and right-of-use assets in respect of motor vehicles*

Depreciation of property, plant and equipment and right-of-use assets in respect of motor vehicles increased by approximately HK\$0.8 million or 26.7% to approximately HK\$3.8 million for the six months ended 30 September 2019 compared to approximately HK\$3.0 million for the six months ended 30 September 2018 mainly due to the motor vehicles acquired during the period.

### *Operating lease rentals in respect of rented premises and depreciation of right-of-use assets in respect of office premises and warehouses*

Our aggregate operating lease rentals in respect of rented premises and depreciation of right-of-use assets in respect of office premises and warehouse decreased by approximately HK\$0.5 million or 14.7% to approximately HK\$2.9 million for the six months ended 30 September 2019, compared to approximately HK\$3.4 million for the six months ended 30 September 2018 which was primarily due to newly adoption of HKFRS 16.

### *Transportation costs*

Transportation costs decreased by approximately HK\$9.5 million or 11.0% to approximately HK\$76.8 million for the six months ended 30 September 2019 compared to approximately HK\$86.3 million for the six months ended 30 September 2018. The decrease was mainly due to the decreased service fees paid to external transportation service providers which was in line with the decrease in revenue of our transportation services business.

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### *Other expenses*

Our other expenses increased by approximately HK\$1.0 million or 27.8% to approximately HK\$4.6 million for the six months ended 30 September 2019 compared to approximately HK\$3.6 million for the six months ended 30 September 2018, which was primarily due to increase in warehouse operating costs driven by the increased business from warehousing and other value-added services segment.

### *Finance costs*

Our finance costs increased by approximately HK\$0.9 million or 300.0% to approximately HK\$1.2 million for the six months ended 30 September 2019 compared to approximately HK\$0.3 million for the six months ended 30 September 2018, which was mainly due to (i) increase in interests paid for our additional bank borrowings; (ii) increase in interests paid on lease liabilities due to replacement of Euro III DCVs; and (iii) recognition of finance cost for right-of-use assets in respect of warehouse and office premises under new adoption of HKFRS 16.

### *Net profit*

Our net profit was approximately HK\$3.4 million for the six months ended 30 September 2019 compared to a net loss of approximately HK\$1.9 million for the six months ended 30 September 2018, which was primarily due to the decrease in one-off non-recurring listing expenses; and partially offset by (i) the decrease in our overall revenue; and (ii) the increase in depreciation of right-of-use assets and finance costs.

We had relatively thin net profit margins during the Track Record Period which was mainly attributable to our service portfolio and corresponding cost structure whereby our Group incurred significant transportation costs, dispatch labour costs and employee benefits expenses for the provision of our services.

Please refer to “Risk Factors — We have relatively thin net profit margins and may not be able to sustain our historical profitability in future.” in this prospectus for details.

### **Year ended 31 March 2018 compared to year ended 31 March 2019**

#### *Revenue*

Our overall revenue increased by approximately HK\$29.2 million or 9.1% from approximately HK\$321.9 million for the year ended 31 March 2018 to approximately HK\$351.1 million for the year ended 31 March 2019 due to the combination of the following factors:

- (i) increase in revenue from air cargo terminal operation services by approximately HK\$21.5 million or 12.9% to approximately HK\$188.7 million for the year ended 31 March 2019 compared to approximately HK\$167.2 million for the year ended 31 March 2018 primarily attributable to increase in revenue from our ancillary delivery service sector by approximately HK\$16.7 million or 26.4% from approximately HK\$63.3 million for the year ended 31 March 2018 to approximately HK\$80.0 million for the year ended 31

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March 2019 mainly derived from two new routes exclusively assigned to our Group by Top Global Express Carrier pursuant to the air cargo terminal operation contract in Hong Kong recently renewed in June 2018.

- (ii) increase in the revenue from transportation services by approximately HK\$14.1 million or 11.7% to approximately HK\$135.1 million for the year ended 31 March 2019 compared to approximately HK\$121.0 million for the year ended 31 March 2018 mainly due to new contracts for domestic transportation services in Hong Kong entered into with several new customers which was offset by the decrease in the number of trips completed for other customers in respect of domestic transportation services due to no additional capacity of our own transportation fleet and costly external transportation fees.

### *Other income*

Other income increased by approximately HK\$3.4 million or 425.0% to approximately HK\$4.2 million for the year ended 31 March 2019 compared to approximately HK\$0.8 million for the year ended 31 March 2018, which was mainly due to increase in government subsidies on the replacement of Euro III DCVs of approximately HK\$3.5 million.

### *Employee benefits expenses and dispatch labour costs*

The aggregate of our employee benefit expenses and dispatch labour costs increased by approximately HK\$9.8 million or 7.5% to approximately HK\$140.8 million for the year ended 31 March 2019 compared to approximately HK\$131.0 million for the year ended 31 March 2018, which was mainly due to increased demand of labour force driven by increase in our revenue.

### *Depreciation of property, plant and equipment*

Depreciation of property, plant and equipment remained stable at approximately HK\$6.4 million for the year ended 31 March 2019 compared to approximately HK\$6.4 million for the year ended 31 March 2018.

### *Operating lease rentals in respect of rented premises*

Our operating lease rentals in respect of rented premises decreased by approximately HK\$9.2 million or 57.5% to approximately HK\$6.8 million for the year ended 31 March 2019, compared to approximately HK\$16.0 million for the year ended 31 March 2018 which was primarily due to the decrease in rental expenses as a result of the termination or non-renewal of two rented premises in New Territories in 2017 and 2018. For further details, please refer to the section headed “Business — Our Services — Warehousing and other value-added services” in this prospectus.

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### *Transportation costs*

Transportation costs increased by approximately HK\$27.7 million or 18.8% to approximately HK\$175.1 million for the year ended 31 March 2019 compared to approximately HK\$147.4 million for the year ended 31 March 2018. The increase was mainly due to the increased service fees paid to external transportation service providers as a result of the increase in revenue in our transportation services business.

### *Other expenses*

Our other expenses were stable amounting to approximately HK\$8.5 million and HK\$8.4 million for the years ended 31 March 2018 and 2019.

### *Net profit/(loss)*

Our net profit changed to a net loss position of approximately HK\$0.1 million for the year ended 31 March 2019 compared to a net profit position of approximately HK\$6.4 million for the year ended 31 March 2018, which was primarily due to the one-off non-recurring listing expenses.

We had relatively thin net profit margins during the Track Record Period which is mainly attributable to our service portfolio and corresponding cost structure whereby our Group incurred significant transportation costs, dispatch labour costs and employee benefits expenses for the provision of our services. Our net profit margin was approximately 2.0% and 0.0% for the years ended 31 March 2018 and 2019.

Please refer to “Risk Factors — We have relatively thin net profit margins and may not be able to sustain our historical profitability in future.” in this prospectus for details.

### **Year ended 31 March 2017 compared to year ended 31 March 2018**

#### *Revenue*

Our overall revenue increased by approximately HK\$12.7 million or approximately 4.1% from approximately HK\$309.2 million for the year ended 31 March 2017 to approximately HK\$321.9 million for the year ended 31 March 2018 due to the combination of the following factors:

- (i) increase in the revenue from air cargo terminal operation services by approximately HK\$7.2 million or 4.5% mainly from approximately HK\$160.0 million for the year ended 31 March 2017 to approximately HK\$167.2 million for the year ended 31 March 2018 primarily attributable to:
  - (a) the increase in the revenue from our ground handling service sector by approximately 14.1% from approximately HK\$91.1 million for the year ended 31 March 2017 to approximately HK\$103.9 million for the year ended 31 March 2018 mainly derived from the increased volume of cargo handled by approximately 12.2% on the ground inside air cargo terminals; and



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- (b) was set off against the decrease in revenue of ancillary delivery services by approximately 8.1% from approximately HK\$68.9 million for the year ended 31 March 2017 to approximately HK\$63.3 million for the year ended 31 March 2018 mainly due to the increase in the average revenue per trip by approximately 15.1%, despite the decrease in the number of trips by approximately 20.2%. The decrease in the number of trips completed for our ancillary delivery services from approximately 119,000 for the year ended 31 March 2017 to approximately 95,000 for the year ended 31 March 2018 was primarily due to the cessation of providing pick-up, transportation and delivery services of goods to Top Global Express Carrier for several routes between the air cargo terminals and the delivery locations in Shenzhen and Guangzhou, the PRC having considered, among others, low profitability of providing such services. As a result, our average revenue per trip for our ancillary delivery services increased by approximately 15.1% for the year ended 31 March 2018; and
- (ii) increase in the revenue from transportation services by approximately HK\$4.0 million or 3.4% from approximately HK\$117.0 million for the year ended 31 March 2017 to approximately HK\$121.0 million for the year ended 31 March 2018 primarily mainly due to the increase in the average revenue per trip by approximately 16.2%, despite the decrease in the number of trips by approximately 11.0% which was primarily due to the taking up of more high-value transactions for domestic transportation services in Hong Kong as a result of high utilisation rate of own transportation fleet.

### *Employee benefits expenses and dispatch labour costs*

The aggregate of our employee benefit expenses and dispatch labour costs decreased by approximately HK\$3.5 million or 2.6% from approximately HK\$134.5 million for the year ended 31 March 2017 to approximately HK\$131.0 million for the year ended 31 March 2018. The decrease was mainly attributable to (i) the reduced number of our labour force by approximately 17 employees primarily in Hong Kong mainly attributable to consolidation of handling of temporary overflow of stocks for its warehousing and other value-added services from other warehouses to our Kwai Bon Logistics Centre for the year ended 31 March 2018 and the voluntary resignation of drivers with an average monthly salary ranging from approximately HK\$4,000 to HK\$15,000; (ii) the share-based payment to Mr. Chan Yu of approximately HK\$1.9 million for the year ended 31 March 2017 but no such item was noted in 2018; and partially offset by (iii) the increased engagement of dispatch labour.

### *Depreciation of property, plant and equipment*

Depreciation of property, plant and equipment expenses slightly decreased by approximately HK\$0.4 million or approximately 5.9% from approximately HK\$6.8 million for the year ended 31 March 2017 to approximately HK\$6.4 million for the year ended 31 March 2018. The decrease was primarily attributable to the depreciations of certain office equipment and furniture and fixtures charged for the year ended 31 March 2018.

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### *Operating lease rentals in respect of rented premises*

Our operating lease rentals in respect of rented premises increased by approximately HK\$0.9 million or approximately 6.0% from approximately HK\$15.1 million for the year ended 31 March 2017 to approximately HK\$16.0 million for the year ended 31 March 2018. The increase was primarily attributable to increase in rental.

### *Transportation costs*

Our Group recorded an increase in transportation costs by approximately HK\$7.7 million or approximately 5.5% from approximately HK\$139.7 million for the year ended 31 March 2017 to approximately HK\$147.4 million for the year ended 31 March 2018. The increase was mainly due to the increase in our transportation services business leading to the increase in the deployment of external transportation services, leading to increased service fees paid to external transportation service providers.

### *Other expenses*

Our other expenses increased by approximately HK\$1.3 million or 18.1% from approximately HK\$7.2 million for the year ended 31 March 2017 to approximately HK\$8.5 million for the year ended 31 March 2018, which is mainly attributable to the increase in our revenue in warehousing and other value-added services for approximately 4.7%, leading to an increase in warehouse operating cost of approximately HK\$0.4 million or 9.2%.

### *Net profit*

Our net profit increased by approximately 52.4% from approximately HK\$4.2 million for the year ended 31 March 2017 to approximately HK\$6.4 million for the year ended 31 March 2018 which was mainly because our revenue increased significantly but most of Total Operating Costs and other expenses were quite stable and partially set off by non-recurring listing expenses incurred.

Our net profit margin increased from approximately 1.4% for the year ended 31 March 2017 to approximately 2.0% for the year ended 31 March 2018.

## LIQUIDITY AND CAPITAL RESOURCES

### **Cash flow**

Our primary uses of cash are mainly to finance our operations and satisfy our capital expenditure needs. During the Track Record Period, our principal sources of liquidity and capital resources were cash flow generated from operations, investing activities and financing activities.

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The table below sets forth the selected cash flow data from the consolidated statements of cash flows for the period as indicated. This information should be read together with the consolidated financial information contained in the Accountants' Report in Appendix I to this prospectus.

	For the year ended 31 March			For the six months ended 30 September	
	2017	2018	2019	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Operating cash flows before					
movements in working capital	14,675	16,465	8,984	2,495	11,598
— Movements in working capital	3,913	(885)	(1,802)	(9,060)	(7,042)
— PRC Enterprise Income Tax paid	(101)	(292)	(48)	(42)	(7)
Net cash from/(used in) operating activities	18,487	15,288	7,134	(6,607)	4,549
Net cash (used in)/from investing activities	(1,254)	2,078	(17,905)	(12,270)	(347)
Net cash (used in)/from financing activities	<u>(21,271)</u>	<u>(11,674)</u>	<u>11,621</u>	<u>19,595</u>	<u>(3,395)</u>
Net (decrease)/increase in cash and cash equivalents	(4,038)	5,692	850	718	807
Effect of foreign exchange rate changes	(631)	1,490	(820)	(1,062)	(893)
Cash and cash equivalents at the beginning of the year/period	<u>15,984</u>	<u>11,315</u>	<u>18,497</u>	<u>18,497</u>	<u>18,527</u>
Cash and cash equivalents at the end of the year/period	<u><u>11,315</u></u>	<u><u>18,497</u></u>	<u><u>18,527</u></u>	<u><u>18,153</u></u>	<u><u>18,441</u></u>

### *Operating activities*

During the Track Record Period, our operating cash inflows were primarily derived from receipt of proceeds from our customers and our operating cash outflows mainly include payment for transportation costs, labour costs, dispatch labour costs, rentals and other operating expenses. Our cash flows from operating activities are affected by a number of factors, which mainly include settlement of trade receivables by our customers and trade payables by our Group.

For the year ended 31 March 2017, our net cash generated from operating activities was approximately HK\$18.5 million, primarily as a result of the combined effects of (i) approximately HK\$14.7 million operating cash flows before changes in working capital (without listing expenses); (ii) change in working capital of approximately HK\$3.8 million. Change in working capital primarily reflected (i) decrease in trade and other receivables of approximately HK\$3.7 million; and offset by (ii) increase in trade and other payables of approximately HK\$0.2 million.

For the year ended 31 March 2018, our net cash generated from operating activities was approximately HK\$15.3 million, primarily as a result of the combined effects of (i) approximately HK\$19.5 million operating cash flows before changes in working capital (without listing expenses); (ii) change in working capital of approximately HK\$0.9 million. Change in working capital primarily reflected (i) increase in trade and other receivables of approximately HK\$5.5 million; and (ii) increase in trade and other payables of approximately HK\$4.6 million.

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For the year ended 31 March 2019, our net cash generated from operating activities was approximately HK\$7.1 million, primarily as a result of the combined effects of (i) approximately HK\$19.8 million operating cash flows before changes in working capital (without listing expenses); (ii) change in working capital of approximately HK\$1.8 million. Change in working capital primarily reflected (i) increase in trade and other receivables of approximately HK\$4.2 million; and (ii) increase in trade and other payables of approximately HK\$2.4 million.

For the six months ended 30 September 2019, our net cash generated from operating activities was approximately HK\$4.5 million, primarily as a result of the combined effects of (i) approximately HK\$14.2 million operating cash flows before changes in working capital (without listing expenses); (ii) change in working capital of approximately HK\$7.0 million. Change in working capital primarily reflected (i) increase in trade and other receivables of approximately HK\$0.2 million; and (ii) decrease in trade and other payables of approximately HK\$6.8 million.

### *Investing activities*

For the year ended 31 March 2017, our net cash used in investing activities was approximately HK\$1.3 million. The amount was mainly attributable to (i) purchase of property, plant and equipment of approximately HK\$4.7 million; and offset by (ii) proceeds from disposal of property, plant and equipment of approximately HK\$3.0 million; and (iii) proceeds from deregistration of a joint venture of approximately HK\$0.4 million.

For the year ended 31 March 2018, our net cash from investing activities was approximately HK\$2.1 million. The amount was mainly attributable to (i) purchase of property, plant and equipment of approximately HK\$2.1 million, and offset by (ii) proceeds from disposal of property, plant and equipment of approximately HK\$1.9 million; and (iii) redemption of the deposit placed with an insurance company of approximately HK\$2.2 million.

For the year ended 31 March 2019, our net cash used in investing activities was approximately HK\$17.9 million. The amount was mainly attributable to purchase of property, plant and equipment of approximately HK\$13.1 million; placement of pledged bank deposits of HK\$11.0 million, and partially offset by proceeds from disposal of property, plant and equipment of approximately HK\$6.1 million.

For the six months ended 30 September 2019, our net cash used in investing activities was approximately HK\$0.3 million. The amount was mainly attributable to purchase of property, plant and equipment of approximately HK\$2.6 million; placement of pledged bank deposits of approximately HK\$3.5 million, and offset by proceeds from disposal of property, plant and equipment of approximately HK\$4.4 million and proceeds from disposal of a joint venture of approximately HK\$1.3 million.

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### *Financing activities*

For the year ended 31 March 2017, our net cash used in financing activities was approximately HK\$21.3 million, mainly attributable to (i) dividends paid of approximately HK\$15.0 million; (ii) repayment to a related party of approximately HK\$13.5 million; (iii) repayment of obligations under finance leases of approximately HK\$6.0 million; (iv) repayment of bank borrowings of approximately HK\$2.1 million; (v) interests paid of approximately HK\$1.0 million; and offset by (vi) advance from a related party of approximately HK\$13.5 million; and (vii) additions of obligations under finance leases of approximately HK\$2.8 million.

For the year ended 31 March 2018, our net cash used in financing activities was approximately HK\$11.7 million, mainly attributable to (i) repayment to a related party of approximately HK\$10.6 million; (ii) repayment of obligations under finance leases of approximately HK\$6.8 million; (iii) repayment of bank borrowings of approximately HK\$3.0 million; (iv) interests paid of approximately HK\$0.7 million; and offset by (v) advance from a related party of approximately HK\$0.8 million; (vi) additions of obligations under finance leases of approximately HK\$1.6 million; and (vii) issue of 30 Shares to Diligent City at the subscription price of HK\$7.0 million.

For the year ended 31 March 2019, our net cash from financing activities was approximately HK\$11.6 million, mainly attributable to (i) new bank borrowing arised of approximately HK\$22.0 million; (ii) additions of obligations under finance leases of approximately HK\$9.2 million; and offset by (iii) dividend paid of approximately HK\$9.0 million; (iv) repayment of obligations under finance leases of approximately HK\$6.8 million; (v) share issue costs paid of approximately HK\$2.1 million; and (vi) interests paid of approximately HK\$0.9 million.

For the six months ended 30 September 2019, our net cash used in financing activities was approximately HK\$3.4 million, mainly attributable to (i) repayment of lease liabilities of approximately HK\$6.0 million; (ii) payment for repurchase of shares of approximately HK\$3.1 million; and (iii) interests paid of approximately HK\$1.2 million; and offset by (iv) new borrowing raised of approximately HK\$7.0 million.

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### Net current liabilities/assets

The table below sets forth our current assets and current liabilities as at 31 March 2017, 31 March 2018, 31 March 2019, 30 September 2019 and 31 January 2020 respectively.

	As at 31 March			As at 30 September	As at 31 January
	2017	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					<i>(unaudited)</i>
<b>Current assets</b>					
Trade and other receivables	45,451	51,043	59,204	57,396	60,591
Pledged bank deposits	—	—	11,000	14,500	15,000
Bank balances and cash	<u>13,815</u>	<u>19,747</u>	<u>18,527</u>	<u>18,441</u>	<u>13,242</u>
	<u>59,266</u>	<u>70,790</u>	<u>88,731</u>	<u>90,337</u>	<u>88,833</u>
<b>Current liabilities</b>					
Trade and other payables	40,708	44,680	49,399	42,620	37,914
Amount due to a related party	9,797	—	—	—	—
Amount due to a joint venture	811	897	—	—	—
Tax payable	102	669	621	1,186	2,098
Bank overdrafts	2,500	1,250	—	—	—
Bank borrowings	3,043	—	22,000	29,000	30,000
Obligation under finance lease (due within one year)	6,382	5,045	6,021	—	—
Lease liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>13,136</u>	<u>12,639</u>
	<u>63,343</u>	<u>52,541</u>	<u>78,041</u>	<u>85,942</u>	<u>82,651</u>
Net current (liabilities) assets	<u><u>(4,077)</u></u>	<u><u>18,249</u></u>	<u><u>10,690</u></u>	<u><u>4,395</u></u>	<u><u>6,182</u></u>

We recorded net current liabilities of approximately HK\$4.1 million as at 31 March 2017 and net current assets of approximately HK\$18.2 million, HK\$10.7 million, HK\$4.4 million and HK\$6.2 million as at 31 March 2018 and 2019, 30 September 2019 and 31 January 2020, respectively. The change from a net current liabilities position as at 31 March 2017 to a net current assets position as at 31 March 2018 was mainly due to (i) the issue of shares for pre-IPO investment of approximately HK\$7.0 million in March 2018 and (ii) dividend payment of approximately HK\$15.0 million paid for the financial year 2017 but no dividend was paid or declared in financial year 2018.

## FINANCIAL INFORMATION

Our net current assets decreased from approximately HK\$18.2 million as at 31 March 2018 to approximately HK\$10.7 million as at 31 March 2019, which was mainly attributable to new bank borrowings of approximately HK\$22.0 million drawn down by our Group from July 2018 to March 2019 which was set off against pledged bank deposits of approximately HK\$11.0 million placed against such bank borrowings.

Our Group has adopted HKFRS 16 for the accounting period beginning on 1 April 2019 as stated in note 2 of the Accountants' Report in Appendix I to this prospectus. As such, leases have been recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation) in our Group's consolidated statements of financial position for the accounting period beginning on 1 April 2019. As at 30 September 2019, our Group's current lease liabilities amounted to approximately HK\$13.1 million, resulting in the decrease in our net current asset to approximately HK\$4.4 million.

### DESCRIPTION OF CERTAIN ITEMS OF STATEMENTS OF FINANCIAL POSITION

#### Trade and other receivables

Trade and other receivables primarily consist of trade receivables, rental and other deposits, other receivables and prepayments and deferred share issue costs. The following table sets out a summary of our trade and other receivables as at the dates indicated:

	As at 31 March			As at
	2017	2018	2019	30 September
	HK\$'000	HK\$'000	HK\$'000	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	38,979	44,832	49,687	45,634
Allowance for doubtful debts/credit losses	—	—	(731)	(661)
	38,979	44,832	48,956	44,973
Rental and other deposits	2,746	1,074	2,909	2,191
Other receivables and prepayments	4,410	5,046	5,899	7,331
Deferred share issue costs	—	—	4,223	5,032
Prepayments for listing expenses	—	1,148	64	58
	46,135	52,100	62,051	59,585
Total trade and other receivables	46,135	52,100	62,051	59,585

#### *Analysis of trade receivables*

Our trade receivables primarily represent amounts receivable from our customers who engage us for provision of logistics services. Our trade receivables (net of allowance for doubtful debt/credit losses) increased from approximately HK\$39.0 million as at 31 March 2017 to approximately HK\$44.8 million as at 31 March 2018 and further to HK\$49.0 million as at 31 March 2019 which was mainly due to our business growth as evidenced by the increase in the revenue. Our trade receivables decreased to approximately HK\$45.0 million as at 30 September 2019 which was in line with the decrease in our revenue.

## FINANCIAL INFORMATION

During the Track Record Period, we conducted our sales mainly by credit sales. We generally granted a credit period of a range from 30 to 60 days to our customers. In determining the allowance for trade receivables, our management takes into account the credit history including default or delay in payments, settlement records, subsequent settlements and aging analysis of the trade receivables.

The following table sets forth a summary of aged analysis of trade receivables, which are past due but not impaired, at the end of each reporting period:

	As at 31 March			As at 30 September
	2017	2018	2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Overdue by:</b>				
Within 30 days	6,021	5,444	5,791	5,222
31 – 60 days	705	638	987	1,644
61 – 90 days	417	65	106	447
<b>Total</b>	<b>7,143</b>	<b>6,147</b>	<b>6,884</b>	<b>7,313</b>

As at 31 March 2017, 2018 and 2019 and 30 September 2019, trade receivables of approximately HK\$7.1 million, HK\$6.1 million, HK\$6.9 million and HK\$7.3 million were past due but not impaired, representing approximately 18.3%, 13.7%, 14.1% and 16.3% of the trade receivables (net of allowance for doubtful debts/credit losses), respectively. At as 31 March 2017 and 2018, our Group has not provided for impairment loss as there has not been a significant change in credit quality of the trade receivable and the amounts are still considered recoverable based on the historical experience. As at 31 March 2019 and 30 September 2019, our Group has provided general impairment loss allowance on trade receivables of approximately HK\$0.7 million and HK\$0.7 million which relate to impairment of financial assets in accordance with the requirements of HKFRS 9.

The following table sets out the average trade receivables turnover days for the periods indicated:

	For the year ended 31 March			For the six months ended 30 September
	2017	2018	2019	2019
	Days	Days	Days	Days
Trade receivables turnover days <sup>(Note)</sup>	45	48	49	54

*Note:* The turnover days of trade receivables (net of allowance for doubtful debt/credit losses) is calculated based on the average of the beginning and ending balance of trade receivables for the year/period divided by revenue during the year/period and multiplied by 365 days for the years ended 31 March 2017, 2018 and 2019 and 183 days for the six months ended 30 September 2019.



## FINANCIAL INFORMATION

Our trade receivables turnover days remained relatively stable for the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019.

As at 31 January 2020, approximately HK\$43.9 million, or approximately 97.6% of our trade receivables as at 30 September 2019 were subsequently settled.

As at 31 January 2020, approximately HK\$7.0 million, or approximately 96.2% of our trade receivables, which are past due but not impaired, as at 30 September 2019 were subsequently settled.

### Trade and other payables

The following table sets forth the components of our trade and other payables as at the dates indicated:

	As at 31 March			As at
	2017	2018	2019	30 September
	HK\$'000	HK\$'000	HK\$'000	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	28,209	29,513	28,547	23,889
Accruals	11,185	9,433	9,419	7,204
Deposits received from customers	996	2,973	2,334	134
Deposits received for disposal of motor vehicles	—	1,235	—	—
Other payables	180	78	563	145
Other taxes payables	138	406	137	88
Accrued share issue costs	—	—	2,100	2,790
Accrued listing expenses	—	1,042	6,299	8,370
<b>Total</b>	<b>40,708</b>	<b>44,680</b>	<b>49,399</b>	<b>42,620</b>

### *Trade payables*

Our trade payables primarily represent service fees payable to our external transportation services providers and dispatched work agencies. Settlement for such service fees payable is generally made in accordance with the terms specified in the purchase orders governing the relevant transactions. Our suppliers generally grant us credit terms of 15 to 60 days from the date of billing invoices. Certain suppliers request upfront payment before delivery of services and no credit period has been granted to our Group. Our trade payables remained stable as at 31 March 2017, 2018 and 2019 but decreased from approximately HK\$28.5 million as at 31 March 2019 to approximately HK\$23.9 million as at 30 September 2019 which was generally in line with the decrease in transportation costs and dispatch labour costs during the six months ended 30 September 2019.

## FINANCIAL INFORMATION

The following table sets forth an aging analysis of trade payables presented based on the invoice dates at the end of each reporting period:

	As at 31 March			As at
	2017	2018	2019	30 September
	HK\$'000	HK\$'000	HK\$'000	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
0 – 30 days	16,416	16,039	16,587	11,716
31 – 60 days	8,896	11,050	8,097	5,567
61 – 90 days	2,162	2,420	3,468	4,785
Over 90 days	735	4	395	1,821
	28,209	29,513	28,547	23,889

The following table sets forth the average trade payables turnover days for the periods indicated:

	For the year ended 31 March			For the six
	2017	2018	2019	months ended
	Days	Days	Days	30 September
	Days	Days	Days	Days
Trade payables turnover days <sup>(Note)</sup>	50	48	40	41

*Note:* Trade payables turnover days are calculated by dividing the average trade payables by the aggregate amount of (i) transportation costs; and (ii) dispatch labour costs for the period and multiplied by 365 days for the years ended 31 March 2017, 2018 and 2019 and 183 days for the six months ended 30 September 2019. Average trade payables balance is the average of the beginning and ending trade payables balances for the period.

Our trade payables turnover days remained relatively stable for the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019.

As at 31 January 2020, approximately HK\$23.5 million, or approximately 98.2% of our trade payables as at 30 September 2019 were subsequently settled.

### **Accruals**

Accruals primary consist of accrued employee benefit expenses. Our accruals expenses decreased by approximately HK\$1.8 million or approximately 16.1% from approximately HK\$11.2 million as at 31 March 2017 to approximately HK\$9.4 million as at 31 March 2018. Such decrease was mainly attributable to decrease in staff headcount for the year ended 31 March 2018. The accruals expenses decreased by approximately HK\$2.2 million or 23.4% from approximately HK\$9.4 million as at 31 March 2019 to HK\$7.2 million as at 30 September 2019, primarily due to decrease in number of staff in the PRC during the six months ended 30 September 2019.

## FINANCIAL INFORMATION

### *Deposits received from customers*

Our deposits received from customers increased by approximately HK\$2.0 million or approximately 200.0% from approximately HK\$1.0 million as at 31 March 2017 to approximately HK\$3.0 million as at 31 March 2018, such increase was mainly due to increased deposits collected from a PRC e-commerce retailer due to increased sales with such customer for the year ended 31 March 2018. Our deposits received from customers then decreased by approximately HK\$0.6 million or 23.3% from approximately HK\$3.0 million as at 31 March 2018 to approximately HK\$2.3 million as at 31 March 2019 and decreased by approximately HK\$2.2 million or 95.7% to approximately HK\$0.1 million as at 30 September 2019 primarily due to decreased sales generated from the abovementioned PRC e-commerce retailer.

### **Amount due to a related party**

Our amounts due to a related party were approximately HK\$9.8 million, nil, nil and nil as at 31 March 2017, 2018 and 2019 and 30 September 2019, respectively, representing the amount due to Mr. HM Chan which has been settled in the year ended 31 March 2018. All amounts due to a director were unsecured, interest-free, non-trade nature and repayable on demand.

### **Amount due to a joint venture**

Our amount due to a joint venture was approximately HK\$0.8 million, HK\$0.9 million, nil and nil as at 31 March 2017, 2018 and 2019 and 30 September 2019, respectively. The amount represented the advances from Kwai Bon (Suzhou), which was unsecured, interest-free, non-trade nature and repayable on demand. All amounts due to a joint venture was fully settled in March 2019.

### **Tax payable**

Our tax payable balances consists of Hong Kong profits tax payables and PRC enterprise income tax payables. It increased from approximately HK\$0.1 million as at 31 March 2017 to approximately HK\$0.7 million as at 31 March 2018. The increase in the tax payable was mainly due to increase in PRC enterprise income tax payable. It then decreased to approximately HK\$0.6 million as at 31 March 2019 which was mainly due to decrease in PRC enterprise income tax payable. As at 30 September 2019, the taxation payable increased to approximately HK\$1.2 million.

## **INDEBTEDNESS**

### **Bank overdrafts**

Our Group's bank overdrafts were approximately HK\$2.5 million, HK\$1.3 million, nil, nil and nil as at 31 March 2017, 2018 and 2019, 30 September 2019 and 31 January 2020, respectively. Our Group's bank overdrafts were mainly used for daily operations. The bank overdrafts carry interest at the bank's Hong Kong Dollar best lending rate plus 0.5% per annum.

## FINANCIAL INFORMATION

### **Bank borrowings**

Our Group had secured and guaranteed bank borrowings of HK\$3.0 million, nil, HK\$22.0 million, HK\$29.0 million and HK\$30.0 million as at 31 March 2017, 2018 and 2019, 30 September 2019 and 31 January 2020, respectively. Our Group's bank borrowings were primarily used for daily operations. The decrease in our Group's bank borrowings from approximately HK\$3.0 million as at 31 March 2017 to nil as at 31 March 2018 was mainly due to all bank borrowings being fully repaid. In June 2018, we agreed with a commercial bank in Hong Kong to grant us a bank facility of HK\$30.0 million and have drawn down an aggregate of HK\$22.0 million between July 2018 to March 2019. As at 30 September 2019, our bank borrowings increased to HK\$29.0 million due to additional draw down of HK\$7.0 million for operational needs including replacement of our Euro III DCVs. Our bank borrowings further increased by HK\$1.0 million to HK\$30.0 million as at 31 January 2020 due to further additional draw down for operational needs.

The effective interest rate on our Group's bank borrowings was 4.00%, 4.40% and 4.69% as at 31 March 2017, 2019 and 30 September 2019, respectively. As at 31 March 2017, the bank borrowings were guaranteed by Mr. HM Chan, a former director and shareholder of Kwai Bon (HK) which was fully repaid during the year ended 31 March 2018. As at 31 January 2020, our bank borrowings were supported by (i) pledged bank deposits of HK\$15 million of the Group; (ii) a corporate guarantee provided by the Company; and (iii) the joint and several personal guarantees from Mr. LB Chan and Mr. Chan Yu, both being our Controlling Shareholders and executive Directors to finance our Group's business operation which will be released upon Listing.

During the Track Record Period, the bank borrowing agreements were entered into with the lenders under normal standard terms and conditions and do not contain any special restrictive covenants. During the Track Record Period and as of the Latest Practicable Date, none of our lenders have claimed default against us under any of the terms in the bank borrowing agreements.

Our Directors confirm that our Group has not experienced any difficulty in obtaining bank borrowings, default in payment on bank borrowings or breach of finance covenants during the Track Record Period and up to the Latest Practicable Date and that they do not foresee any difficulty in obtaining bank borrowing after the Latest Practicable Date.

As at 31 January 2020, being the latest practicable date for the purpose of the indebtedness statement, we had banking facilities of approximately HK\$30.0 million, which was fully utilised.

### **Lease liabilities**

As at 31 January 2020, we have secured lease liabilities of approximately HK\$28.3 million, out of which an amount of approximately HK\$17.1 million is secured by title of the motor vehicles of the Group and a director of the Company, Mr. Chan Yu, has provided personal guarantee for the leases, the remaining amount of approximately HK\$11.2 million is secured by rental deposits of the Group.

## FINANCIAL INFORMATION

### CONTINGENT LIABILITIES

In August 2019, our Group was involved in a personal injury claim against our Group, a customer and a subcontractor of our Group. The injured person is an employee of the subcontractor and involved in an accident happened at the customer's warehouse on 19 March 2016 in our ordinary course of business. The personal injury claim is still in progress as at 31 January 2020 and the amount of claim as set out in the statement of damages filed by the plaintiff is approximately HK\$3.1 million plus interest to be assessed (if the plaintiff's future loss of earnings is taken into account) or alternatively approximately HK\$0.8 million plus interest to be assessed (if the plaintiff is considered to have lost his earning capacity).

Having considered, among other things, the opinion from the external legal adviser representing the Group in such claim, the directors of the Company consider that it is premature to estimate the outcome and financial impact of the claim, therefore, no provision has been made at this stage.

Save as aforesaid or otherwise disclosed in this prospectus, we did not have any outstanding debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages and charges, debentures, lease liabilities or material contingent liabilities or guarantees outstanding as at 31 January 2020.

### Obligations under finance leases/lease liabilities

We leased certain of our motor vehicles under finance leases with a range of two to four years. As at 31 March 2017, 2018 and 2019 and 30 September 2019, the obligations under finance leases and lease liabilities due within one year were approximately HK\$6.4 million, HK\$5.0 million, HK\$6.0 million and HK\$13.1 million, respectively. Interest rates underlying all obligations under finance leases/lease liabilities were fixed at respective contract date ranging from 2.0% to 3.50% per annum, from 1.85% to 3.50% per annum and from 1.85% to 3.50% per annum during the years ended 31 March 2017, 2018 and 2019. Our Group reclassified the obligations under finance lease of approximately HK\$6.0 million and HK\$4.2 million to lease liabilities as current and non-current liabilities, respectively, at 1 April 2019 upon the application of HKFRS16. Our obligations under finance leases/lease liabilities is secured by the lessor's charge over the leased asset.

### WORKING CAPITAL

Our Directors confirm that, taking into consideration the financial resources presently available to us, including anticipated cash flow from our operating activities, existing cash and cash equivalents, bank facilities and external financings, and the estimated net proceeds from the Share Offer, we have sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this prospectus.

Save as disclosed in this document, our Directors are not aware of any other factors that would have a material impact on our Group's liquidity. Details of the funds necessary to meet our existing operations and to fund our future plans are set out in the section headed "Future Plans and Use of Proceeds" in this prospectus.

## FINANCIAL INFORMATION

### CAPITAL EXPENDITURE

#### Capital expenditure

During the Track Record Period, we incurred capital expenditures for the purchase of transportation fleet, leasehold improvement cost, and purchase of machinery, office equipment and furniture and fixtures. Our capital expenditures were approximately HK\$4.7 million, HK\$2.1 million, HK\$13.1 million and HK\$2.6 million for the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019, respectively. We principally funded our capital expenditures through internal resources and bank borrowings.

We expect to incur additional capital expenditure of approximately HK\$22.5 million from the Listing Date to 31 March 2022, mainly for expansion, upgrading of our transportation fleet, purchasing of x-ray screening systems as well as investments in our information technology systems, of which approximately HK\$13.4 million is planned to be financed by the net proceeds from the Share Offer and the remaining balance of approximately HK\$9.1 million is planned to be financed by internal resources, bank borrowings and/or finance leases. For more details, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

We expect to meet future capital expenditure requirements through our available cash and cash equivalents, cash generated from our operations and existing available bank facilities, as well as net proceeds from the Share Offer. Where our Directors consider appropriate and necessary, we may raise additional funds on terms that are acceptable to us.

### COMMITMENTS

#### Operating lease commitments

##### *As lessee*

During the Track Record Period, our Group leased its office premises and warehouse under operating lease. The table below sets forth our Group’s commitments for operating lease payments under non-cancellable operating lease as at the dates indicated:

	As at 31 March		
	2017	2018	2019
	HK\$’000	HK\$’000	HK\$’000
Within one year	14,399	6,516	6,190
In the second to fifth year inclusive	14,723	16,694	10,196
Total	29,122	23,210	16,386

Since 1 April 2019, our Group’s commitments for the future minimum lease payments under non-cancellable operating leases have been accounted for in accordance with HKFRS 16. As at 30 September 2019, our Group did not have commitments for future minimum lease payments under non-cancellable short-term leases.

## **FINANCIAL INFORMATION**

### **Capital commitments**

During the Track Record Period, our Group incurred capital commitments of nil, nil, HK\$16.8 million and HK\$11.6 million for acquiring our transportation fleet as well as deposit for the x-ray screening systems.

### **CONTINGENT LIABILITIES**

As at 31 March 2017, 2018 and 2019, our Group did not have any material contingent liabilities.

In August 2019, our Group was involved in a personal injury claim against our Group, a customer and a subcontractor of our Group. The injured person is an employee of the subcontractor and involved in an accident happened at the customer's warehouse on 19 March 2016 in our ordinary course of business. The personal injury claim is still in progress as at the Latest Practicable Date and the amount of claim as set out in the statement of damages filed by the plaintiff is approximately HK\$3.1 million plus interest to be assessed (if the plaintiff's future loss of earnings is taken into account) or alternatively approximately HK\$0.8 million plus interest to be assessed (if the plaintiff is considered to have lost his earning capacity). For further details, please refer to the section headed "Business — Litigation and claim" in this prospectus.

Having considered, among other things, the opinion from the legal advisers representing our Group in such personal injury claim, our Directors consider that it is premature to estimate the outcome and financial impact of the claim, therefore no provision has been made at this stage.

### **POST BALANCE SHEET EVENTS**

For significant events that took place subsequent to 30 September 2019, please refer to "Recent Developments and No Material Adverse Change" in this section.

### **OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENT**

As at the Latest Practicable Date, our Group had not entered into any material off-balance sheet commitments and arrangement.

### **RELATED PARTY TRANSACTIONS**

With respect to the related party transactions set out in note 30 to the Accountants' Report in Appendix I in this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms were no less favourable to us than terms available from Independent Third Parties and were fair and reasonable and in the interest of the Shareholders as a whole.

## FINANCIAL INFORMATION

### KEY FINANCIAL RATIOS

The table below sets forth our selected key financial ratios during the Track Record Period:

	<u>As at/for the year ended 31 March</u>			<u>As at/for the six months ended 30 September</u>
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2019</u>
	Return on equity (%) <sup>(Note 1)</sup>	9.5	10.5	(0.3)
Return on assets (%) <sup>(Note 2)</sup>	3.6	5.4	(0.1)	2.2
Current ratio (times) <sup>(Note 3)</sup>	0.9	1.3	1.1	1.1
Gearing ratio (%) <sup>(Note 4)</sup>	41.6	14.8	65.0	123.1
Debt to equity ratio (%) <sup>(Note 5)</sup>	10.5	net cash	27.7	84.1
Interest coverage (times) <sup>(Note 6)</sup>	7.6	15.9	3.8	4.7

*Notes:*

1. Return on equity equals the net profit attributable to Shareholders divided by the total equity as at the end of the respective periods multiplied by 100%.
2. Return on assets is calculated by the net profit for the year/period divided by the total assets as at the end of the respective periods multiplied by 100%.
3. The current ratio is calculated by dividing current assets by current liabilities as at the end of the respective periods.
4. The gearing ratio is calculated by dividing total bank borrowings, bank overdrafts, obligations under finance leases and lease liabilities by total equity as at the end of respective periods multiplied by 100%.
5. Debt to equity ratio is calculated by dividing net amount of bank borrowings, bank overdrafts, obligations under finance leases and lease liabilities less bank balances and cash by total equity as at the end of respective periods multiplied by 100%.
6. Interest coverage is calculated by dividing profit before interest and income tax expenses by net interest expense (interest expense less interest income) for the respective periods.

### Return on equity

Our return on equity remained stable at approximately 9.5% for the year ended 31 March 2017, approximately 10.5% for the year ended 31 March 2018, turned into a negative return on equity of approximately 0.3% for the year ended 31 March 2019 and changed to positive return on equity of approximately 7.2% for the six months ended 30 September 2019. Our return on equity remained relatively stable for the years ended 31 March 2018 and 2019; and decreased to approximately (0.3)% for the year ended 31 March 2019 mainly due to the increase in non-recurring listing expenses. For the six months ended 30 September 2019, our return on equity amounted to approximately 7.2%.



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### Return on assets

Our return on assets increased from approximately 3.6% for the year ended 31 March 2017 to approximately 5.4% for the year ended 31 March 2018, turned into a negative return on assets of approximately 0.1% for the year ended 31 March 2019 and changed to a positive return on assets of approximately 2.2% for the six months ended 30 September 2019. Our return on assets increased 7.9% for the year ended 31 March 2018 primarily due to increase in our net profit for the year ended 31 March 2018. Our return on assets decreased to approximately (0.1)% for the year ended 31 March 2019 mainly due to the increase in non-recurring listing expenses and amounted to approximately 2.2% for the six months ended 30 September 2019.

### Current ratio

Our current ratio increased from approximately 0.9 time as at 31 March 2017 and approximately 1.3 times as at 31 March 2018 mainly due to the significant increase of our bank balances and cash as a result of the pre-IPO financing in 2018. Our current ratio remained stable at approximately 1.1 times and 1.1 times as at 31 March 2019 and 30 September 2019, respectively.

### Gearing ratio

Our gearing ratio decreased from approximately 41.6% as at 31 March 2017 to approximately 14.8% as at 31 March 2018 mainly because we have repaid bank borrowings and bank overdrafts as at 31 March 2018. Our gearing ratio increased to approximately 65.0% as at 31 March 2019 mainly due to draw down of an aggregate of HK\$22.0 million. As at 30 September 2019, our gearing ratio increased to approximately 123.1% due to additional draw down of bank borrowings of HK\$7.0 million and recognition of lease liabilities under HKFRS 16.

### Debt to equity ratio

Our debt to equity ratio changed from approximately 10.5% as at 31 March 2017 to net cash as at 31 March 2018. As at 31 March 2018, net cash and bank balances were noted as a result of the repayment of bank borrowings and bank overdrafts. As at 31 March 2019, the ratio changed to approximately 27.7% mainly due to the draw down of HK\$22.0 million bank loan. As at 30 September 2019, our debt to equity ratio increased to approximately 84.1% due to increase in bank borrowings and the recognition of lease liabilities under HKFRS 16.

### Interest coverage

Our interest coverage increased from approximately 7.6 times as at 31 March 2017 to approximately 15.9 times as at 31 March 2018 mainly because of the increase in net profit in 2018 and the decrease in interest expenses as a result of the repayment of bank borrowings and bank overdrafts. It decreased to approximately 3.8 times as at 31 March 2019, which was mainly due to (i) interest expenses incurred from the approximately HK\$22.0 million new bank borrowing; (ii) the

## **FINANCIAL INFORMATION**

increase in non-recurring listing expenses; and partially offset by (iii) interest income earned from the HK\$11.0 million pledged bank deposits for the year ended 31 March 2019. As at 30 September 2019, our interest coverage amounted to approximately 4.7 times.

### **FINANCIAL RISK MANAGEMENT**

During our conduct of business, we are exposed to various types of market risks including currency risk, interest rate risk, credit risk and liquidity risk.

Details of the risks to which we are exposed to are set out in Note 28 to the Accountants' Report set out in Appendix I in this prospectus.

### **DIVIDENDS AND DISTRIBUTABLE RESERVES**

During the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019, dividends of HK\$15.0 million, nil, HK\$9.0 million and nil respectively were declared by Kwai Bon (HK) and distributed to the then shareholder and were settled in full. The dividend distribution recorded in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Board in the future.

As at the Latest Practicable Date, our Group did not have any dividend policy. After completion of the Share Offer, while we currently have no plans to pay dividends to the Shareholders in the foreseeable future, we may distribute dividends by way of cash or by other means that our Directors consider appropriate. A decision to distribute any interim dividend or recommend any final dividend would require the approval of our Board and will be at its discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. A decision to declare or pay any dividend in the future and the amount of any dividends depends on a number of factors, including but not limited to our results of operations, financial condition, working capital, capital requirements and other factors our Board may deem relevant. We will re-evaluate our dividend policy annually. Our Board has the absolute discretion to decide whether to declare or distribute dividends in any year. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

As at the Latest Practicable Date, our Company has no distributable reserves available for distribution to our Shareholders.

### **LISTING EXPENSES**

Listing expenses represent professional fees, underwriting commission, SFC transaction levy and Stock Exchange trading fee incurred in connection with the Share Offer and the Listing. The total estimated listing expenses in connection with the Share Offer are approximately HK\$42.2 million (based on the mid-point of the Offer Price of HK\$0.50 per Offer Share), of which approximately HK\$19.2 million is directly attributable to the issue of new Shares and to be accounted for as a deduction from the equity. Out of the remaining HK\$23.0 million, approximately HK\$16.4 million had been charged to our profit and loss account for the Track Record Period and the remaining amount of approximately HK\$6.6 million is expected to be recognised in our

## FINANCIAL INFORMATION

consolidated statements of profit or loss and other comprehensive income for the year ending 31 March 2020. The abovementioned total estimated expenses represent approximately 70.3% of the gross proceeds from the Share Offer (based on the mid-point of the Offer Price of HK\$0.50 per Offer Share). The actual amounts to be recognised to the profit and loss of our Group or to be capitalised are subject to adjustments based on audit and changes in variables and assumptions.

**Prospective investors should note that our financial results for the year ending 31 March 2020 will be adversely affected by the non-recurring listing expenses described above, and may not be comparable to the financial performance of our Group in the past.**

### UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

For details of our unaudited pro forma adjusted consolidated net tangible assets, please refer to the section headed “Unaudited Pro forma Financial Information” in Appendix II to this prospectus.

### RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

#### **Impact of the trade war between the PRC and the United States on our Group**

Our Group’s business operations and financial results may be adversely affected by the recent trade-war between the PRC and the United States. In May 2019, the United States announced to raise punitive tariffs on US\$200 billion of imports from China from 10% to 25% which took effect on 10 May 2019. In August 2019, the United States announced a 10% tariffs on US\$300 billion worth of Chinese imports with effect from 1 September 2019, and subsequently delayed the tariffs on about half of the Chinese products to 15 December 2019. In response, China announced it will impose additional retaliatory tariffs against about US\$75 billion worth of U.S. goods. On 15 January 2020, the United States and the PRC government signed the phase one agreement aimed at easing the Sino-U.S. trade war. Pursuant to such agreement, among others, U.S. tariffs on approximately US\$370 billion Chinese goods remain in place. On 6 February 2020, the PRC officials announced that tariffs that the Chinese government imposed on some United States goods since 1 September 2019 would be cut from 10% to 5%, and on others from 5% to 2.5%. The second phase agreement anticipated to be entered into between the PRC and the United States has not been concluded as at the Latest Practicable Date. According to Frost and Sullivan, the recent trade war between the United States and the PRC may have a negative impact to the air freight forwarding and transportation industries. With the United States’ imposition of tariffs on certain Chinese imports and China’s imposition of tariffs on certain United States imports, the trade volume between the United States and the PRC may significantly decrease, thus reducing the demand for air freight forwarding services, which will in turn adversely affect the demand for the air cargo ground handling services. This would adversely affect our business operations and financial results. For further details, please see the section headed “Risk Factors — Tariffs recently proposed by the United States and PRC governments against the counterpart’s products may adversely affect our revenue and profit.” in this prospectus.

### **Impact of the recent outbreak of COVID-19 on our Group**

According to the Frost and Sullivan Report, the outbreak of COVID-19 is anticipated to bring a major short-term impact to the global economy, particularly in the PRC in 2020. Several provinces in the PRC, including Hubei, Anhui, Zhejiang, Liaoning, Jiangxi and Guangdong have imposed temporary restrictions on business operations and travelling after the Lunar New Year holidays, leading to limited operations in a number of industries such as tourism, public transportation, food and beverage, manufacturing and logistics. Major cities including Beijing, Shanghai, Tianjin, Hangzhou, Guangzhou, Shenzhen implemented semi-city lockdown (半封城狀態) and/or close door community management (社區封閉式管理). Over 80 cities in the PRC have imposed city lockdown measures including forbidding non-residents of the communities from entry, road blocks and closure of public venues. The global supply chain was adversely affected as hundreds of manufacturers in the PRC have temporarily suspended or limited the scale of their operations. Also, a large number of workers are unable to work due to travel restrictions across cities in the PRC or imposition of the isolation measures by the central government. Therefore, the logistics industry has been negatively affected by a reduction in international and inter-provincial flow of goods and unavailability of workers across the PRC. Based on the Frost and Sullivan Report, subject to further instructions from the relevant PRC authorities, companies of various industries including freight forwarders in the PRC may be required to further postpone the resumption of their operations or suspend their operations.

On 11 March 2020, the WHO announced the COVID-19 outbreak a pandemic and more and more countries are now experiencing clusters of cases or community transmission. As at the Latest Practicable Date, Europe has become the epicenter of the pandemic, and more than 330,000 cases of COVID-19 from over 190 countries and territories have been reported to the WHO. A number of governments have issued entry restrictions for foreign travelers, including among others, (i) the U.S. implementing a travel ban applicable to non-Americans who have been in the Schengen border-free travel area, United Kingdom and Ireland within 14 days of travelling to the U.S.; and (ii) Singapore would not allow all short-term visitors (from anywhere in the world) to enter with effect from 23 March 2020. In March 2020, the government of Spain announced that their citizens are confined to their homes for 15 days unless they need to leave home for essential reasons, while Germany announced it will ban entrances from France, Switzerland and Australia. The Italian government also imposed nationwide restrictions to curb the spread of the COVID-19, including closing schools, shops and sporting events and ordering people to stay home, except for essential travel. The European Union announced that it is banning the non-essential entry of all foreign nationals, and only residents, family members and essential staff, such as healthcare workers and medical experts, will be exempt from the measures, to be imposed for 30 days initially, subject to the agreement by the European Union members. The European Commission currently estimated that the COVID-19 will lead to a -1% real GDP growth in the European Union and euro area in 2020, with a substantial but not complete rebound in 2021. Aside from Europe, the U.S. government has received proposals and is considering on possible measures to curb the economic downturn, including payroll tax cuts, expansion and streamlining of loan programmes for small businesses, and loans and/or tax relief for airline companies. On 18 March 2020, the U.S. government announced that the land border between Canada and U.S. would be temporarily closed to all non-essential travels. Subsequently, on 23 March 2020, the prime minister of Canada issued a stern warning to Canadians to stay home and left open the possibility that the Canadian government may

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take more extreme measures as the number of confirmed COVID-19 cases continues to rise. Quebec of Canada also announced that all restaurant dining rooms, shopping malls, hair salons and schools will remain closed until 1 May 2020.

On 13 March 2020, Hong Kong announced that (i) the red outbound travel alert was issued to 26 European countries (Schengen Area) including France, Italy and Spain; (ii) with effect from 14 March 2020, people arriving in Hong Kong who have been to Italy, certain regions in France, Germany and Spain, and Hokkaido in Japan will be subject to compulsory home quarantine; and (iii) with effect from 17 March 2020, people arriving in Hong Kong who have been to the Korea and the Schengen Area in Europe in the past 14 days will be subject to compulsory home quarantine. On 23 March 2020, the Hong Kong Government further announced that it will ban all foreign visitors and transit passengers from entry into Hong Kong for a two-week period commencing from 25 March 2020, and extended its compulsory 14-day quarantine requirements to visitors from Macau and Taiwan.

According to the Frost and Sullivan Report, on the assumption that (i) the expert opinions on the possible tapering off of the spread of COVID-19 upon the arrival of warmer weather are accurate; and (ii) the adoption of policies to cancel large public gatherings and confine citizens to stay at home and avoid social contact by European countries are effective, and having considered the number of confirmed cases of the COVID-19 in the PRC appeared to have slowed down gradually in March 2020 after the PRC has adopted semi-city lockdown and/or close door community management measures, the outbreak of the COVID-19 is likely to be effectively controlled in mid-2020, hence the outbreak of it is expected to cause a short-term economic slowdown but may not affect the markets in Hong Kong and the PRC in the long-run. Frost and Sullivan also remained positive to the growth of these markets and maintain their estimation of the growth in market size in the Frost and Sullivan Report in the industry as disclosed in the section headed “Industry Overview” in this prospectus.

### ***The impact of the COVID-19 on our Group’s operations***

The COVID-19 has affected our Group’s operations the PRC in the short term. Although our Group was allowed to resume its operations in the PRC on 3 February 2020 (i.e. three days delay from the original Lunar New Year holidays), in order to minimise the risk of possible community transmission of the COVID-19, our Group implemented flexible rotation arrangements for our staff in the PRC, and as such our Group’s operations in the PRC only resumed to its full capacity by the end of February 2020.

### ***The impact of the COVID-19 on our Group’s financial position***

Our Directors expect that the recent outbreak of COVID-19 has some degree of impact on the operations and financial position of our Group in the short term. As hundreds of manufacturers in the PRC have temporarily suspended or limited the scale of their operations, it would delay the delivery schedule of the products and would in turn affect the delivery schedule of air cargos by our customers, such as global express carriers, air cargo terminal operators and freight forwarders. This would lead to a decrease in demand in our services and affect our Group’s financial position.

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Furthermore, the potential global economic downturn resulting from the outbreak of the COVID-19 may lead to an adverse change in the macro-economic situation or economic downturn globally, negatively affect consumer confidence and purchasing behavior and lead to a drop in the air cargo throughput. As certain countries in Europe such as Italy, Spain, France, Germany and United Kingdom, the U.S., Quebec of Canada and Australia have adopted temporary general business shut down measures, city lock down and/or confinement of citizens to stay at home save for essential duties, it may lead to a decrease in economic activities and private consumer spending from those regions and a reduction in global air cargo throughput. As a result, the operations of our Group's customers such as global express carriers, air cargo terminal operators and freight forwarders may shrink as the demand from certain of their end customers drops, leading to a decrease in demand on our services.

Also, travel ban restrictions imposed by certain countries may lead to a drop in the availability of passenger aircrafts for the transport of air cargos, which may affect the global air cargo throughput and the operations of our customers, such as express carriers (excluding Top Global Express Carrier which has its own cargo aircrafts) and freight forwarders who do not possess their own aircrafts. As a result of possible reduction of supply of passenger flights, it may increase the costs of operations of express carriers and freight forwarders and negatively affect their financial performance. They may adopt cost control measures and reduce their purchase orders with our Group should our competitors offer a more competitive pricing. To the best knowledge and belief of our Directors after making all reasonable enquiries, it is expected that the revenue of the Group for the first quarter of 2020 would decrease by approximately 9% compared with the corresponding period in 2019.

We expect that the negative impact on the financial position of our Group in the short term will be mitigated by the subsidy to be provided by the Hong Kong Government. In mid-March 2020, the Transport Department of the Hong Kong Government announced that eligible owners of, among others, private cars and goods vehicles would be given a one-off non-accountable subsidy of HK\$10,000 per vehicle. We anticipate that subject to the Hong Kong Government's approval, approximately 134 of our self-owned vehicles would be eligible for the subsidy and our Group would receive the subsidy in the aggregate amount of approximately HK\$1.3 million.

Notwithstanding the short term impact that the COVID-19 is expected to bring to our Group's operations and financial position, our Directors currently expect that the COVID-19 would not have a material adverse impact to the sustainability of our Group's business in the long foreseeable future as:

- (i) our Group's operations in the PRC resumed to its full capacity by the end of February 2020;
- (ii) as at the Latest Practicable Date, the government of Hong Kong has not imposed any regulation requiring (a) suspension of operations for all enterprises in Hong Kong; (b) the operations inside AAT or Super Terminal 1 of the Hong Kong International Airport; nor (c) suspension of cross-border logistics services between Hong Kong and the PRC;

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- (iii) the Chief Secretary of Administration of Hong Kong has exempted cross-boundary goods vehicle drivers and necessary accompanying personnel from a 14-day compulsory quarantine and as such, our provision of cross-border transportation services was not affected;
- (iv) there was no cessation of our operations in Hong Kong (including the provision of air cargo ground handling services inside AAT or Super Terminal 1 of the Hong Kong International Airport) subsequent to the Track Record Period and up to the Latest Practicable Date;
- (v) we have not encountered any material supply chain disruption subsequent to the Track Record Period and up to the Latest Practicable Date;
- (vi) our Directors anticipate an expected increase in public consumption due to considerable growth of government spending on health care and medical supplies in the coming months, as well as increase in private sector spending on certain categories of consumer goods such as face masks and sanitary products. Frost and Sullivan also confirmed that there has been a surging demand for medical and sanitary products amid the overall decline of trading of goods in the first quarter of 2020, and that amid the outbreak of the COVID-19 across the world, daily necessities and goods for urgent relief such as medical supplies and sanitary products are of high demand and these goods have a tendency of being transported through express delivery by air transport due to the urgency of the situation. The above will partially offset the adverse impact of the shrink of the operations of our Group's customers brought by a drop in general private consumer spending, and as such, the demand on our Group's services and the volume of goods our Group handled for its customers may not necessarily drop significantly;
- (vii) a gradual shift to online shopping on consumer goods as a result of reduced social contact will drive the growth of air cargo delivery and increase the demand of our Group's services from global express carriers and air cargo terminal operations. We may also capture business opportunities from e-commerce retailers and provide transportation services and warehousing and other value-added services to them as a result of increasing online shopping spending on consumer goods from the private sector;
- (viii) the travel ban imposed by countries as at the Latest Practicable Date generally focus on restrictions on passenger travels across countries and not on air cargo transportation;
- (ix) after the PRC has adopted semi-city lockdown and/or close door community management measures, our Directors observed, and agreed by Frost and Sullivan, that the surging number of confirmed cases of the COVID-19 in the PRC appeared to have slowed down gradually in March 2020, and the aggregate confirmed new cases in the PRC for the period between 19 March 2020 to 23 March 2020 were less than 450. According to WHO, the PRC and other countries are demonstrating that the spread of the COVID-19 can be slowed and impact reduced through the use of universally applicable actions, such as working across society to identify people who are sick, bringing them to care, following up on contacts, preparing hospitals and clinics to manage a surge in patients, and training health workers. Taking into account the estimated time required for the pace of confirmed COVID-19 cases in the PRC to slowdown and on the assumption that the

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European or America countries adopt similar measures to cancel large public gatherings and confine citizens to stay at home and avoid social contact are effective, our Directors believe, and based on (a) the expert opinions on the possible tapering off of the spread of COVID-19 upon the arrival of warmer weather; (b) the abovementioned slowing down of the rapid increase of COVID-19 cases in the PRC; and (c) European countries are imposing nationwide policies with the aim to minimise community outbreak and import cases of COVID-19 including travel ban on foreigners, cancellation of public events, confinement of citizens to stay at home, Frost and Sullivan is of the view that the rapid increase in confirmed COVID-19 cases in Europe and America may take two to three months to slow down from its peak, and be controlled in mid 2020;

- (x) the air cargos which our Group handles for its customers are consumer goods in general such as courier packages, vulnerable cargoes and electronic goods, which a considerable portion are in general believed to be originated from the PRC; and the goods that our Group handles in the transportation business segment are consumer goods in general, which are also in general believed to be originated from the PRC; and
- (xi) the operation of the global economy and international trade relies on the logistics industry which supports the international flow of consumer goods, and as the combating of COVID-19 requires international and coordinated efforts such as the urgent transport of testing equipment, sanitary products and medical supplies across the globe to countries in need, the negative impact brought to our Group due to a decrease in private consumer spending would be mitigated by the increase in air cargo throughput as a result of the express delivery of certain consumer goods for relief purposes.

Furthermore, as at 31 January 2020, we had bank borrowings of approximately HK\$30.0 million and none of our lenders have claimed default against the Group under any of the terms in the bank borrowing agreements, and that as at the Latest Practicable Date, there was no loss of our major customers and our Group continued to be able to discharge its obligations under all existing contracts after receiving the orders placed by our customers from time to time. Our Directors were not aware of any material delay on our ability in providing our services or imposition of penalties or termination of existing contracts by our customers due to our failure in meeting the KPIs set by our customers.

As such, our Directors are of the view that our operations in Hong Kong was not materially affected by the outbreak of COVID-19 and although our operations in the PRC was affected which may have a negative impact on our revenue in the PRC in the short term, we do not consider that it will have a significant impact on our operation and financial position as a whole. Nonetheless, if the outbreak of the COVID-19 prolongs and the operations of our Group in the PRC is completely disrupted; our Directors estimate that our cash and cash equivalents and trade receivables as at 31 January 2020 are sufficient to maintain our Group's financial viability for the coming 24 months in settling our estimated monthly fixed costs (including rentals and staff costs), trade payables and finance costs from bank borrowings outstanding as at 31 January 2020. If, in addition to the above unlikely and extreme events, we are unable to maintain our operations in the PRC and Hong Kong from March 2020 onwards, our Directors estimate that our cash and cash equivalents and trade



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receivables as at 31 January 2020 are sufficient to maintain our Group's financial viability for the coming seven months in settling our estimated monthly fixed costs, trade payables and finance costs from bank borrowings outstanding as at 31 January 2020.

After discussion with the Sole Sponsor and Deloitte Touche Tohmatsu, our Reporting Accountants, our Directors are of the view that the outbreak of the COVID-19 has no significant impact on the measurement, recognition and disclosure of the relevant historical financial information of our Group as set out in the Accountants' Report in Appendix I to this prospectus and will not constitute an adjusting event after the reporting period pursuant to HKAS/IAS 10 "Events after the reporting period". Disclosure for the management's assessment on the impact of COVID-19 is included in the Accountants' Report in Appendix I to this prospectus and our Directors considered that our Company's current financial information is in compliance with HKAS/IAS 10 "Events after the reporting period".

### *Contingency plan and precautionary measures*

In response to the COVID-19 outbreak, we have discussed with our independent contractors on their ability to meet our demands and requirements to ensure the stability and consistency of our services, identified potential new independent contractors needed for our operations to reduce any disruptions that may cause, and implemented flexible rotation arrangements for our staff with an aim to control and minimise possible community transmission of the COVID-19 to ensure a stable workforce available.

We have also implemented the following measures in response to the outbreak of the COVID-19 to minimise novel coronavirus infections at its workplace, including (i) providing sanitary masks to employees and require them to wear sanitary masks at workplace mandatorily; (ii) measure and record the temperature of our employees (including despatch labour) at workplace daily; (iii) requiring our employees (including despatch labour) to submit a health declaration form to our human resources department if they have travelled to the PRC during the Lunar New Year holidays; (iv) requiring employees to attend to near-by hospitals for diagnosis and treatment immediately if they develop any respiratory disease symptoms; and reminding our employees to be aware of the importance of health protection. We estimate that the additional costs for implementing these enhanced measures would have no significant impact on our Group's financial position for the year ending 31 March 2020.

Our Directors would consider to implement cost control measures in future as part of our contingency plan, including reducing the Group's staff costs, not renewing our existing tenancy agreements upon their respective expiry and/or exercising the early termination clause in the tenancy agreement of the Kwai Bon Logistics Centre, and selling part of our self-owned transportation fleet.

### *Risks relating to the outbreak of the COVID-19*

**In the event that the various measures adopted by the governments worldwide are ineffective to contain the COVID-19, it may lead to skepticism in the recovery of the global economy, and resulting in further drop in consumer confidence, private spending and business transactions, and as such our Group's financial performance will be adversely affected due to reduced demand from our customers. Please refer to the section headed "Risk Factors —**

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**Risks relating to our business — The outbreak of any severe communicable disease, in particular the COVID-19, if uncontrolled, could adversely affect our results of operations” in this prospectus for further details.**

### **Other recent development**

Subsequent to the Track Record Period and up to the Latest Practicable Date, we continued to focus on our provision of logistics services and our business model remains unchanged, and entered into a service contract with a new customer for the provision of transportation and warehousing and other value added services.

With the introduction of a new policy direction issued by the International Civil Aviation Organisation (“**ICAO**”) to progressively increase the required screening percentage of known cargos from 1% to 100% by 30 June 2021, we expect strong demand for x-ray screening services from our existing customer network and intend to strengthen our warehousing and other value-added services by offering our customers with cargos-screening services. In October 2019, we have entered into a agreement with a member of Global Port Business Trust, an entity listed on the Singapore Exchange, whereby Global Port Business Trust intends to license our Group to operate its air freight container freight station warehouse (“**Air Freight CFS Warehouse**”) in Kwai Chung, and work together to develop the Air Freight CFS Warehouse as a Regulated Air Cargo Screening Facility which complies with all the licensing and qualification requirement of the Civil Aviation Department of the Hong Kong Government. In October 2019, the Licensor and our Group entered into a legally-binding agreement (the “**Agreement**”) for a term of three years, pursuant to which the Licensor shall provide warehousing and related logistics services to our Group at the Air Freight CFS Warehouse, and our Group shall install one set of x-ray screening system in the Air Freight CFS Warehouse and carry out warehousing and cargos-screening services for our customers. According to the Agreement, in the event that the Licensor requests our Group to provide cargo handling services for its customers, our Group will charge a service fee per different size of cargo. The improvement works of the Air Freight CFS Warehouse and the installation of the x-ray screening systems was completed in December 2019, and the warehousing and other value-added services (including cargos-screening services) at the Air Freight CFS Warehouse has commenced in February 2020. Our Group plans to invest approximately HK\$6.0 million in the warehouse as the set-up cost including but not limited to the cost of renovation, installation of computer equipment, CCTV and x-ray screening systems, out of which our Group has invested approximately HK\$1.9 million, including one x-ray system and the remaining amount of approximately HK\$4.1 million will be invested in the first three quarters of 2020 (out of which approximately HK\$0.4 million, HK\$1.2 million and HK\$2.5 million would be invested in the first, second and third quarter of 2020, respectively) despite there are no any financing commitment stated in the Memorandum and the Agreement for both parties.

Save as disclosed in the paragraph headed “Listing Expenses” in this section, our Directors confirmed that since 30 September 2019 (being the date to which the latest audited consolidated financial statement of our Group were prepared) and up to the date of this prospectus, (i) there had been no material adverse change in the market conditions or the industry and environment in which our Group operates that materially and adversely affect our financial and operating position; (ii)

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there was no material adverse change in the business operations and financial position or prospect of our Group; and (iii) no event had occurred that would materially and adversely affect the information shown in the Accountants' Report set out in Appendix I in this prospectus.

### **DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES**

As at the Latest Practicable Date, our Directors confirm that there were no circumstances that would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

## FUTURE PLANS AND USE OF PROCEEDS

### BUSINESS OBJECTIVES AND STRATEGIES

Our business objectives are to strengthen our position in the logistics industry and further expand our business operations with a view to create long-term Shareholders' value. We intend to achieve our objectives by pursuing the following strategies:

- expand and upgrade our transportation fleet to capture business opportunities;
- facilitate the replacement of our transportation fleet which are Euro III DCVs;
- acquire x-ray screening systems;
- expand our labour force to capture for our business growth; and
- invest and upgrade in our information technology systems.

For further details of our strategies, please see the section headed “Business — Business Strategies” in this prospectus.

### REASONS FOR THE LISTING

Our Directors believe that our Group has commercial rationale to pursue for Listing and raise capital from equity market to fund and support our business expansion:

#### **Formidable hurdles for the Group to grow and expand**

Our Group is an established air cargo ground handling service provider with over 20 years of proven track record in Hong Kong. Historically, we have been trying to use our financial resources, comprising cash and cash equivalents, cash flow from our operating activities and available banking facilities, to support our business operation in order to keep pace with the development in the industry. We currently encounter formidable hurdles to achieve the expansion plan without the necessary resources:

- (i) Provision of air cargo ground handling services substantially requires sizable operational resources, including transportation fleet, labour force and financial resources. Particularly for ancillary delivery and transportation services that accounted for more than 54% of the Group's total revenue during the Track Record Period, our capacity to carry out such services, depends largely on the availability of transportation fleet. As our transportation fleet was almost fully utilised at an average utilisation rate of approximately 99.4%, 98.0%, 98.1% and 97.6% during the Track Record Period, our existing transportation fleet has no additional capacity to take up more business;
- (ii) As we recorded a high utilisation rate in its transportation fleet during the Track Record Period, we have engaged external transportation service providers to take up part of our ancillary delivery and transportation services. For the Track Record Period, external transportation service costs were approximately HK\$91.7 million, HK\$101.4 million,

## FUTURE PLANS AND USE OF PROCEEDS

HK\$123.5 million and HK\$52.9 million respectively, for the Track Record Period, which translated into the average cost per trip of approximately HK\$660, HK\$864, HK\$758 and HK\$920, respectively, for the same periods;

- (iii) Without any capacity of our own transportation fleet, while taking into account the increasing trend of external transportation service costs, we therefore chose to engage in higher-value transactions in order to maximise our profitability. Therefore, even though the cargo volume processed in our ground handling services increased during the Track Record Period, the number of trips for ancillary delivery and local transportation services provided by our Group to its customers (other than newly secured customers) decreased from approximately 196,000 for the year ended 31 March 2017 to approximately 160,000 for the year ended 31 March 2018. For the year ended 31 March 2019, the number of trips increased to 189,000 which was still lower than that of the year ended 31 March 2017. The number of trips for such services decreased from approximately 94,000 trips for the six months ended 30 September 2018 to approximately 82,000 trips for the six months ended 30 September 2019;
- (iv) In order to maintain high service quality while providing operational flexibility and cost effectiveness, we generally provide ancillary delivery and domestic point-to-point transportation services within Hong Kong either by utilising our own transportation fleet, or by engaging external transportation service providers which would approximately be, to the best knowledge, belief and estimate of our Directors, on a 40% and 60% basis for the Track Record Period. However, due to unavailability of our self-owned transportation fleets, we increased the extent of outsourcing for our ancillary delivery services and domestic point-to-point to external transportation service providers. For example, for the provision of domestic transportation services to a member of Top Global Logistics Company, who is our new customer, a higher portion were sourced to external transportation service providers where our Group engaged a higher portion of external transportation services which would in turn increase the associated costs incurred therefrom, thereby squeezing our net profit margin;
- (v) We received requests from our existing customers and inquiries from new or potential customers for ancillary delivery and domestic transportation services from time to time with an estimated revenue of approximately at least HK\$10.0 million during the Track Record Period. Due to constraints on operational resources as stated above, we could only be able to selectively undertake business opportunities that our Directors believe would not cause undue strain on our Group's operational resources. As a result, our Group recorded relatively stable revenue growth during the Track Record Period;
- (vi) Our Directors also consider that it is in the interests of our Group to purchase rather than lease the transportation fleet that we intend to replace or purchase using the net proceeds from the Share Offer as the estimated annual savings would amount to approximately

## FUTURE PLANS AND USE OF PROCEEDS

HK\$3.3 million. Please refer to the section headed “Business — Transportation fleet — Plan for expansion and upgrading of our own transportation fleet — Cost and benefit analysis” in this prospectus for further details; and

In September 2016, the International Civil Aviation Organisation introduced a new policy direction to progressively increase the required screening percentage of known cargos from 1% to 100% by 30 June 2021. Please refer to the sections headed “Regulatory Overview — Hong Kong Laws — 1. Laws and regulations in relation to our business” and “Business — Business strategies — Expansion of our value-added service business in providing cargos-screening services” in this prospectus for further details. With the implementation of such policy direction, our Group believes that there would be strong demand for x-ray screening services from our existing customer network as (i) the percentage of cargos exported out of Hong Kong which shall be subject to mandatory screening would gradually increase and by June 2021, all of their cargos are required to be screened mandatorily; (ii) there are costs considerations for our existing customers should they decide to set up their own x-ray screening systems; and (iii) we have an established track record in providing air-cargo related services. In addition, we anticipate demand from new customers on our x-ray screening services, as they need to engage service providers to provide cargos-screening services for their cargos if they do not have their own x-ray screening systems. In late June 2019, we have entered into a non-legally binding memorandum of understanding with a member of Global Port Business Trust, an entity listed on the Singapore Exchange, whereby Global Port Business Trust intends to license our Group to operate its air freight container freight station warehouse (the “**Air Freight CFS Warehouse**”) in Kwai Chung, and work together to develop the Air Freight CFS Warehouse as a Regulated Air Cargo Screening Facility which complies with all the licensing and qualification requirement of the Civil Aviation Department of the Hong Kong Government. In October 2019, we have entered into a legally-binding agreement with such member for a term of three years. Should we fail to setup and provide such x-ray screening services as part of our value-added services to our customers in the near future, we might lose the edge of integrated service offerings as our customers would need to carry out the x-ray screening on their own or through other third party service providers, and hence running the risk of losing our customers to our competitors.

### **Positive industry outlook with ample business opportunities**

Our Directors believe that there is sufficient market demand to justify our future plan, given the growth in the air cargo ground handling service industry in Hong Kong as a whole and the individual segments (details please refer to the details in the sections headed “Industry Overview” and “Business — Business Strategies” in this prospectus) as follows:

#### *Air cargo terminal operation service business*

According to the Frost and Sullivan Report, the overall Hong Kong air cargo terminal operating service market is forecasted to grow steadily at a CAGR of approximately 4.6% from 2019 to 2023. In addition, Hong Kong small and medium enterprises (“**Hong Kong SMEs**”) are exporting as much within Asia Pacific as they are to other regions. More than 70% of these Hong Kong SMEs are now engaging in exports, a significant increase over the past three years. Exports now account for 88% of the total average revenues of Hong Kong

## FUTURE PLANS AND USE OF PROCEEDS

SMEs, which is equivalent to approximately HK\$11.3 million and higher than the Asia Pacific average of approximately HK\$9.4 million. The total average export revenues of Hong Kong SMEs have increased by approximately 24% to more than HK\$9.0 million over the last two years. China, Taiwan and Japan are the top export markets among Hong Kong SMEs in the Asia-Pacific region, whereas Europe and Central/South Asia are the top export markets outside the Asia-Pacific region.

We recorded a historical growth at an average annual growth rate of approximately 7.7% for the Track Record Period primarily as a result of the increases in both the quantity of air cargo and average revenue per tonne at an average annual growth rate of approximately 4.9% and 4.2%, respectively, for the Track Record Period. Such increases mainly due to the increased quantity of air cargos handled especially for Top Global Express Carrier. Based on the best estimates of our Directors, in view of the current market conditions, we estimate the cargo volume handled by us will increase after taking into account (a) the current operations with historical higher-than-market annual growth rate of air cargo volume handled by the Group for its ground handling service segment during the Track Record Period; and (b) the expansion of Top Global Express Carrier's air cargo terminal operation in Hong Kong as a result of its internal restructuring following its acquisition of another global express carrier.

Given (a) the forecast increase in the quantity to be handled in the ground handling service segment for Top Global Express Carrier whereby we are the sole transportation service provider; (b) two new routes exclusively assigned to our Group by Top Global Express Carrier pursuant to the air cargo terminal operation contract in Hong Kong renewed in June 2018; and (c) the current market conditions, our Directors estimate there will be an increase in number of trips to be completed for our ancillary delivery service segment.

### *Transportation service business*

According to the Frost and Sullivan Report, the overall Hong Kong land freight transportation service is forecasted to grow at a CAGR of 2.3% from 2019 to 2023, reaching approximately HK\$24.7 billion.

According to the Frost and Sullivan Report, air cargo throughput in the PRC will continue to do well by an increase at a CAGR of approximately 7.3% from 2018 to 2022, reaching approximately 21.4 million tonnes in 2022. In particular, the air cargo throughput in Guangzhou, Shanghai, Shenzhen and Chengdu, the PRC is forecasted to increase from 2018 to 2022 with a CAGR of approximately 7.2%, 6.2%, 5.9% and 6.0%, respectively, according to the Frost and Sullivan Report. Our Directors expected our business performance for our domestic point-to-point transportation services within or adjacent to Shenzhen, Shanghai and Guangzhou and Chengdu, the PRC will remain stable.

Based on the bases and assumptions adopted for projecting the forecast number of the forecast increased number of trips to be completed as stated in the section headed "Business — Transportation Fleet" in this prospectus, it is estimated that the forecast annual increase in number of trips to be completed for our ancillary delivery and domestic transportation service segment would be approximately 53,000 trips and 48,000 trips for the years ending 31 March 2021 and 2022, respectively, and that for our cross-border transportation service segment would be approximately 13,000 trips and 10,000 trips for the corresponding periods. For details, please refer to the paragraphs headed "Business — Business Strategies" and "Business — Transportation Fleet" in this prospectus.

## FUTURE PLANS AND USE OF PROCEEDS

### *Other value — added service business*

We expect strong demand for cargos-screening services from our existing customer network after the introduction of a new policy direction issued by the International Civil Aviation Organisation (“ICAO”) to progressively increase the required screening percentage of known cargoes from 1% to 100% by 30 June 2021. Please refer to the section headed “Regulatory Overview — Hong Kong Laws — 1. Laws and regulations in relation to our business” in this prospectus for further details. In response to the new policy direction, our Group purchased one new x-ray screening system for the six months ended 30 September 2019 and intends to purchase three additional new x-ray screening systems to provide our customers cargos-screening services under our warehousing and other value-added services.

### **Insufficient cash resources available to fund the Expansion Plan**

Prior to the Listing, our business was primarily funded by cash and cash equivalents, cash flow from operating activities and bank borrowings and/or bank overdrafts. The current cash resources available to us is estimated to be approximately HK\$19.2 million (i.e. the sum of our cash and bank balances as at 30 September 2019 of approximately HK\$18.4 million and the average monthly net cash inflows from operating activities for the six months ended 30 September 2019 of approximately HK\$0.8 million) which would only be sufficient to satisfy less than two months of our Group’s estimated Total Operating Costs of approximately HK\$24.7 million per month based on the Total Operating Costs of approximately HK\$148.2 million for the six months ended 30 September 2019. There is a possible mismatch in the cash inflow from customers and cash outflow to our suppliers from time to time. During the Track Record Period, the average turnover days of our trade receivables were approximately 45 days, 48 days, 49 days and 54 days respectively which might sometimes be longer than the average turnover days of our trade payables were approximately 50 days, 48 days, 40 days and 41 days. Our Directors consider that it is crucial for us to maintain sufficient amount of immediately available cash resources for meeting its liquidity needs especially in case of unforeseen circumstances such as customers’ delay or default on payments, significant cost increments and other operational difficulties.

Having considered the above, together with our Group’s thin margins during the Track Record Period, Our Directors believe that it is prudent to retain sufficient internally generated cash resources to accommodate ongoing operating working capital requirements, and to guard against any unexpected new costs or any unexpected increase in the existing costs. It would therefore be inefficient and injudicious to rely on limited internally generated cash resources to fund our business expansion plan as it could create operational difficulties, if, for example, it would not be able to react promptly to unforeseen circumstances in the market.

As such, our Directors consider that the current financial resources available to us are only sufficient for the present scale of our operation and are not sufficient to fund our expansion plan. Therefore, we need to generate additional funds to finance the Expansion Plan, while simultaneously maintaining sufficient working capital for our business operations. Hence there are genuine funding needs for our business growth. Having considered the current level of our bank borrowings, our Directors believe that Listing is strategically significant to the long-term growth of our business as it provides financial resources for our organic growth.



## FUTURE PLANS AND USE OF PROCEEDS

### **Advantages of equity financing over debt financing**

We had bank loans of approximately HK\$3.0 million, nil, HK\$22.0 million and HK\$29.0 million as at 31 March 2017, 2018 and 2019 and 30 September 2019 respectively. As at 30 September 2019, we had banking facilities of approximately HK\$30.0 million, of which approximately HK\$29.0 million have been utilised and approximately HK\$1.0 million had not been utilised. In the meanwhile, we have pledged bank deposit of approximately HK\$14.5 million against such banking facility. As such, we recorded a gearing ratio of approximately 123.1% based on its equity as at 30 September 2019. As at 31 January 2020, the banking facilities of HK\$30.0 million was fully drawdown, resulting in a gearing ratio of approximately 125.3%. The substantial increase in the indebtedness level and gearing ratio would adversely affect the financial credibility and financial condition of our Group which will limit its future ability to bid for new business and obtain additional bank borrowings.

The aforesaid banking facility was entered into in June 2018, carries a variable interest rate at Hong Kong Interbank Offered Rate (“**HIBOR**”) plus 2.75% per annum and was for a term of 12 months and could be extended for another 12 months subject to the bank’s approval. The loan has been utilised for, among other things, the settlement of part of the replacement cost of Euro III DCVs, the purchase cost of one x-ray system and general working capital. In September 2018, the prime rates in Hong Kong rose. The general market view is that the interest rate in Hong Kong is set to further rise. Hence the use of debt financing for significant capital requirements for our expansion plan will subject us to the inherent risks of uncertain increasing financial costs. Our bank borrowings were on a short-term basis which were repayable within one year or contain a repayable on demand clause. The tenure of the borrowings may be altered, which may not be predictable and controllable when the borrowing is granted. This would impose unforeseen cash flow and financial burdens to us. In addition, the full implementation of our expansion plan will take approximately up to two years. Therefore, it would not be advantageous for us to increase its reliance on debt financing for our expansion plan.

In view of the abovementioned, our Directors believe that we have a genuine funding needs for our expansion plan and the Listing will enable us to raise additional financial resources immediately and provide a platform for our fund raising through equity financing in the future. Our Directors also believe that a Listing status could help enhance our creditworthiness to banks to facilitate our future financing needs at more competitive terms, thereby improving our overall profitability.

The possible use of proceeds outlined below may change in light of our evolving business needs and conditions and management requirements. In the event of any material modification to the use of proceeds as described below, we will issue announcement and make disclosure in our interim report and/or annual report for the relevant period as required by the Stock Exchange.

In respect of net proceeds from the Share Offer which are not immediately required for the above purpose as set out in the paragraph headed “Implementation plans” in this section, it is the present intention of our Directors that such proceeds will be placed on short-term interest bearing deposits with authorised financial institutions.

## FUTURE PLANS AND USE OF PROCEEDS

### USE OF PROCEEDS

Our Directors estimate that the net proceeds from the Share Offer (after deducting estimated expenses borne by our Company in connection with the Share Offer) will be approximately HK\$17.8 million based on an Offer Price of HK\$0.50 per Offer Share (being the mid-point of the indicative Offer Price range between HK\$0.42 and HK\$0.58 per Offer Share). We intend that the net proceeds will be applied as follows:

	From the Listing	For the six months ending				% of the total net proceeds
	Date to	31 March		30 September		
	30 September 2020	31 March 2021	30 September 2021	31 March 2022	Total	
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	
Expansion and upgrading of our transportation fleet	1,078	1,511	1,511	2,050	6,150	34.6
Expansion of our labour force	820	1,650	1,400	530	4,400	24.7
Acquisition of x-ray screening systems	—	1,250	1,250	1,250	3,750	21.0
Investment in and upgrading of our information technology systems	875	875	875	875	3,500	19.7
<b>Total</b>	<b>2,773</b>	<b>5,286</b>	<b>5,036</b>	<b>4,705</b>	<b>17,800</b>	<b>100.0</b>

We intend to apply the net proceeds from the Share Offer for the purposes and in the amounts set out below:

- HK\$6.2 million, representing approximately 34.6% of the net proceeds from the Share Offer, to be used to acquire new trucks for expanding and upgrading our own transportation fleet.
- HK\$4.4 million, representing approximately 24.7% of the net proceeds from the Share Offer, will be used to expand our labour force by recruiting operational staff.
- HK\$3.7 million, representing approximately 21.0% of the net proceeds from the Share Offer, to be used to acquire x-ray screening systems.
- HK\$3.5 million, representing approximately 19.7% of the net proceeds from the Share Offer, to be used for investments in and upgrading of our information technology systems.

In the event that the Offer Price is set at the high-end or the low-end of the proposed Offer Price range, the net proceeds from the Share Offer will increase or decrease by approximately HK\$9.6 million, after deducting related expenses, respectively. We intend to use the net proceeds based on the percentages disclosed above, regardless of whether the Offer Shares are priced at the high-end or low-end of the proposed Offer Price.

## FUTURE PLANS AND USE OF PROCEEDS

### IMPLEMENTATION PLANS

Our implementation plans are set forth below for the period from the Latest Practicable Date to 31 March 2022. Investors should note that the following implementation plans are formulated on the bases and assumptions referred to in the paragraph headed “Bases and Key Assumptions” below. These bases and assumptions are inherently subject to uncertainties and unpredictable factors, in particular the risk factors set forth in the section headed “Risk Factors” in this prospectus. Our actual course of business may vary from our business strategies set out in this prospectus. There is no assurance that our plans will materialise in accordance with our expected time frame or that our objectives will be accomplished. While the actual course of events may invariably encounter unforeseeable changes and fluctuations, we shall use our best endeavours to anticipate changes, yet allowing for flexibility to implement the following plans. In the event of any material modifications to the use of proceeds as described above, we will issue announcement in accordance with the GEM Listing Rules and disclose in our annual report for the relevant year as required by the Stock Exchange.

#### From the Listing Date to 30 September 2020

<u>Business strategies</u>	<u>Implementation plans</u>	<u>Use of proceeds</u> Approximate (HK'000)
Expansion and upgrading of existing transportation fleet	— Purchase six 16-tonnes light heavy goods trucks	1,078
Expansion of our labour force	— recruitment of and payment of remuneration for not more than five operators	820
Investment and upgrading of our information technology system	— First phase installation of the new transportation fleet management system	875
<b>Total</b>		<b><u>2,773</u></b>

## FUTURE PLANS AND USE OF PROCEEDS

### For the six months ending 31 March 2021

<u>Business strategies</u>	<u>Implementation plans</u>	<u>Use of proceeds</u> Approximate (HK'000)
Expansion and upgrading of existing transportation fleet	— Purchase six 16-tonnes light heavy goods trucks and two 5.5-tonnes medium goods trucks	1,511
Expansion of our labour force	— Recruitment of five operators — Payment of remuneration for not more than 10 operators	1,650
Acquisition of x-ray screening systems	— Purchase of one x-ray screening system	1,250
Investment in and upgrading of our information technology systems	— Second phase installation of the new transportation fleet management system — Upgrade GPS tracking system	875
<b>Total</b>		<b><u>5,286</u></b>

### For the six months ending 30 September 2021

<u>Business strategies</u>	<u>Implementation plans</u>	<u>Use of proceeds</u> Approximate (HK'000)
Expansion and upgrading of existing transportation fleet	— Purchase six 16-tonnes light heavy goods trucks and two 5.5-tonnes medium goods trucks	1,511
Expansion of our labour force	— Recruitment of one operations manager and two operators — Payment of remuneration for one operations manager and 12 operators ( <i>Note</i> )	1,400
Acquisition of x-ray screening systems	— Purchase of one x-ray screening system	1,250
Investment in and upgrading of our information technology systems	— Third phase installation of the new transportation fleet management system	875
<b>Total</b>		<b><u>5,036</u></b>

*Note:* The remuneration of the five remaining operators will be settled by other existing financial resources of our Group.

## FUTURE PLANS AND USE OF PROCEEDS

**For the six months ending 31 March 2022**

<u>Business strategies</u>	<u>Implementation plans</u>	<u>Use of proceeds</u> Approximate (HK'000)
Expansion and upgrading of existing transportation fleet	— Purchase nine 16-tonnes light heavy goods trucks and two 5.5-tonnes medium goods trucks	2,050
Expansion of our labour force	— Payment of remuneration for one operations manager and two operators ( <i>Note</i> )	530
Acquisition of x-ray screening systems	— Purchase of one x-ray screening system	1,250
Investment in and upgrading of our information technology systems	— Fourth phase installation of the new transportation fleet management system	875
<b>Total</b>		<b><u>4,705</u></b>

*Note:* The remuneration of the remaining 10 operators will be settled by other existing financial resources of our Group.

### BASES AND KEY ASSUMPTIONS

We have adopted the following principal assumptions in the preparation of the above future plans:

- there will be no material adverse change in the existing government policies or political, legal, fiscal, market or economic conditions in Hong Kong and the PRC;
- there will be no material changes in legislation or regulations or rules in the operating regions which will adversely affect the business of our Group;
- there will be no material change in the bases (such as inflation, interest rate and foreign exchange rate) or rates of taxation and duties in Hong Kong and the PRC or in any other places in which any member of our Group operates or will operate or is incorporated;
- we will have sufficient financial resources to meet the planned capital and business development requirements during the period to which the business objective relates;
- our Group will be able to continually obtain adequate finance for our business and operate as a going concern in the foreseeable future. The respective offering financial institutions will not withdraw any of the existing available facilities;
- there will be no change to the existing accounting policies from those stated in the consolidated audited financial statements of our Group for the Track Record Period;

## FUTURE PLANS AND USE OF PROCEEDS

- the Share Offer will be completed in accordance with and as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus;
- there will be no Share buy-back;
- the listing expenses will be settled in accordance with the payment schedules as stated in the respective mandates with professional parties;
- our Directors and key senior management will continue to be involved in the development of our existing and future development and we will be able to retain our key management personnel;
- we will be able to recruit additional key management personnel and staff when required;
- the payments of staff costs, property rentals and related expenses, and other operating expenses are assumed to be made in the month in which they are incurred;
- there will be no change in the effectiveness of the certifications, licences, permits or approvals obtained by our Group;
- there will be no change in the funding requirement for the business strategies described in this prospectus from the amount as estimated by our Directors;
- our Group will obtain equity and/or debt capital for our future growth when we become necessary;
- our Group’s operations will not be adversely affected by interruptions or labour disputes, for reasons that are beyond the control of our Directors;
- we will not be materially and adversely affected by the risk factors as set out in the section headed “Risk Factors” in this prospectus;
- there be no disasters, natural, political or otherwise, which would materially disrupt the business or operations of our Group or cause substantial loss, damage or destruction to its properties or facilities;
- there will not be material changes in the market demand and the competitive landscape of logistics industry;
- our Group is able to retain our major customers, suppliers, dispatched work agencies and external transportation services providers;
- there will be no change to the credit terms granted to customers and trade receivable turnover days is expected to remain stable; and

## **FUTURE PLANS AND USE OF PROCEEDS**

- we will be able to continue our operations in substantially the same manner as we have been operating during the Track Record Period and we will also be able to carry out our implementation plans without disruptions.

These bases and assumptions are inherently subject to many uncertainties, variables, and unpredictable factors, in particular the risk factors set forth in the section headed “Risk Factors” in this document. There can be no assurance that our plans will materialise in accordance with the expected time frame or that the objectives of our Group will be accomplished at all.

## UNDERWRITING

### **PUBLIC OFFER UNDERWRITERS**

China Tonghai Securities Limited  
Wealth Link Securities Limited  
South China Securities Limited

### **UNDERWRITING ARRANGEMENTS AND EXPENSES**

#### **The Public Offer**

##### *Public Offer Underwriting Agreement*

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including the additional Shares to be issued pursuant to the Capitalisation Issue and pursuant to the exercise of any options which may be granted under the Share Option Scheme) by the Listing Committee and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally but not jointly agreed to, on a best effort basis, subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares now being offered which are remaining and not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

##### *Grounds for termination*

The Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) shall have the absolute right upon giving a written notice to our Company (on behalf of the other parties thereto other than the Public Offer Underwriters and the Sole Sponsor) to terminate the Public Offer Underwriting Agreement if any of the following events occur at any time prior to 8:00 a.m. on the Listing Date (which is expected to be on Monday, 20 April 2020):

- (a) there has come to the notice of the Sole Sponsor, the Joint Bookrunners or any Public Offer Underwriters:
  - (i) that any statement contained in this prospectus, the Application Forms, any supplemental offering materials, press announcement, the formal notice to be issued on Tuesday, 31 March 2020 by the Company substantially in the agreed form pursuant to the GEM Listing Rules, the road show materials and any other document published or issued by or on behalf of the Company, the Sole Sponsor, the Joint Bookrunners or the Joint Lead Managers for the purpose of or in



## UNDERWRITING

connection with the Share Offer, considered by the Sole Sponsor and/or the Joint Bookrunners in its/their sole and absolute discretion, was when the same was issued, or has become, untrue, incorrect or misleading in any material respect; or

- (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission therefrom considered by the Sole Sponsor and/or the Joint Bookrunners in its/their sole and absolute discretion to be material to the Share Offer; or
- (iii) any material breach of any of the obligations imposed upon any party to the Public Offer Underwriting Agreement (other than on the Sole Sponsor, the Joint Bookrunners and the Public Offer Underwriters) as determined by the Sole Sponsor and/or the Joint Bookrunners in its/their sole and absolute discretion; or
- (iv) any material adverse change or development involving a prospective material change (whether or not permanent) in the business affairs, prospects or the financial or trading position of the Group; or
- (v) any material breach of any of the representations, warranties, agreements and undertakings given by the Company, the executive Directors, the Controlling Shareholders (the “**Warranties**”) under the Public Offer Underwriting Agreement, as determined by the Sole Sponsor and/or the Joint Bookrunners in its/their sole and absolute discretion; or
- (vi) any of the Warranties under the Public Offer Underwriting Agreement is untrue, inaccurate, misleading or breached in any material respect when given or repeated as determined by the Sole Sponsor and/or the Joint Bookrunners in its/their sole and absolute discretion; or
- (vii) approval by the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and the Shares in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue on GEM and the Shares which may be allotted and issued pursuant to the exercise of any option which may be granted under the Share Option Scheme is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (viii) that any of the experts described under “Statutory and General Information — Other Information — 21. Qualifications of Experts” in Appendix IV to this prospectus, has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and reference to its name included in the form and context in which it respectively appears; or

## UNDERWRITING

- (b) there shall develop, occur, exist, continue to exist or come into effect:
- (i) any event or series of events of force majeure providing any Relevant jurisdiction (as defined in (ii) below), beyond the control of the Sole Sponsor and/or the Joint Bookrunners or the Public Offer Underwriters (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, war, threat of war, acts of God, acts of terrorism, riot, public disorder, economic sanctions, outbreak of diseases or epidemics including COVID-19, SARS and avian influenza and such related/mutated forms); or
  - (ii) any adverse change or development involving a prospective change, or any event or series of events currently in existence or otherwise, likely to result in any change or development (whether or not permanent) in local, national, regional or international, economic, currency, legal, exchange control, political, military, fiscal or regulatory conditions, circumstances or matters and/or disaster or any monetary or trading settlement systems in or affecting Hong Kong, the PRC, the Cayman Islands, the BVI, the United States, the United Kingdom, the European Union (or any member thereof), Singapore, Japan or any other jurisdiction relevant to any member of the Group (collectively, the “**Relevant Jurisdictions**”, each a “**Relevant Jurisdiction**”) (including any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ National Market, London Stock Exchange, the Singapore Stock Exchange, the Tokyo Stock Exchange or any of the stock exchanges in the PRC, or a material fluctuation in the exchange rate of Hong Kong dollars against any foreign currency, or any interruption in securities settlement or clearance service or procedures in the Relevant Jurisdictions or anywhere in the world); or
  - (iii) any new publicly available laws, rules, regulations, guidelines, opinions, notices, circulars, orders, judgments, decrees or rulings (the “**Relevant Laws**”) of any court or any public, regulatory, taxing, administrative or governmental, agency or authority, any self-regulatory organisation or any securities exchange authority (including, without limitation, the Stock Exchange and the SFC), other authority and any court at the national, provincial, municipal or local level of the Relevant Jurisdictions (“**Government Authority**”) or policy or directive or change (whether or not forming part of a series of changes) or development in existing Relevant Laws or policy or directive or in the interpretation or application thereof by any court or Government Authority or other competent authority in the Relevant Jurisdictions; or
  - (iv) the imposition of economic or other sanctions, in whatever form, directly or indirectly, by, the Relevant Jurisdictions or any other country or organisation on the Relevant Jurisdictions; or

## UNDERWRITING

- (v) a change or development occurs involving a prospective material change in taxation or exchange control (or the implementation of any exchange control) or foreign investment regulations in the Relevant Jurisdictions; or
- (vi) any change or development involving a prospective material change, or a materialisation of, any of the risks set forth in the section headed “Risk Factors” in this prospectus; or
- (vii) any litigation or claim of material importance of any third party being threatened or instigated against any member of the Group; or
- (viii) any valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity; or
- (ix) any material loss or damage sustained by any member of the Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (x) a petition is presented for the winding up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or
- (xi) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong and/or the Hong Kong Monetary Authority or other competent authority) or the Relevant Jurisdictions; or
- (xii) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or crisis involving or affecting the Relevant Jurisdictions; or
- (xiii) there is a change in the system under which the value of the HK\$ is linked to that of the US dollar or a devaluation of the HK\$ or Renminbi against any foreign currencies; or
- (xiv) the commencement by any judicial, regulatory, governmental or political body or organisation of any action, claim or proceedings against any Director or an announcement by any judicial, regulatory, governmental or political body or organisation that it intends to take any such action; or
- (xv) a demand by any tax authority for payment for any tax liability for any member of the Group; or

## UNDERWRITING

- (xvi) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company, or the chairman or chief executive officer of the Company vacating his office; or
- (xvii) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any Relevant Jurisdiction; or
- (xviii) a contravention by any member of the Group of the GEM Listing Rules or any applicable laws or regulations in the Cayman Islands, Hong Kong and the BVI; or
- (xix) a prohibition on the Company for whatever reason from allotting and issuing the Offer Shares (including any Shares to be issued pursuant to the exercise of any options to be granted under the Share Option Scheme) pursuant to the terms of the Share Offer; or
- (xx) other than with the approval of the Joint Bookrunners, the issue or requirement to issue by the Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the Share Offer) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the GEM Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (xxi) any event, act or omission which gives rise to or is likely to give rise to any liability of any of the Company, the executive Directors and the Controlling Shareholders pursuant to the indemnity contained in the Public Offer Underwriting Agreement; or
- (xxii) any non-compliance with Relevant Law(s) by the Company with respect to any matters relating to the Share Offer, the Offer Shares, the Listing and/or any other related matters,

which in the sole and absolute opinion of the Sole Sponsor and/or the Joint Bookrunners (for themselves and on behalf of the Underwriters) (1) is or shall have a material adverse change, or any development involving a prospective material adverse change, in the financial or operational condition or in the earnings, management, prospects, assets or liabilities of the Group as a whole, whether or not arising in the ordinary course of business (“**Material Adverse Effect**”); or (2) has or shall have a Material Adverse Effect on the success, marketability or pricing of the Share Offer or the level of interest under the Share Offer; or (3) is or will or may make it inadvisable, inexpedient, impracticable or not commercially viable (i) for the Share Offer to proceed or (ii) for any material part of the Public Offer Underwriting Agreement to be performed or implemented as envisaged or (4) having any material non-compliance incident in respect of the Share Offer and/or the Listing, with consideration of Relevant Law(s).

## UNDERWRITING

### Undertakings to the Stock Exchange

#### *Undertakings by our Company*

Pursuant to Rule 17.29 of the GEM Listing Rules, our Company undertakes to the Stock Exchange that save as pursuant to the Share Offer (including the grant and exercise of the options under the Share Option Scheme), no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) will be issued by us, or form the subject of any agreement by us to such an issue, within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealings), except pursuant to the Placing, any exercise of the options which may be granted under the Share Option Scheme or any of the circumstances permitted pursuant to Rules 17.29(1) to (5) of the GEM Listing Rules.

#### *Undertakings by our Controlling Shareholders*

Each of the Controlling Shareholders undertakes to our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and the Stock Exchange that, except pursuant to the Share Offer (including the grant and exercise of the options under the Share Option Scheme) and for the circumstances permitted pursuant to Rule 13.18 of the GEM Listing Rules, he/it shall not, and shall procure that the relevant registered holder(s) of the Shares shall not,

- (a) within the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date (the “**First Twelve-Month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/it is shown by this prospectus to be the beneficial owner; and
- (b) within the period of 12 months commencing on the date on which the First Twelve-Month Period expires (the “**Second Twelve-Month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a Controlling Shareholder.

## UNDERWRITING

Each of the Controlling Shareholders further irrevocably undertakes and covenants with our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Public Offer Underwriters and the Stock Exchange that he/it shall, and shall procure that the relevant registered holder(s) shall,

- (a) in the event that he/it pledges or charges any direct or indirect interest in the Shares pursuant to a pledge or charge in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, at any time during and ending on the expiry of the Second Twelve-Month Period, inform our Company immediately thereafter, disclosing the details specified in Rules 17.43(1) to (4) of the GEM Listing Rules; and
- (b) having pledged or charged any interest in the Shares under (a) above, inform our Company immediately in the event that he/it becomes aware that the pledgee or charge has disposed of or intends to dispose of such interest and of the number of Shares affected.

Pursuant to Rule 13.20 of the GEM Listing Rules, in the event that our Company has been informed of any matter under Rule 13.19 of the GEM Listing Rules as described above, we shall forthwith publish an announcement giving details of the same in accordance with the requirements of Rule 17.43 of the GEM Listing Rules.

### **Undertakings pursuant to the Public Offer Underwriting Agreement**

#### *Undertakings by our Company*

Our Company irrevocably undertakes to and covenants with each of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters, and each of the Controlling Shareholders and the executive Directors undertakes to and covenants with the Sole Sponsor, Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters to procure that, during the First Twelve-Month Period, save with the prior written consent of the Sole Sponsor, the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters and the Sole Sponsor) and the Joint Lead Managers and in compliance with the GEM Listing Rules and the applicable laws, and save pursuant to the Share Offer, the Capitalisation Issue and the issue of Shares pursuant to the Share Option Scheme which shall be made after six months from the Listing Date, our Company shall not:

- (a) at anytime during the First Twelve-Month Period:
  - (i) offer, allot or issue, or agree to offer, allot, issue (conditionally or unconditionally) any Shares or securities convertible into or exchangeable for equity securities of the Company (whether or not of a class already listed); or

## UNDERWRITING

- (ii) grant or agree to grant (conditionally or unconditionally) any options, warrants or other rights carrying the rights to subscribe for or otherwise acquire or convertible or exchangeable into Shares or other securities of the Company (whether or not of a class already listed); or
  - (iii) enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by the Company or any of its affiliates, either directly or indirectly, conditionally or unconditionally, any Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or any securities convertible into or exchangeable for such Shares (or any interest in any Shares or any voting or other right attaching to any Shares); or
  - (iv) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or securities convertible into or exchangeable for such Shares; or
  - (v) buy-back any Shares or securities of the Company; or
  - (vi) offer to or agree to do any of the foregoing or announce any intention to do so;
- (b) at anytime during the Second Twelve-Month Period do any of the acts set out in paragraph (a) above, so as to result in the Controlling Shareholders (together with any of its associates) either individually or taken together with the others of them cease to be a controlling shareholder of the Company (within the meaning of the GEM Listing Rules);
- (c) in the event that our Company does any of the acts set out in paragraphs (a) and (b) above after the expiry of the First Twelve-Month Period or the Second Twelve-Month Period, as the case may be, take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein; and
- (d) (i) no option shall be granted or agreed or indicated to be granted under the Share Option Scheme; and (ii) no offer shall be made or caused or permitted to be made for grant of options under the Share Option Scheme, during the period of six months commencing from the Listing Date.

## UNDERWRITING

### *Undertaking by our Controlling Shareholders*

Each of the Controlling Shareholders, on a voluntary basis, has irrevocably undertaken to and covenanted with each of the Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that, without the prior written consent of each of the Company, the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers, he/it shall not directly or indirectly and shall procure that none of its associates or the companies controlled by him/it or any nominee or trustee holding in trust for him/it shall

- (a) during the First Twelve-Month Period:
  - (i) sell, transfer or dispose of, offer to sell, contract to sell, transfer or dispose of, nor enter into any agreements to sell, transfer or dispose of or otherwise create any options, warrants, rights, interests or a mortgage, charge, pledge, lien, option, restriction, right of first refusal, security interest, claim, equity interest, right of pre-emption, third-party right or interest, or interests or rights of the same nature as the foregoing or other encumbrance or security interest of any kind, or another type of preferential arrangement (including, without limitation, retention arrangement) having similar effect (“**Encumbrances**”) (including the creation or entry into of any option, right, warrant to purchase or otherwise transfer or dispose of, or any lending, charge, pledges or encumbrances over, or by entering into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) on any of the Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or any other securities convertible into or exchangeable for or which carry a right to subscribe, purchase or acquire any such shares therein owned by it or any of its associates or in which he/it or any of his/its associates is, directly or indirectly, interested immediately after the completion of the Capitalisation Issue, the Share Offer and the issuance and allotment of any other Shares or securities of or interest in the Company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise or enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of the acquisition or ownership of any such Shares or such securities; or
  - (ii) sell, transfer or dispose of, offer to sell, contract to sell, transfer or dispose of, nor enter into any agreements to sell, transfer or dispose of or otherwise create any options, warrants, rights, interests or Encumbrances (including the creation or entry into of any agreement to create any pledge or charge or Encumbrances over, or by entering into any transaction which is designed to, or might reasonably be expected to, result in the disposition whether by actual disposition or effective economic disposition due to cash settlement or otherwise) on any shares or interest in any company controlled by him/it or any of his/its associates which is the beneficial owner (directly or indirectly) of any of such securities or any interests therein as



## UNDERWRITING

referred to in paragraph (a) above (or any other shares or securities of or interest in such company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise); or

- (iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (a)(i) and (a)(ii) above; or
  - (iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (a)(i), (a)(ii), or (a)(iii) above.
- (b) during the Second Twelve-Month Period:
- (i) sell, transfer, dispose of, offer to sell, transfer or disposal of nor enter into any agreement to sell, transfer or dispose of or create any options, warrants, rights, interests or Encumbrances (including the creation or entry into of any agreement to create any pledge or charge or Encumbrances over, or by entering into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise)) on any shares in any company controlled by him/it or any of his/its associates which is the beneficial owner (directly or indirectly) of such Shares or any interests therein as aforesaid if, immediately following such disposal or creation of rights, the Controlling Shareholders (together with its associates) would, directly or indirectly, cease to be a controlling shareholder of the Company (within the meaning of the GEM Listing Rules) or cease to hold, directly or indirectly, a controlling interest of over 30%, or such lower amount as may from time to time be specified in the Takeovers Codes as being the level for triggering a mandatory general offer, in the Company;
  - (ii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraph (b)(i) above announce any intention to enter into or effect any of the transactions referred to in paragraph (b)(i) above.

In the event of a disposal by it of any of the Shares or securities or any interest therein during the Second Twelve-Month Period, he/it will take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for the Shares or other securities of the Company.

### **The Placing**

#### *Placing Underwriting Agreement*

In connection with the Placing, it is expected that our Company will enter into the Placing Underwriting Agreement with, *inter alia*, the Placing Underwriters, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement and on the additional terms

## UNDERWRITING

described below. Pursuant to the Placing Underwriting Agreement, we are offering the Placing Shares for subscription by way of Placing, on and subject to the terms and conditions in the Placing Underwriting Agreement and this prospectus, at the Offer Price. Under the Placing Underwriting Agreement, subject to, among other conditions, (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM of the Stock Exchange; (ii) the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated; (iii) the Price Determination Agreement having been duly signed by the Company and the Joint Bookrunners (acting for themselves and on behalf of the Underwriters) on the date thereof and such agreement not subsequently having been terminated in accordance with its terms or otherwise; and (iv) certain other conditions set out in the Placing Underwriting Agreement, the Placing Underwriters have severally agreed to, on a best effort basis, subscribe for, or procure subscribers for their respective applicable proportions of the Placing Shares on the terms and conditions of the Placing. The Placing Underwriting Agreement is expected to provide that it may be terminated on grounds similar to those provided in the Public Offer Underwriting Agreement. Potential investors are reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed.

It is expected that, pursuant to the Placing Underwriting Agreement, our Company, our executive Directors and our Controlling Shareholders will give undertakings similar to those given pursuant to the Public Offer Underwriting Agreement, as described in the paragraph headed “Underwriting Arrangements and Expenses — The Public Offer — Undertakings Pursuant to the Public Offer Underwriting Agreement” in this section.

### **Total commission, fee and expenses**

In connection with the Share Offer, the Public Offer Underwriters will, and the Placing Underwriters are expected to receive an underwriting commission of 19.0% of the aggregate Offer Price of all the Offer Shares, out of which they will pay any sub-underwriting commissions. The Company shall also pay or caused to be paid to Wealth Link Securities Limited (acting for itself and on behalf of the Joint Bookrunners and the Public Offer Underwriters) an incentive fee of an amount up to HK\$3.6 million on or before Listing Date. In connection with the Listing, the Sole Sponsor will receive a sponsorship and documentation fee.

The aggregate commissions and estimated expenses, together with Listing fees, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Share Offer are estimated to be approximately HK\$42.2 million (assuming the Offer Price HK\$0.50, being the mid-point of the indicative range of the Offer Price stated in this prospectus) and are payable by our Company.

## **UNDERWRITING**

### **INDEPENDENCE OF THE SOLE SPONSOR**

The Sole Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 6A.07 of the GEM Listing Rules.

### **SOLE SPONSOR'S AND UNDERWRITERS' INTERESTS IN OUR COMPANY**

Save for their interests and obligations under the Underwriting Agreements and the sponsorship fee payable to the Sole Sponsor in respect of the Listing, none of the Sole Sponsor and the Underwriters are interested beneficially or non-beneficially in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

### **MINIMUM PUBLIC FLOAT**

Our Directors will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 11.23 of the GEM Listing Rules after completion of the Share Offer.

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

### **THE SHARE OFFER**

The Share Offer comprises:

- (a) the Public Offer of 12,000,000 Shares (subject to reallocation as mentioned below) for subscription by the public in Hong Kong as described in the paragraph headed “The Public Offer” in this section; and
- (b) the Placing of an aggregate of 108,000,000 Shares (subject to reallocation as mentioned below) in Hong Kong to professional, institutional and/or other investors.

Investors may apply for Offer Shares under the Public Offer or apply for or indicate an interest for Offer Shares under the Placing, but may not do both. References in this prospectus to applications, Application Forms, application monies or the procedures for application relate solely to the Public Offer.

The Offer Shares will represent 25.0% of the total issued share capital of our Company immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

### **THE PUBLIC OFFER**

#### **Number of Shares initially offered**

We are initially offering 12,000,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Shares initially available under the Share Offer. Subject to the reallocation of Shares between the Public Offer and the Placing, the Public Offer Shares will represent approximately 2.5% of the total issued share capital of our Company immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme). The Public Offer is open to members of the public in Hong Kong as well as to professional, institutional and/or other investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealings in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Public Offer is subject to the conditions as set out in the paragraph headed “Conditions of the Public Offer” in this section.

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

### Allocation

Allocation of Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

### Reallocation

The allocation of Offer Shares between the Public Offer and the Placing is subject to reallocation on the following basis:

- (a) where the Placing Shares are fully subscribed or oversubscribed:
  - (i) if the Public Offer Shares are undersubscribed, the Joint Bookrunners have the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Joint Bookrunners deem appropriate;
  - (ii) if the number of Offer Shares validly applied for under the Public Offer are fully subscribed or oversubscribed and represents less than 15 times the number of the Offer Shares initially available for subscription under the Public Offer, then according to Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, up to 12,000,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 24,000,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Share Offer;
  - (iii) if the number of the Offer Shares validly applied for under the Public Offer are oversubscribed and represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Public Offer, then up to 24,000,000 Shares will be reallocated to the Public Offer from the Placing in accordance with the clawback requirements set forth in paragraph 4 of Practice Note 6 to the GEM Listing Rules, so that the total number of the Offer Shares available under the Public Offer will be 36,000,000 Offer Shares, representing approximately 30% of the number of the Offer Shares initially available under the Share Offer;
  - (iv) if the number of the Offer Shares validly applied for under the Public Offer are oversubscribed and represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Public Offer, then up to 36,000,000 Shares will be reallocated to the Public Offer from the Placing in accordance with the clawback requirements set forth in paragraph 4 of Practice Note 6 to the GEM Listing Rules, so that the total number of the number of Offer Shares

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

available under the Public Offer will be 48,000,000 Offer Shares, representing approximately 40% of the number of the Offer Shares initially available under the Share Offer; and

- (v) if the number of the Offer Shares validly applied for under the Public Offer are oversubscribed and represents 100 times or more the number of the Offer Shares initially available for subscription under the Public Offer, then up to 48,000,000 Shares will be reallocated to the Public Offer from the Placing in accordance with the clawback requirements set forth in paragraph 4 of Practice Note 6 to the GEM Listing Rules, so that the total number of the Offer Shares available under the Public Offer will be 60,000,000 Offer Shares, representing approximately 50% of the number of the Offer Shares initially available under the Share Offer.
- (b) where the Placing Shares are undersubscribed:
  - (i) if the Public Offer Shares are also undersubscribed, the Share Offer will not proceed unless the Underwriters would subscribe for or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; and
  - (ii) if the Public Offer Shares are fully subscribed or oversubscribed (irrespective of the extent of over-subscription), then up to 12,000,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 24,000,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Share Offer.

In the event of reallocation of Offer Shares between the Public Offer and the Placing in the circumstances where (x) the Placing Shares are fully subscribed or oversubscribed and the Public Offer Shares are oversubscribed by less than 15 times under paragraph (a)(ii) above or (y) the Placing Shares are undersubscribed and the Public Offer Shares are fully subscribed or oversubscribed under paragraph (b)(ii) above, the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK\$0.42 per Offer Share) stated in this prospectus according to Guidance Letter HKEX-GL91-18 issued by the Stock Exchange.

In the event of a reallocation of Offer Shares from the Placing to the Public Offer in circumstances under paragraph (a)(ii), (a)(iii), (a)(iv), (a)(v) and (b)(ii) above, the number of Offer Shares allocated to the Placing will be correspondingly reduced.

### **Applications**

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing,

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

and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the Placing.

Multiple or suspected multiple applications and any application for more than 100% of the Public Offer Shares initially comprised in the Public Offer are liable to be rejected. Applicants under the Public Offer are required to pay, on application, the maximum price of HK\$0.58 per Offer Share in addition to the brokerage, SFC transaction levy and Stock Exchange trading fee, amounting to a total of HK\$2,929.23 per board lot of 5,000 Offer Shares. If the Offer Price, as finally determined in the manner described in the paragraph headed "Price Determination of the Share Offer" in this section, is less than the maximum price of HK\$0.58 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to Apply for the Public Offer Shares" in this prospectus.

### **THE PLACING**

#### **Number of Offer Shares offered**

The Placing will consist of an initial offering of 108,000,000 Shares (subject to reallocation), representing 90% of the total number of Offer Shares initially available under the Share Offer and approximately 22.5% of the total issued share capital immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme). The Placing will be offered by us to professional, institutional and/or other investors in Hong Kong.

#### **Allocation**

The Placing will include selective marketing of the Placing Shares to professional, institutional and/or other investors anticipated to have a sizeable demand for the Placing Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealings in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of the Placing Shares pursuant to the Placing will be effected in accordance with the "book-building" process described in the paragraph headed "Price Determination of the Share Offer" below and based on a number of factors, including the level and timing of demand, and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and the Shareholders as a whole.

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

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may require any investor who has been offered Placing Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Joint Bookrunners so as to allow it to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application of the Public Offer Shares under the Public Offer.

### **Reallocation**

The total number of Offer Shares to be issued pursuant to the Placing may change as a result of the reallocation arrangement as described in the paragraph headed “The Public Offer — Reallocation” in this section.

### **PRICE DETERMINATION OF THE SHARE OFFER**

The Placing Underwriters will be soliciting from prospective investors’ indications of interest in acquiring Offer Shares in the Placing. Prospective investors will be required to specify the number of the Placing Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Public Offer.

Pricing for the Offer Shares for the purpose of the various offerings under the Share Offer will be fixed on the Price Determination Date, which is expected to be on or about Thursday, 9 April 2020 by agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company, and the number of Offer Shares to be allocated or sold under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$0.58 per Offer Share and is expected to be not less than HK\$0.42 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and/or other investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Share Offer and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer, cause there to be published on the website of our Company ([www.asia-expresslogs.com](http://www.asia-expresslogs.com)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) a notice of the reduction or to be announced in such manner as permitted under the GEM Listing Rules and agreed between our Company and the Joint



## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Bookrunners. Upon issue of such a notice, the number of Offer Shares offered in the Share Offer and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company, will be fixed within such revised offer price range.

Before submitting applications for the Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer. In the event there is a reduction in the Offer Shares and/or indicative Offer Price range, if the applicants have already submitted an application for the Public Offer Shares before the last day for lodging applications under the Public Offer, they will be allowed to subsequently withdraw their applications. However, if the Offer Price range is reduced, applicants will be notified that they are required to confirm their applications. If applicants have been notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Joint Bookrunners, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The net proceeds of the Share Offer accruing to our Company (after deduction of underwriting fees and estimated expenses payable by our Company in relation to the Share Offer) are estimated to be approximately HK\$17.8 million, assuming an Offer Price per Offer Share of HK\$0.50 (being the midpoint of the stated indicative Offer Price range of HK\$0.42 to HK\$0.58 per Offer Share).

The final Offer Price, the indications of interest in the Share Offer, the results of applications and the basis of allotment of the Public Offer Shares available under the Public Offer, are expected to be announced on Friday, 17 April 2020 on the website of our Company ([www.asia-expresslogs.com](http://www.asia-expresslogs.com)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

If the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or about Thursday, 9 April 2020, the Share Offer will not become unconditional and will lapse immediately.

### UNDERWRITING AGREEMENTS

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is conditional upon the Placing Underwriting Agreement being signed and becoming unconditional.

Our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Bookrunners and the Placing Underwriters expect to enter into the Placing Underwriting Agreement relating to the Placing on or about the Price Determination Date. These underwriting arrangements, and the respective Underwriting Agreements, are summarised in the section headed “Underwriting” in this prospectus.

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

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the approval of the listing of, and permission to deal in, the Shares on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

### **CONDITIONS OF THE PUBLIC OFFER**

Acceptance of all applications for the Public Offer Shares pursuant to the Public Offer will be conditional on:

- (a) the Listing Committee granting listing of, and permission to deal in, the Shares being offered pursuant to the Share Offer (including any Shares to be issued upon the exercise of any the options that may be granted under the Share Option Scheme;
- (b) the Offer Price having been fixed on or about the Price Determination Date;
- (c) the execution and delivery of the Placing Underwriting Agreement on or about the Price Determination Date; and
- (d) the obligations of the Placing Underwriters under the Placing Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with its terms, on or before the dates and times specified in the Placing Underwriting Agreement.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), or the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Share Offer will be published by on our Company's website ([www.asia-expresslogs.com](http://www.asia-expresslogs.com)) and the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for the Public Offer Shares" in this prospectus. In the meantime, all

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

application monies will be held in (a) separate bank account(s) with the receiving bank or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Shares are expected to be issued on or about Friday, 17 April 2020 but will only become valid certificates of title at 8:00 a.m. on Monday, 20 April 2020 provided that (i) the Share Offer has become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting — Underwriting Arrangements and Expenses — The Public Offer — Grounds for Termination” in this prospectus has not been exercised.

### **DEALINGS**

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, 20 April 2020, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, 20 April 2020.

The Shares will be traded in board lots of 5,000 Shares each. The stock code of the Shares is 8620.

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

### 1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form Service** at [www.hkeipo.hk](http://www.hkeipo.hk) or by IPO App; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Bookrunners, the **HK eIPO White Form Service** Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form Service**, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Joint Bookrunners may accept or reject it at their discretion and on any conditions they think fit, including provision of evidence of the attorney's authority.

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** Service for the Public Offer Shares.

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries; a Director or chief executive officer of our Company and/or any of its subsidiaries;
- a connected person (as defined in the GEM Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer;
- an associate or close associate (both as defined in the GEM Listing Rules) of any of the above; or
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

### 3. APPLYING FOR PUBLIC OFFER SHARES

#### Which application channel to use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form, or apply online via the **HK eIPO White Form** Service at [www.hkeipo.hk](http://www.hkeipo.hk) or by IPO App.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

### Where to Collect the Prospectus and Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 31 March 2020 until 12:00 noon on Thursday, 9 April 2020 from:

- (i) the following office of the Public Offer Underwriter(s):

Wealth Link Securities Limited      Suite 1504, 15/F.  
 Bangkok Bank Building  
 28 Des Voeux Road Central  
 Hong Kong

China Tonghai Securities Limited      18/F, China Building  
 29 Queen's Road Central  
 Hong Kong

South China Securities Limited      28/F, Bank of China Tower  
 1 Garden Road  
 Central

- (ii) the following branches of the receiving bank, Industrial and Commercial Bank of China (Asia) Limited:

<u>District</u>	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island	Central Branch	1/F., 9 Queen's Road Central, Hong Kong
Kowloon	Kwun Tong Branch	Shop 5&6, 1/F, Crocodile Center 79 Hoi Yuen Road Kwun Tong, Kowloon
New Territories	Sha Tsui Road Branch	Shop 4, G/F Chung On Building, 297-313 Sha Tsui Road, Tsuen Wan, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 31 March 2020 until 12:00 noon on Thursday, 9 April 2020 from the Depository Counter of HKSCC at 1/F., One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

### Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**ICBC (Asia) Nominee Limited — Asia-express Logistics Holdings Public Offer**" for the payment, should be deposited in the special collection boxes provided at any of the designated branches of the receiving bank listed above, at the following times:

<b>Tuesday, 31 March 2020</b>	—	<b>9:00 a.m. to 5:00 p.m.</b>
<b>Wednesday, 1 April 2020</b>	—	<b>9:00 a.m. to 5:00 p.m.</b>
<b>Thursday, 2 April 2020</b>	—	<b>9:00 a.m. to 5:00 p.m.</b>
<b>Friday, 3 April 2020</b>	—	<b>9:00 a.m. to 5:00 p.m.</b>
<b>Monday, 6 April 2020</b>	—	<b>9:00 a.m. to 5:00 p.m.</b>
<b>Tuesday, 7 April 2020</b>	—	<b>9:00 a.m. to 5:00 p.m.</b>
<b>Wednesday, 8 April 2020</b>	—	<b>9:00 a.m. to 5:00 p.m.</b>
<b>Thursday, 9 April 2020</b>	—	<b>9:00 a.m. to 12:00 noon</b>

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 9 April 2020, the last application day or such later time as described in the sub-section headed "10. Effect of bad weather and/or extreme conditions on the opening of the application lists" in this section.

#### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, or applying through the **HK eIPO White Form** Service at [www.hkeipo.hk](http://www.hkeipo.hk) or by IPO App, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Bookrunners (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;



## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible and have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii)(if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to **the HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

### **Additional instructions for Yellow Application Form**

You may refer to the **YELLOW** Application Form for details.

## **5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE**

### **General**

Individuals who meet the criteria in the paragraph headed "2. Who can Apply" above in this section, may apply through the **HK eIPO White Form** Service for the Offer Shares to be allotted and registered in their own names through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) or by IPO App.

Detailed instructions for application through the **HK eIPO White Form** Service are on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) or in the IPO App. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) or the IPO App, you authorise

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the HK eIPO White Form Service.

### **Time for Submitting Applications under the HK eIPO White Form**

You may submit your application to the **HK eIPO White Form** Service Provider at [www.hkeipo.hk](http://www.hkeipo.hk) or by IPO App (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, 31 March 2020 until 11:30 a.m. on Thursday, 9 April 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 9 April 2020 or such later time under the paragraph headed “10. Effect of Bad Weather and/or extreme conditions on the Opening of the Application Lists” below in this section.

### **No Multiple Applications**

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** Service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** Service or by any other means, all of your applications are liable to be rejected.

### **Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

## **6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS**

### **General**

CCASS Participants may give electronic application instructions to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

### **Hong Kong Securities Clearing Company Limited**

Customer Service Center  
1/F., One & Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Sponsor, the Joint Bookrunners and our Hong Kong Branch Share Registrar.

### **Giving electronic application instructions to HKSCC via CCASS**

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Public Offer Shares applied for or any lesser number allocated;

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that our Company, our Directors and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Companies Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

### **Effect of giving electronic application instructions to HKSCC via CCASS**

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

### Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 5,000 Public Offer Shares. Instructions for more than 5,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

### Time for Inputting Electronic Application Instructions<sup>(1)</sup>

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

<b>Tuesday, 31 March 2020</b>	—	<b>9:00 a.m. to 8:30 p.m.</b>
<b>Wednesday, 1 April 2020</b>	—	<b>8:00 a.m. to 8:30 p.m.</b>
<b>Thursday, 2 April 2020</b>	—	<b>8:00 a.m. to 8:30 p.m.</b>
<b>Friday, 3 April, 2020</b>	—	<b>8:00 a.m. to 8:30 p.m.</b>
<b>Monday, 6 April 2020</b>	—	<b>8:00 a.m. to 8:30 p.m.</b>
<b>Tuesday, 7 April 2020</b>	—	<b>8:00 a.m. to 8:30 p.m.</b>
<b>Wednesday, 8 April 2020</b>	—	<b>8:00 a.m. to 8:30 p.m.</b>
<b>Thursday, 9 April 2020</b>	—	<b>8:00 a.m. to 12:00 noon</b>

*Note:*

1. These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Tuesday, 31 March 2020 until 12:00 noon on Thursday, 9 April 2020 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Thursday, 9 April 2020, the last application day or such later time as described in the sub-section headed “10. Effect of bad weather and/or extreme conditions on the opening of the application lists” in this section.

### **No multiple applications**

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### **Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

### **Personal data**

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

## **7. WARNING FOR ELECTRONIC APPLICATIONS**

The subscription of the Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **HK eIPO White Form** Service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** Service will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 9 April 2020.

### 8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** Service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealings in securities; and
- you exercise statutory control over that company, then the application will be treated as being for your benefit.

*"Unlisted company" means a company with no equity securities listed on the Stock Exchange.*

*"Statutory control" means you:*

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or



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- *hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).*

### 9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Public Offer Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for the Public Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** Service in respect of a minimum of 5,000 Public Offer Shares. Each application or electronic application instructions in respect of more than 5,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form or as otherwise specified on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) or in the IPO App.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and Conditions of the Share Offer” in this prospectus.

### 10. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- an announcement of “extreme conditions” by the Hong Kong Government in accordance with the revised “Code of Practice in times of Typhoons and rainstorms” issued by the Hong Kong Labour Department in June 2019; and/or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 9 April 2020. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

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If the application lists do not open and close on Thursday, 9 April 2020 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal and/or extreme conditions in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

### 11. PUBLICATION OF RESULTS

Our Company expects to announce the Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Friday, 17 April 2020 on our Company’s website [www.asia-expresslogs.com](http://www.asia-expresslogs.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- In the announcement to be posted on our Company’s website at [www.asia-expresslogs.com](http://www.asia-expresslogs.com) and the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 9:00 a.m. on Friday, 17 April 2020;
- from the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) (or [www.hkeipo.hk/IPOResult](http://www.hkeipo.hk/IPOResult)) or “Allotment Result” function in the IPO App with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Friday, 17 April 2020 to 12:00 midnight on Thursday, 23 April 2020;
- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Friday, 17 April 2020 to Wednesday, 22 April 2020 on a business day; and
- in the special allocation results booklets which will be available for inspection during opening hours from Friday, 17 April 2020 to Tuesday, 21 April 2020 at all the designated receiving bank branches on a business day.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure and Conditions of the Share Offer” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

### 12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

**(i) If your application is revoked:**

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

**(ii) If our Company or its agents exercise their discretion to reject your application:**

Our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

### (iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

### (iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form Service** are not completed in accordance with the instructions, terms and conditions on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) or in the IPO App;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Bookrunners believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 100% of the Public Offer Shares initially available for subscription under the Public Offer.

## 13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.58 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer set out in the section headed "Structure and Conditions of the Share Offer — Conditions of the Public Offer" in this prospectus are not fulfilled or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Any refund of your application monies will be made on Friday, 17 April 2020.

### 14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on Friday, 17 April 2020. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Monday, 20 April 2020 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

### Personal Collection

#### **(i) *If you apply using a WHITE Application Form***

If you apply for 1,000,000 Public Offer Shares or more and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) from the Hong Kong Branch Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 17 April 2020 or such other date as notified by our Company as the date of collection/despatch of share certificates and refund cheques. If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified on your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) will be sent to the address on your Application Form on Friday, 17 April 2020, by ordinary post and at your own risk.

#### **(ii) *If you apply using a YELLOW Application Form***

If you apply for 1,000,000 Public Offer Shares or more and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) from the Hong Kong Branch Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 17 April 2020 or such other date as notified by our Company as the date of collection/despatch of share certificates and refund cheques. If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified on your Application Form promptly thereafter by ordinary post and at your own risk.

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) (where applicable) will be sent to the address on your Application Form on Friday, 17 April 2020, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Friday, 17 April 2020, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

— *If you apply through a designated CCASS participant (other than a CCASS Investor Participant)*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

— *If you apply as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the sub-section headed "11. Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 17 April 2020 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

### **(iii) *If you apply through the HK eIPO White Form Service***

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from The Hong Kong Branch Share Register at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 17 April 2020, or such other date as notified by our Company as the date of despatch/collection of share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Friday, 17 April 2020 by ordinary post at your own risk.

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) *If you apply via Electronic Application Instructions to HKSCC*

*Allocation of Public Offer Shares*

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

*Deposit of Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, 17 April 2020, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in the paragraph headed "Publication of results" above on Friday, 17 April 2020. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 17 April 2020 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, 17 April 2020. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an



## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, 17 April 2020.

### 15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

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

Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangement as such arrangements may affect their rights and interests.

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

*The following is the text of a report set out on pages I-1 to I-72, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*

# Deloitte.

# 德勤

## ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ASIA-EXPRESS LOGISTICS HOLDINGS LIMITED AND SOUTH CHINA CAPITAL LIMITED

### Introduction

We report on the historical financial information of Asia-express Logistics Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-72, which comprises the consolidated statements of financial position of the Group as at 31 March 2017, 2018 and 2019 and 30 September 2019, the statements of financial position of the Company as at 31 March 2018 and 2019 and 30 September 2019, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-72 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 31 March 2020 (the "Prospectus") in connection with the initial listing of shares of the Company on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

### Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

### Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 March 2017, 2018 and 2019 and 30 September 2019, of the Company's financial position as at 31 March 2018 and 2019 and 30 September 2019 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

### **Review of stub period comparative financial information**

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 September 2018 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on GEM of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance*****Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

***Dividends***

We refer to note 11 to the Historical Financial Information which contains information about the dividends declared by the Group in respect of the Track Record Period.

***No historical financial statements for the Company***

No financial statements have been prepared for the Company since its date of incorporation.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
31 March 2020

**HISTORICAL FINANCIAL INFORMATION OF THE GROUP****Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA (the "Underlying Financial Statements"). The Underlying Financial Statements were audited by us in accordance with Hong Kong Standards of Auditing issued by the HKICPA.

The Historical Financial Information is presented in HK dollar ("HK\$") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	NOTES	Year ended 31 March			Six months ended 30 September	
		2017	2018	2019	2018	2019
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
						(Unaudited)
Revenue	5	309,222	321,885	351,137	173,801	160,167
Other income	6	1,338	847	4,227	1,240	3,822
Other gains and losses	6	(538)	(1,064)	(3,832)	(933)	(3,316)
Employee benefits expenses		(70,630)	(57,862)	(50,145)	(24,611)	(23,827)
Dispatch labour costs		(63,869)	(73,187)	(90,665)	(44,705)	(40,786)
Transportation costs		(139,740)	(147,377)	(175,110)	(86,311)	(76,780)
Depreciation of property, plant and equipment	13	(6,822)	(6,419)	(6,403)	(3,022)	(1,746)
Depreciation of right-of-use assets	17	—	—	—	—	(4,908)
Operating lease rentals in respect of rented premises/short-term lease payments		(15,090)	(16,011)	(6,819)	(3,399)	(69)
Other expenses		(7,196)	(8,538)	(8,432)	(3,581)	(4,560)
Listing expenses		—	(2,992)	(10,768)	(8,714)	(2,605)
Finance costs	7	(989)	(697)	(928)	(283)	(1,161)
Share of results of joint ventures		117	(4)	—	—	—
Share of results of an associate		(72)	33	25	26	19
Profit (loss) before tax		5,731	8,614	2,287	(492)	4,250
Income tax expense	8	(1,521)	(2,176)	(2,436)	(1,407)	(866)
Profit (loss) for the year/period	9	4,210	6,438	(149)	(1,899)	3,384
Other comprehensive (expense) income that may be subsequently reclassified to profit or loss:						
Exchange differences arising on translation of foreign operations		(1,387)	3,364	(1,752)	(3,631)	(2,249)
Total comprehensive income (expense) for the year/period		<u>2,823</u>	<u>9,802</u>	<u>(1,901)</u>	<u>(5,530)</u>	<u>1,135</u>
Earnings (loss) per share (HK cents)	12	<u>1.27</u>	<u>1.94</u>	<u>(0.04)</u>	<u>(0.50)</u>	<u>0.90</u>

## STATEMENTS OF FINANCIAL POSITION

	NOTES	The Group				The Company		
		As at 31 March		As at 30 September		As at 31 March		As at 30 September
		2017	2018	2019	2019	2018	2019	2019
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>NON-CURRENT ASSETS</b>								
Property, plant and equipment	13	50,659	44,501	44,961	23,622	—	—	—
Deposit placed with an insurance company	14	2,459	—	—	—	—	—	—
Investment in a subsidiary	33a	—	—	—	—	—*	—*	—*
Interests in joint ventures	15	2,434	2,689	—	—	—	—	—
Interest in an associate	16	603	701	681	660	—	—	—
Right-of-use assets	17	—	—	—	38,052	—	—	—
Deposits paid for acquisition of property, plant and equipment	18	—	—	1,779	1,170	—	—	—
Rental deposits	18	684	1,057	1,068	1,019	—	—	—
		<u>56,839</u>	<u>48,948</u>	<u>48,489</u>	<u>64,523</u>	<u>—*</u>	<u>—*</u>	<u>—*</u>
<b>CURRENT ASSETS</b>								
Trade and other receivables	18	45,451	51,043	59,204	57,396	1,148	4,287	5,090
Amount due from a subsidiary	19	—	—	—	—	3,899	12,900	12,900
Pledged bank deposits	20	—	—	11,000	14,500	—	—	—
Bank balances and cash	20	13,815	19,747	18,527	18,441	—	—	—
		<u>59,266</u>	<u>70,790</u>	<u>88,731</u>	<u>90,337</u>	<u>5,047</u>	<u>17,187</u>	<u>17,990</u>
<b>CURRENT LIABILITIES</b>								
Trade and other payables	21	40,708	44,680	49,399	42,620	1,042	8,399	11,160
Amount due to a related party	19	9,797	—	—	—	—	—	—
Amount due to a joint venture	19	811	897	—	—	—	—	—
Amounts due to subsidiaries	19	—	—	—	—	—	2,653	6,418
Tax payable		102	669	621	1,186	—	—	—
Bank overdrafts	20	2,500	1,250	—	—	—	—	—
Bank borrowings	22	3,043	—	22,000	29,000	—	—	—
Obligations under finance leases								
— due within one year	23	6,382	5,045	6,021	—	—	—	—
Lease liabilities	24	—	—	—	13,136	—	—	—
		<u>63,343</u>	<u>52,541</u>	<u>78,041</u>	<u>85,942</u>	<u>1,042</u>	<u>11,052</u>	<u>17,578</u>
<b>NET CURRENT (LIABILITIES) ASSETS</b>								
		<u>(4,077)</u>	<u>18,249</u>	<u>10,690</u>	<u>4,395</u>	<u>4,005</u>	<u>6,135</u>	<u>412</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>								
		<u>52,762</u>	<u>67,197</u>	<u>59,179</u>	<u>68,918</u>	<u>4,005</u>	<u>6,135</u>	<u>412</u>

	NOTES	The Group				The Company		
		As at 31 March			As at	As at 31 March		As at
		2017	2018	2019	30 September	2018	2019	30 September
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>NON-CURRENT LIABILITIES</b>								
Obligations under finance leases								
— due after one year	23	6,573	2,773	4,230	—	—	—	—
Lease liabilities	24	—	—	—	16,068	—	—	—
Deferred tax liabilities	25	1,673	3,106	5,330	5,586	—	—	—
		<u>8,246</u>	<u>5,879</u>	<u>9,560</u>	<u>21,654</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>NET ASSETS</b>		<u>44,516</u>	<u>61,318</u>	<u>49,619</u>	<u>47,264</u>	<u>4,005</u>	<u>6,135</u>	<u>412</u>
<b>CAPITAL AND RESERVES</b>								
Share capital	26	10	—*	—*	—*	—*	—*	—
Reserves		<u>44,506</u>	<u>61,318</u>	<u>49,619</u>	<u>47,264</u>	<u>4,005</u>	<u>6,135</u>	<u>412</u>
<b>TOTAL EQUITY</b>		<u>44,516</u>	<u>61,318</u>	<u>49,619</u>	<u>47,264</u>	<u>4,005</u>	<u>6,135</u>	<u>412</u>

\* Less than HK\$1,000



## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Other reserve	Exchange reserve	Statutory reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(Note a)		
At 1 April 2016	10	—	—	1,338	1,741	51,738	54,827
Profit for the year	—	—	—	—	—	4,210	4,210
Other comprehensive expense	—	—	—	(1,387)	—	—	(1,387)
Total comprehensive (expense) income for the year	—	—	—	(1,387)	—	4,210	2,823
Transfer	—	—	—	—	89	(89)	—
Recognition of an equity settled share-based payment (Note b)	—	—	1,866	—	—	—	1,866
Dividend recognised as distribution (note 11)	—	—	—	—	—	(15,000)	(15,000)
At 31 March 2017	10	—	1,866	(49)	1,830	40,859	44,516
Profit for the year	—	—	—	—	—	6,438	6,438
Other comprehensive income	—	—	—	3,364	—	—	3,364
Total comprehensive income for the year	—	—	—	3,364	—	6,438	9,802
Transfer	—	—	—	—	480	(480)	—
Issue of shares (note 26)	—*	7,000	—	—	—	—	7,000
Arising from the Reorganisation (as defined in note 1)	(10)	—	10	—	—	—	—
At 31 March 2018	—*	7,000	1,876	3,315	2,310	46,817	61,318
Adoption of HKFRS 9 (Note c)	—	—	—	—	—	(798)	(798)
At 1 April 2018 (restated)	—*	7,000	1,876	3,315	2,310	46,019	60,520
Loss for the year	—	—	—	—	—	(149)	(149)
Other comprehensive expense	—	—	—	(1,752)	—	—	(1,752)
Total comprehensive expense for the year	—	—	—	(1,752)	—	(149)	(1,901)
Transfer	—	—	—	—	14	(14)	—
Dividend recognised as distribution (note 11)	—	—	—	—	—	(9,000)	(9,000)
At 31 March 2019	—*	7,000	1,876	1,563	2,324	36,856	49,619
Adoption of HKFRS 16 (Note d)	—	—	—	—	—	(372)	(372)
At 1 April 2019 (restated)	—*	7,000	1,876	1,563	2,324	36,484	49,247
Profit for the period	—	—	—	—	—	3,384	3,384
Other comprehensive expense	—	—	—	(2,249)	—	—	(2,249)
Total comprehensive (expense) income for the period	—	—	—	(2,249)	—	3,384	1,135
Repurchase of ordinary shares (note 26)	—*	(3,118)	—	—	—	—	(3,118)
At 30 September 2019	—*	3,882	1,876	(686)	2,324	39,868	47,264
<b>For the six months ended 30 September 2018</b> <b>(Unaudited)</b>							
At 1 April 2018	—*	7,000	1,876	3,315	2,310	46,817	61,318
Adoption of HKFRS 9 (Note c)	—	—	—	—	—	(798)	(798)
At 1 April 2018 (restated)	—*	7,000	1,876	3,315	2,310	46,019	60,520
Loss for the period	—	—	—	—	—	(1,899)	(1,899)
Other comprehensive expense	—	—	—	(3,631)	—	—	(3,631)
Total comprehensive expense for the period	—	—	—	(3,631)	—	(1,899)	(5,530)
At 30 September 2018	—*	7,000	1,876	(316)	2,310	44,120	54,990

\* Less than HK\$1,000

*Notes:*

- (a) Amount represents statutory reserve of the subsidiaries of the Company established in the People's Republic of China (the "PRC"). According to the relevant laws in the PRC, the subsidiaries in the PRC are required to transfer at least 10% of its net profit after taxation, as determined under the relevant accounting principles and financial regulations applicable to enterprises established in the PRC, to a non-distributable reserve fund until the reserve balance reaches 50% of its registered capital. The transfer to this reserve must be made before the distribution of a dividend to owners. Such reserve fund can be used to offset the previous years' losses, if any, and is non-distributable other than upon liquidation.
- (b) On 15 December 2016 (the "Grant Date"), the then shareholder of Kwai Bon Transportation Limited ("Kwai Bon (HK)"), a subsidiary of the Group, transferred 500 shares of Kwai Bon (HK), representing 5% of its equity interest, to Mr. Chan Yu, a director of the Company and an employee of Kwai Bon (HK), as a service award payment. The fair value of the 500 shares at the Grant Date amounted to HK\$1,866,000, which was determined by reference to a valuation conducted by an independent firm of professional valuers, ValQuest Advisory Group Limited with address of Unit 1104, 11/F, Crawford House, Central, Hong Kong, using the income approach and was recognised as an equity settled share-based payment.
- (c) As set out in note 2 to the Historical Financial Information, upon adoption of HKFRS 9 "Financial Instruments" on 1 April 2018, the accumulated impact of HK\$798,000 was recorded as an adjustment to the retained profits as at 1 April 2018, which represents accumulated impairment loss allowance recognised on trade receivables, net of deferred tax impact.
- (d) As set out in note 2 to the Historical Financial Information, upon adoption of HKFRS 16 "Lease" on 1 April 2019, the accumulated impact of HK\$372,000 was recorded as an adjustment to the retained profits as at 1 April 2019, which represents the difference between the rental expenses charged to profit or loss under HKAS 17 and the aggregate amount of depreciation of right-of-use assets and interest expense on lease liabilities under HKFRS 16 as if HKFRS 16 had been applied since the commencement dates of the leases.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 March			Six months ended 30 September	
	2017	2018	2019	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(Unaudited)
<b>OPERATING ACTIVITIES</b>					
Profit (loss) before tax	5,731	8,614	2,287	(492)	4,250
Adjustments for:					
Interest income	(31)	(34)	(121)	(18)	(137)
Depreciation of property, plant and equipment	6,822	6,419	6,403	3,022	1,746
Depreciation of right-of-use assets	—	—	—	—	4,908
Finance costs	989	697	928	283	1,161
Government subsidies received upon disposal of qualified commercial motor vehicles	(1,173)	(579)	(4,101)	(1,222)	(3,660)
Interest income from a life insurance policy	(90)	(85)	—	—	—
Reversal of (provision of) impairment loss allowance recognised on trade receivables under HKFRS 9, net	—	—	(249)	148	(70)
Loss on disposal of property, plant and equipment	606	1,145	3,862	800	3,419
Share-based payment expense	1,866	—	—	—	—
Share of results of joint ventures	(117)	4	—	—	—
Share of results of an associate	72	(33)	(25)	(26)	(19)
Surrender charge for withdrawal of deposit placed with an insurance company ( <i>note 14</i> )	—	317	—	—	—
Operating cash flows before movements in working capital	14,675	16,465	8,984	2,495	11,598
Decrease (increase) in trade and other receivables	3,700	(5,454)	(4,239)	(8,479)	(210)
Increase (decrease) in trade and other payables	213	4,569	2,437	(581)	(6,832)
Cash generated from (used in) operations	18,588	15,580	7,182	(6,565)	4,556
PRC Enterprise Income Tax ("EIT") paid	(101)	(292)	(48)	(42)	(7)
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>	<b>18,487</b>	<b>15,288</b>	<b>7,134</b>	<b>(6,607)</b>	<b>4,549</b>

	Year ended 31 March			Six months ended 30 September	
	2017	2018	2019	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
<b>INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment	(4,684)	(2,138)	(13,050)	(5,235)	(2,645)
Proceeds from disposal of property, plant and equipment	3,003	1,934	6,103	2,417	4,376
Proceeds from deregistration of a joint venture	396	—	530	530	—
Interest received	31	34	121	18	75
Redemption of deposit placed with an insurance company ( <i>note 14</i> )	—	2,248	—	—	—
Proceeds from disposal of a joint venture ( <i>note 15</i> )	—	—	1,170	—	1,347
Placement of pledged bank deposits	—	—	(11,000)	(10,000)	(3,500)
Deposits paid for acquisition of property, plant and equipment	—	—	(1,779)	—	—
<b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>	<b>(1,254)</b>	<b>2,078</b>	<b>(17,905)</b>	<b>(12,270)</b>	<b>(347)</b>
<b>FINANCING ACTIVITIES</b>					
Dividends paid	(15,000)	—	(9,000)	—	—
Repayment to a related party	(13,500)	(10,573)	—	—	—
Repayment of obligations under finance leases	(5,997)	(6,782)	(6,814)	(2,804)	—
Repayment of bank borrowings	(2,092)	(3,043)	—	—	—
Interests paid	(989)	(697)	(928)	(283)	(1,161)
Advance from a related party	13,464	776	—	—	—
Additions of obligations under finance leases	2,843	1,645	9,247	4,427	—
Issue of shares ( <i>note 26</i> )	—	7,000	—	—	—
New bank borrowing raised	—	—	22,000	20,000	7,000
Share issue costs paid	—	—	(2,123)	(1,745)	(119)
Repayment to a joint venture	—	—	(761)	—	—
Repayment of lease liabilities	—	—	—	—	(5,997)
Repurchase of ordinary shares	—	—	—	—	(3,118)
<b>NET CASH (USED IN) FROM FINANCING ACTIVITIES</b>	<b>(21,271)</b>	<b>(11,674)</b>	<b>11,621</b>	<b>19,595</b>	<b>(3,395)</b>

	Year ended 31 March			Six months ended 30 September	
	2017	2018	2019	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(4,038)	5,692	850	718	807
CASH AND CASH EQUIVALENTS AT BEGINNING OF REPORTING YEAR/PERIOD	15,984	11,315	18,497	18,497	18,527
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<u>(631)</u>	<u>1,490</u>	<u>(820)</u>	<u>(1,062)</u>	<u>(893)</u>
CASH AND CASH EQUIVALENTS AT END OF REPORTING YEAR/PERIOD	<u>11,315</u>	<u>18,497</u>	<u>18,527</u>	<u>18,153</u>	<u>18,441</u>
Represented by:					
Bank balances and cash	13,815	19,747	18,527	18,153	18,441
Bank overdrafts	<u>(2,500)</u>	<u>(1,250)</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>11,315</u>	<u>18,497</u>	<u>18,527</u>	<u>18,153</u>	<u>18,441</u>

**NOTES TO THE HISTORICAL FINANCIAL INFORMATION****1. GENERAL, GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION****General**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 2 January 2018 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and with an authorised share capital of HK\$390,000 divided into 39,000,000 shares of HK\$0.01 each. On the same date, 1 fully paid share was allotted and issued at par to the initial subscriber, an independent third party, and transferred to 3C Holding Limited (“3C Holding”), a company incorporated in the British Virgin Islands (the “BVI”) with limited liability, at a consideration of HK\$0.01. As a result, 3C Holding became the immediate and ultimate holding company of the Company. The addresses of the Company’s registered office and principal place of business are disclosed in the section headed “Corporate Information” of this Prospectus. The principal activity of the Company is investment holding. The principal activities of the Group are the provision of air cargo terminal operation services, transportation services and warehousing and value-added services in Hong Kong and the PRC.

The Historical Financial Information has been prepared based on the accounting policies set out in note 3 which conform with HKFRSs issued by the HKICPA.

The Historical Financial Information is presented in HK\$, which is the same as the functional currency of the Company.

**Group reorganisation and basis of preparation and presentation of Historical Financial Information**

Prior to a group reorganisation as more fully explained in the section headed “History, Reorganisation and Corporate Structure” in the Prospectus (the “Reorganisation”), Kwai Bon (HK) was directly held by Mr. Chan Le Bon (“Mr. LB Chan”) and Mr. Chan Yu as to 95% and 5% equity interests, respectively. To rationalise the structure of the Group in preparation for the listing of the Company’s shares on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing”), the companies now comprising the Group underwent a series of reorganisation which involved the followings steps:

- i. On 25 April 2017, 3C Holding was incorporated with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. 95 shares and 5 shares were issued to and fully paid for cash at par value by Mr. LB Chan and Mr. Chan Yu, respectively.
- ii. On 2 January 2018, the Company was incorporated as mentioned above and 99 shares were further allotted and issued, at par value, to 3C Holding.
- iii. On 4 January 2018, Asia-express Logistics Group (BVI) Limited (“Asia-express (BVI)”) was incorporated in the BVI with limited liability. Asia-express (BVI) is authorised to issue up to a maximum of 50,000 ordinary shares without par value. Upon incorporation, the Company subscribed for one fully paid share of Asia-express (BVI) for the issue price of US\$1.00 per share. As a result, Asia-express (BVI) becomes a wholly owned subsidiary of the Company.
- iv. On 13 February 2018, Mr. LB Chan and Mr. Chan Yu as vendors and the Company as purchaser entered into a share swap deed, pursuant to which Mr. LB Chan and Mr. Chan Yu transferred their 9,500 shares and 500 shares respectively (in total being 10,000 shares) in Kwai Bon (HK) to Asia-express (BVI) (as the Company’s nominee), representing 95% and 5% of the issued share capital respectively (in total being 100% of the issued share capital) in Kwai Bon (HK), in consideration of and exchange for which the Company allotted and issued a total of 100 Shares, credited as fully paid, with 95 such shares to 3C Holding (at the direction of Mr. LB Chan) and 5 such shares to 3C Holding (at the direction of Mr. Chan Yu), respectively.

- v. On 23 March 2018, Diligent City Limited (“Diligent City”), a company incorporated in the BVI with limited liability and an independent third party, as the subscriber entered into a subscription agreement with, among others, the Company, pursuant to which Diligent City agreed to subscribe for and the Company agreed to allot and issue 30 new shares, representing approximately 13% of the enlarged issued share capital of the Company at the subscription price of HK\$7,000,000.
- vi. On 28 June 2019, Diligent City repurchased 14,000 and 6,000 of its own shares held by Maia Global Investment Limited (“Maia Global”) and Solution Lion Holdings Limited (“Solution Lion”), respectively. In consideration of such repurchase, Diligent City agreed to transfer 8 Shares and 4 Shares of the Company to Maia Global and Solution Lion, respectively.
- vii. Subsequently on 4 September 2019 and 18 September 2019, the Company completed the repurchase of the 4 Shares and 8 Shares from Solution Lion and Maia Global at considerations of HK\$1,039,000 and HK\$2,079,000, respectively.

Pursuant to the Reorganisation described above, the Company became the holding company of the companies now comprising the Group on 13 February 2018. The Group resulting from the Reorganisation, which involves interspersing the Company and other holding companies on top of the existing group headed by Kwai Bon (HK), is regarded as a continuing entity. Accordingly, the Historical Financial Information has been prepared on the basis as if the Company has always been the holding company of the Group.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the years ended 31 March 2017 and 2018 include the results, changes in equity and cash flows of the companies now comprising the Group for the relevant years, as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the relevant years, taking into account the respective dates of the incorporation of the relevant entities.

The consolidated statement of financial position as at 31 March 2017 has 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 this date, taking into account the respective dates of the incorporation of the relevant entities.

No statutory financial statements have been prepared for the Company since its date of incorporation as it is incorporated in a jurisdiction where there is no statutory audit requirement.

## 2. APPLICATION OF NEW AND REVISED HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with HKFRSs which are effective for the accounting periods beginning on 1 April 2019, including HKFRS 15 “Revenue from Contracts with Customers” and the related amendments, except that the Group adopted HKFRS 9 “Financial Instruments” and the related amendments on 1 April 2018 and HKFRS 16 “Leases” on 1 April 2019 in accordance with the transition provisions as mentioned below. The accounting policies for financial instruments under HKFRS 9 and leases under HKFRS 16 are set out in note 3 below.

### **HKFRS 9 “Financial Instruments” and the related amendments**

During the year ended 31 March 2019, the Group has applied HKFRS 9 “Financial Instruments” and the related amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments

that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits, without restating comparative information.

*Classification and measurement of financial assets*

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All financial assets and financial liabilities continue to be measured on the same basis as were previously measured under HKAS 39.

*Impairment of financial assets*

As at 1 April 2018, the management of the Group reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. As at 1 April 2018, the details of the impairment loss allowance and related deferred tax impact are illustrated as below.

*Summary of effects arising from initial application of HKFRS 9*

The table below illustrates the impairment of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, i.e. 1 April 2018.

	<b>Amortised cost (previously classified as loans and receivables)</b>	<b>Deferred tax liabilities</b>	<b>Retained profits</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Closing balance at 31 March 2018 — HKAS 39	66,577	3,106	46,817
Effect arising from initial application of HKFRS 9:			
Remeasurement			
— impairment under ECL model	<u>(980)</u>	<u>(182)</u>	<u>(798)</u>
Opening balance at 1 April 2018	<u>65,597</u>	<u>2,924</u>	<u>46,019</u>

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been assessed individually for debtors with significant balances or collectively using a provision matrix with appropriate groupings based on shared credit risk characteristics of customers.

Loss allowances for other financial assets at amortised cost mainly comprise of other receivables, pledged bank deposits and bank balances are measured on 12-month ECL ("12m ECL") basis and there had been no significant increase in credit risk since initial recognition. For pledged bank deposits and bank balances, the Group only transacts with reputable banks with high credit ratings assigned by international credit-rating agencies. There has been no recent history of default in relation to these banks. For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition. The ECL is not material. Accordingly, no loss allowance has been recognised for other financial assets as at 1 April 2018.



All loss allowances for financial assets including trade receivables as at 31 March 2018 have been reconciled to the opening loss allowances at 1 April 2018 as follows:

	<u>Trade receivables</u> HK\$'000
At 31 March 2018 — HKAS 39	—
Amounts remeasured through opening retained profits	<u>980</u>
At 1 April 2018	<u><u>980</u></u>

#### HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current period. HKFRS 16 superseded HKAS 17 “Leases” (“HKAS 17”), and the related interpretations.

##### *Definition of a lease*

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

##### *As a lessee*

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

As at 1 April 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying HKFRS 16.C8(b)(i) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 4.40% per annum.

The following is the reconciliation of operating lease commitments as at 31 March 2019 to the lease liabilities as at 1 April 2019:

	<i>Notes</i>	<b>HK\$'000</b>
Operating lease commitments as at 31 March 2019 as disclosed in the Historical Financial Information	29	16,386
Discounting effect using the incremental borrowing rates as 1 April 2019		<u>(963)</u>
Lease liabilities discounted at relevant incremental borrowing rates		15,423
Less: Recognition exemption for short-term leases		<u>(73)</u>
Lease liabilities relating to operating leases recognised upon application of HKFRS 16		15,350
Add: obligations under finance leases recognised at 31 March 2019	(a)	<u>10,251</u>
Lease liabilities as at 1 April 2019		<u><u>25,601</u></u>
Analysed as		
Current		11,574
Non-current		<u>14,027</u>
		<u><u>25,601</u></u>

The carrying amount of right-of-use assets for own use as at 1 April 2019 comprises the following:

Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	(b)	15,094
Amounts included in property, plant and equipment under HKAS 17		
— Assets previously under finance leases	(a)	<u>24,109</u>
		<u><u>39,203</u></u>
By class of underlying assets:		
Motor vehicles		24,109
Office premises		1,875
Warehouses		<u>13,219</u>
		<u><u>39,203</u></u>

The following table summarises the impact of transition to HKFRS 16 on retained profits at 1 April 2019.

		<b>Impact of adopting HKFRS 16 at 1 April 2019 HK\$'000</b>
<b>Retained profits</b>		
Decrease upon application of HKFRS 16	(b)	<u><u>372</u></u>

*Notes:*

- (a) In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 April 2019 amounting to HK\$24,109,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of HK\$6,021,000 and HK\$4,230,000 to lease liabilities as current and non-current liabilities respectively at 1 April 2019.
- (b) As at 1 April 2019, the Group measured right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since the commencement dates of the leases by applying HKFRS 16.C8(b)(i) transition. Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. As at 1 April 2019, the right-of-use assets measured under the application of HKFRS 16.C8(b)(i) transition amounted to HK\$15,094,000.

**New and amendments to HKFRSs in issue but not yet effective**

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 3	Definition of a Business <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>4</sup>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>2</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS*, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of the above new and amendments to HKFRSs will have no material impact to the Group's financial position and financial performance in the foreseeable future.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The Historical Financial Information has been prepared in accordance with accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for services rendered.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial

Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based Payment”, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 April 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of Assets”.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

#### **Basis of consolidation**

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

#### **Investment in a subsidiary**

Investment in a subsidiary is stated in the statements of financial position of the Company at cost less accumulated impairment losses. Cost includes direct attributable costs of investment.

**Revenue recognition**

Revenue is recognised to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the services underlying the particular performance obligation is transferred to customers.

A performance obligation represents service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If the control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct services.

*Income from air cargo terminal operation services, transportation services and warehousing and other value-added services*

The Group provides air cargo terminal operation services, transportation services and warehousing and other value-added services to its customers. Such contracts are entered into before the services begin. Under the terms of the contracts, the customers simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs. Revenue from air cargo terminal operation services, transportation services and warehousing and other value-added services is therefore recognised over time.

**Government subsidies**

Government subsidies are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government subsidies are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the subsidies are intended to compensate. Specifically, government subsidies whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government subsidies that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

### **Property, plant and equipment**

Property, plant and equipment are stated in the consolidated 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 assets 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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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.

### **Impairment losses**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss.

**Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year/period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

**Investments in associates and joint ventures**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in the Historical Financial Information using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statements of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 28 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKAS 39 or HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's Historical Financial Information only to the extent of interests in the associate or joint venture that are not related to the Group.

### **Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

### **Financial instruments**

Financial assets and financial liabilities are recognised when the a group entity becomes a party to the contractual provisions of the instrument. All financial assets are recognised and derecognised on a trade date basis where the purchase or sales of a financial asset is under a contract whose terms require delivery of financial asset within the timeframe established by the market concerned.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

#### ***Financial assets (before the adoption of HKFRS 9 as at 1 April 2018)***

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.



*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

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.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including deposit placed with an insurance company, trade and other receivables, amount due from a subsidiary, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

*Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain category of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the respective credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

*Financial assets (under HKFRS 9 after 1 April 2018)*

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets are required to be subsequently measured at amortised cost or fair value on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All of the Group's financial assets are subsequently measured at amortised cost.

*Amortised cost and effective interest rate*

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The effective interest method is a method of calculating the amortised cost of debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fee paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting period, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

*Impairment under ECL model*

The Group and the Company recognise a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, amount due from a subsidiary, pledged bank deposits and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument (referred to as stage 2 and stage 3). In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date (referred to

as stage 1). Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances or collectively using a provision matrix with appropriate groupings based on shared credit risk characteristics of customers.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's non-significant trade receivables are assessed as a separate group. Significant trade receivables, other receivables, pledged bank deposits, bank balances and amount due from a subsidiary are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

#### *Financial liabilities and equity instruments*

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

#### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

#### Financial liabilities at amortised cost

Financial liabilities including trade and other payables, amount due to a related party, amounts due to a joint venture and subsidiaries, bank overdrafts and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

#### *Derecognition*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

#### **Retirement benefit costs**

Payments to the defined contribution retirement benefit plans, including government-managed retirement benefit scheme and the Mandatory Provident Fund Scheme (the "MPF Scheme"), are charged as an expense when employees have rendered service entitling them to the contributions.

Provision for long service payments are recognised as an expense when employees have rendered services entitling them upon their retirement. The amount recognised represents the difference between the statutory requirement entitling the employees and the contributions made to the retirement contribution scheme/MPF Scheme. The amount is reviewed on an annual basis and adjusted as appropriate.

#### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Effective since 1 April 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from 'profit or loss before tax' as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liabilities for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and an associate, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

#### **Equity-settled share-based payment transactions**

Equity-settled share-based payments to employees and other providing similar services are measured at the fair value of the equity instruments at the grant date.

For share awards that vest immediately at the date of grant, the difference between the fair value of the shares to which the counterparty has received and the price the counterparty is required to pay for those shares is expensed immediately to profit or loss.

#### **Leases**

##### *Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)*

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

##### *The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)*

##### *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to leases of properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

##### *Right-of-use assets*

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

#### *Refundable rental deposits*

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

#### *Lease liabilities*

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statements of financial position.



*Lease modifications*

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

*The Group as a lessee (prior to 1 April 2019)*

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.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy above).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

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.

**4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in note 3, the management of the Group is required to make estimates and assumptions about 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 that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

**Recognition of deferred tax assets**

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting period. A deferred tax asset is recognised in respect of the tax losses of Kwai Bon (HK) to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Therefore, estimates are made to establish whether deferred tax balances should be recognised. As at 31 March 2017 and 2018, the carrying amounts of deferred tax assets of HK\$4,445,000 and HK\$2,590,000, respectively, were recognised to offset against deferred tax liabilities. As at 31 March 2019 and 30 September 2019, Kwai Bon (HK) had no tax losses carried forward.

**Estimated useful life of motor vehicles**

The Company determines the estimated useful lives based on the historical experience of the actual useful lives of motor vehicles and takes into consideration of any residual value of the relevant motor vehicles. As at 31 March 2017, 2018 and 2019 and 30 September 2019, the carrying amounts of motor vehicles were HK\$47,534,000, HK\$41,537,000, HK\$42,239,000 and HK\$46,119,000, respectively.

**Estimated impairment for trade receivables (before the adoption of HKFRS 9 on 1 April 2018)**

Prior to 1 April 2018, when there is objective evidence of impairment loss, the Group takes into consideration the estimation of 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 applicable). Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise. As at 31 March 2017 and 2018, the carrying amounts of trade receivables were HK\$38,979,000 and HK\$44,832,000, respectively.

**Provision of ECL for trade receivables (after the adoption of HKFRS 9 on 1 April 2018)**

Starting from 1 April 2018, the management of the Group estimates the amount of loss allowance of trade receivables based on the credit risk and past due status of trade receivables. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses. The assessment of credit risk of trade receivables involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise accordingly. As at 31 March 2019 and 30 September 2019, the carrying amounts of trade receivables were HK\$48,956,000 (net of loss allowance of HK\$731,000) and HK\$44,973,000 (net of loss allowance of HK\$661,000), respectively. Details are disclosed in note 18.

## 5. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable for services provided in the normal course of business.

An analysis of the Group's revenue during the Track Record Period is as follows:

	Year ended 31 March			Six months ended 30 September	
	2017	2018	2019	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Air cargo terminal operation services					
— Ground handling	91,114	103,851	108,713	58,814	54,076
— Ancillary delivery	68,880	63,322	79,968	37,105	34,416
Transportation services	117,001	120,960	135,132	64,882	57,353
Warehousing and other value-added services	32,227	33,752	27,324	13,000	14,322
	<u>309,222</u>	<u>321,885</u>	<u>351,137</u>	<u>173,801</u>	<u>160,167</u>

During the Track Record Period, the Group derives its revenue from the provision of the air cargo terminal operation services, transportation services and warehousing and other value-added services to its customers and the revenue is recognised as a performance obligation satisfied over time as the customers receive and consume the benefits of the Group's performance as it occurs.

The aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) is nil as at the end of each reporting period during the Track Record Period.

The Group's operating segment is determined based on information reported to the chief operating decision maker (the "CODM"), being the management of the Group, for the purposes of resource allocation and performance assessment. For management purpose, the Group operates in one business unit based on its services and its sole operating segment is the provision of air-cargo terminal operation services, transportation services and warehousing and other value-added services. The CODM monitors the revenue, consolidated results, assets and liabilities of its business unit as a whole and regularly reviews financial information prepared in accordance with the accounting policies which conform with HKFRSs and consistent with those used in the preparation of this report, and without further discrete information. Accordingly, no analysis of segment information other than entity-wide information is presented.

*Geographical information*

The Group's operations are mainly located in Hong Kong and the PRC.

Information about the Group's revenue from external customers is presented based on the location of the operation. For revenue from cross-border transportation services, it is presented based on the location where the contract is negotiated and effected.

	Year ended 31 March			Six months ended 30 September	
	2017	2018	2019	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Hong Kong	257,773	272,869	309,424	152,299	140,789
The PRC	51,449	49,016	41,713	21,502	19,378
	<u>309,222</u>	<u>321,885</u>	<u>351,137</u>	<u>173,801</u>	<u>160,167</u>

Information about the Group's non-current assets is presented based on the geographical location of the assets:

	As at 31 March			As at 30 September
	2017	2018	2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	46,973	40,482	44,490	59,748
The PRC	9,866	8,466	3,999	4,775
	<u>56,839</u>	<u>48,948</u>	<u>48,489</u>	<u>64,523</u>

**Information about major customers**

Revenue from customers of corresponding years/periods contributing over 10% of the Group's revenue is as follows:

	Year ended 31 March			Six months ended 30 September	
	2017	2018	2019	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Customer A1	171,550	172,931	183,527	92,063	87,516
Customer A2*	32,209	26,009	34,094	17,493	14,955

\* Customer A2 was acquired by Customer A1 in May 2016 and Customer A2 became a subsidiary of Customer A1 since then. Revenue from Customer A1 shown above does not include the revenue from Customer A2 after the acquisition.

## 6. OTHER INCOME/OTHER GAINS AND LOSSES

	Year ended 31 March			Six months ended 30 September	
	2017	2018	2019	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Other income:					
Government subsidies received upon disposal of qualified commercial motor vehicles ( <i>Note</i> )	1,173	579	4,101	1,222	3,660
Interest income	31	34	121	18	137
Interest income from a life insurance policy	90	85	—	—	—
Others	44	149	5	—	25
	<u>1,338</u>	<u>847</u>	<u>4,227</u>	<u>1,240</u>	<u>3,822</u>
Other gains and losses:					
Loss on disposal of property, plant and equipment	(606)	(1,145)	(3,862)	(800)	(3,419)
Exchange gain (loss)	68	81	(219)	15	33
Reversal of (provision of) impairment loss on trade receivables under HKFRS 9, net	—	—	249	(148)	70
	<u>(538)</u>	<u>(1,064)</u>	<u>(3,832)</u>	<u>(933)</u>	<u>(3,316)</u>

*Note:* The amount represents the government subsidies for early retirement of certain commercial motor vehicles of the Group which do not comply with latest environmental regulatory requirement, with no unfulfilled conditions attached before recognition. No future related cost is expected to be incurred.

## 7. FINANCE COSTS

	Year ended 31 March			Six months ended 30 September	
	2017	2018	2019	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Interest on bank borrowings	173	108	547	117	612
Interest on bank overdrafts	160	135	8	8	—
Interest on finance leases	656	454	373	158	—
Interest on lease liabilities	—	—	—	—	549
	<u>989</u>	<u>697</u>	<u>928</u>	<u>283</u>	<u>1,161</u>

## 8. INCOME TAX EXPENSE

	Year ended 31 March			Six months ended 30 September	
	2017	2018	2019	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
The tax charge comprises:					
Hong Kong Profits Tax	—	—	20	—	607
PRC EIT	325	743	10	79	3
Deferred tax (note 25)	1,196	1,433	2,406	1,328	256
	<u>1,521</u>	<u>2,176</u>	<u>2,436</u>	<u>1,407</u>	<u>866</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the Track Record Period.

PRC EIT is calculated at 25% of the estimated assessable profits for the Track Record Period. Pursuant to the relevant laws and regulations in the PRC, one of the Company's PRC subsidiaries is entitled to 10% PRC EIT for the Track Record Period as the subsidiary is qualified as small entities for a reduced tax rate.

The tax charge for the year/period can be reconciled to the profit (loss) before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March			Six months ended 30 September	
	2017	2018	2019	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Profit (loss) before tax	<u>5,731</u>	<u>8,614</u>	<u>2,287</u>	<u>(492)</u>	<u>4,250</u>
Tax at Hong Kong Profits Tax rate of 16.5%	946	1,421	377	(81)	701
Tax effect of expenses not deductible for tax purpose	408	494	1,815	1,462	430
Tax effect of tax losses not recognised	—	—	250	—	—
Tax effect of utilisation of tax losses previously not recognised	—	—	—	—	(134)
Tax effect of two-tiered tax rates	—	—	—	—	(165)
Effect of different tax rates in the PRC	<u>167</u>	<u>261</u>	<u>(6)</u>	<u>26</u>	<u>34</u>
Income tax expense for the year/period	<u>1,521</u>	<u>2,176</u>	<u>2,436</u>	<u>1,407</u>	<u>866</u>

## 9. PROFIT (LOSS) FOR THE YEAR/PERIOD

	Year ended 31 March			Six months ended 30 September	
	2017	2018	2019	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit (loss) for the year/period has been arrived at after charging:					
Auditor's remuneration	368	369	369	19	19
Directors' remuneration	2,497	1,058	1,182	522	543
Other staff costs:					
Salaries, discretionary bonuses and other benefits	65,482	53,864	46,591	22,217	21,513
Retirement benefits scheme contributions	2,651	2,940	2,372	1,872	1,771
	<u>70,630</u>	<u>57,862</u>	<u>50,145</u>	<u>24,611</u>	<u>23,827</u>

## 10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

## (a) Directors' and chief executive's emoluments

Details of emoluments paid or payable by entities now comprising the Group to the directors and the chief executive of the Company are as follows:

*For the year ended 31 March 2017*

	Directors' fees	Salaries and other benefits	Share-based payment	Discretionary bonuses	Retirement benefits scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Executive directors:</b>						
Mr. LB Chan ( <i>Note a</i> )	—	—	—	—	—	—
Mr. Chan Yu ( <i>Note b</i> )	—	534	1,866	80	17	2,497
	<u>—</u>	<u>534</u>	<u>1,866</u>	<u>80</u>	<u>17</u>	<u>2,497</u>

For the year ended 31 March 2018

	<u>Directors' fees</u>	<u>Salaries and other benefits</u>	<u>Discretionary bonuses</u>	<u>Retirement benefits scheme contributions</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Executive directors:</b>					
Mr. LB Chan (Note a)	—	340	48	17	405
Mr. Chan Yu (Note b)	—	552	83	18	653
<b>Non-executive director:</b>					
Mr. Choy Wing Hang, William ("Mr. William Choy") (Note c)	—	—	—	—	—
	—	892	131	35	1,058

For the year ended 31 March 2019

	<u>Directors' fees</u>	<u>Salaries and other benefits</u>	<u>Discretionary bonuses</u>	<u>Retirement benefits scheme contributions</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Executive directors:</b>					
Mr. LB Chan (Note a)	—	428	50	18	496
Mr. Chan Yu (Note b)	—	581	87	18	686
<b>Non-executive director:</b>					
Mr. William Choy (Note c)	—	—	—	—	—
	—	1,009	137	36	1,182

For the six months ended 30 September 2019

	<u>Directors' fees</u>	<u>Salaries and other benefits</u>	<u>Discretionary bonuses</u>	<u>Retirement benefits scheme contributions</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Executive directors:</b>					
Mr. LB Chan (Note a)	—	223	—	9	232
Mr. Chan Yu (Note b)	—	302	—	9	311
<b>Non-executive director:</b>					
Mr. William Choy (Note c)	—	—	—	—	—
	—	525	—	18	543



For the six months ended 30 September 2018 (Unaudited)

	<u>Directors'</u> <u>fees</u>	<u>Salaries</u> <u>and other</u> <u>benefits</u>	<u>Discretionary</u> <u>bonuses</u>	<u>Retirement</u> <u>benefits</u> <u>scheme</u> <u>contributions</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Executive directors:</b>					
Mr. LB Chan ( <i>Note a</i> )	—	214	—	9	223
Mr. Chan Yu ( <i>Note b</i> )	—	290	—	9	299
<b>Non-executive director:</b>					
Mr. William Choy ( <i>Note c</i> )	—	—	—	—	—
	—	504	—	18	522

Notes:

- (a) Mr. LB Chan is appointed as a director of the Company on 2 January 2018. He is also the chairman of the Group and his emoluments disclosed above included those for services rendered by him to a subsidiary of the Group prior to his appointment as a director of the Company. During the year ended 31 March 2017, no emoluments were paid by the Group to Mr. LB Chan as fees, salaries and other allowances, discretionary bonus and retirement benefits scheme contributions.
- (b) Mr. Chan Yu is appointed as a director of the Company on 2 January 2018. He is also the chief executive officer of the Group and his emoluments disclosed above included those services rendered by him to a subsidiary of the Group prior to his appointment as a director of the Company.
- (c) Mr. William Choy is appointed as a non-executive director of the Company on 23 March 2018.
- (d) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.
- (e) Mr. Fu Lui, Mr. Chan Chi Ho and Ms. Chui Sin Heng are appointed as independent non-executive directors of the Company on 23 March 2020.
- No emoluments were paid or payable during the Track Record Period to Mr. William Choy, Mr. Fu Lui, Mr. Chan Chi Ho and Ms. Chui Sin Heng.
- (f) Discretionary bonuses are determined by the management of the Group by reference to the individual performance and contribution to the Group.

**(b) Employees' emoluments**

The five highest paid individuals of the Group for each of the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2018 and 2019 include 1, 1, 1, 1 (Unaudited) and 1 individual, respectively, who is a director of the Company. The emoluments of the remaining 4, 4, 4, 4 (Unaudited) and 4 individuals for each of the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2018 and 2019, respectively, are as follows:

	Year ended 31 March			Six months ended 30 September	
	2017	2018	2019	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Salaries, discretionary bonuses and other benefits	2,273	1,828	2,122	1,015	1,072
Retirement benefits scheme contributions	72	72	69	36	36
	<u>2,345</u>	<u>1,900</u>	<u>2,191</u>	<u>1,051</u>	<u>1,108</u>

The number of the highest paid employees (who are not the directors of the Company) whose remuneration fell within the following band is as follows:

	Year ended 31 March			Six months ended 30 September	
	2017	2018	2019	2018	2019
	No. of employees	No. of employees	No. of employees	No. of employees (Unaudited)	No. of employees
Nil to HK\$1,000,000	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>

During the Track Record Period, no emoluments were paid by the Group to any of the five highest paid individuals (including the director and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company waived any emoluments during the Track Record Period.

**11. DIVIDENDS**

In December 2016, Kwai Bon (HK) declared and paid an interim dividend of HK\$15,000,000 to the then sole shareholder before the Reorganisation.

In March 2019, the Company declared and paid a final dividend with respect to the year ended 31 March 2018 of HK\$9,000,000 to its shareholders.

The rate of dividends and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of this report.

**12. EARNINGS (LOSS) PER SHARE**

The calculation of the basic earnings (loss) per share is based on the following data:

	<u>Year ended 31 March</u>			<u>Six months ended 30 September</u>	
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
				<b>(Unaudited)</b>	
<b>Earnings (loss):</b>					
Earnings (loss) for the purpose of calculating basic earnings (loss) per share (profit (loss) for the year/period)	<u>4,210</u>	<u>6,438</u>	<u>(149)</u>	<u>(1,899)</u>	<u>3,384</u>

	<u>Year ended 31 March</u>			<u>Six months ended 30 September</u>	
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>
				<b>(Unaudited)</b>	

**Number of shares:**

Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>330,275,229</u>	<u>331,496,795</u>	<u>379,816,514</u>	<u>379,816,514</u>	<u>377,903,444</u>
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The number of ordinary shares for the purpose of calculating basic earnings (loss) per share has been determined based on the number of shares that would have been outstanding for the relevant year/period on the assumption that the Reorganisation set out in note 1 and the capitalisation issue as referred to in the section headed "Share Capital" in the Prospectus had been effective on 1 April 2016.

No diluted earnings (loss) per share for the Track Record Period was presented as there were no potential ordinary shares in issue during the Track Record Period.

## 13. PROPERTY, PLANT AND EQUIPMENT

	Building in the PRC	Leasehold improvements	Motor vehicles	Machinery	Office equipment	Furniture and fixtures	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>COSTS</b>							
At 1 April 2016	2,032	2,822	85,298	1,114	2,931	1,232	95,429
Additions	—	470	3,463	134	335	282	4,684
Disposals	—	—	(6,744)	—	(27)	—	(6,771)
Exchange difference	(119)	—	(747)	—	(29)	(2)	(897)
At 31 March 2017	1,913	3,292	81,270	1,248	3,210	1,512	92,445
Additions	—	130	1,674	166	94	74	2,138
Disposals	—	—	(4,798)	—	—	—	(4,798)
Exchange difference	203	—	940	—	48	4	1,195
At 31 March 2018	2,116	3,422	79,086	1,414	3,352	1,590	90,980
Additions	—	105	12,546	59	327	13	13,050
Disposals	—	—	(8,975)	—	—	—	(8,975)
Exchange difference	(136)	—	(426)	(1)	(33)	(4)	(600)
At 31 March 2019	1,980	3,527	82,231	1,472	3,646	1,599	94,455
Adoption of HKFRS 16 (note 2)	—	—	(38,569)	—	—	—	(38,569)
At 1 April 2019 (restated)	1,980	3,527	43,662	1,472	3,646	1,599	55,886
Additions	—	358	2,852	—	44	—	3,254
Disposals	—	—	(7,267)	—	—	—	(7,267)
Transfer from right-of-use assets (note 17)	—	—	8,568	—	—	—	8,568
Exchange difference	(119)	—	(279)	—	(34)	(3)	(435)
At 30 September 2019	1,861	3,885	47,536	1,472	3,656	1,596	60,006
<b>DEPRECIATION</b>							
At 1 April 2016	466	2,372	32,468	636	2,582	1,117	39,641
Charge for the year	96	304	5,861	181	251	129	6,822
Eliminated on disposals	—	—	(4,308)	—	(27)	—	(4,335)
Exchange difference	(27)	—	(285)	—	(28)	(2)	(342)
At 31 March 2017	535	2,676	33,736	817	2,778	1,244	41,786
Charge for the year	100	265	5,646	164	170	74	6,419
Eliminated on disposals	—	—	(2,298)	—	—	—	(2,298)
Exchange difference	56	—	465	—	47	4	572
At 31 March 2018	691	2,941	37,549	981	2,995	1,322	46,479
Charge for the year	99	162	5,756	175	135	76	6,403
Eliminated on disposals	—	—	(3,111)	—	—	—	(3,111)
Exchange difference	(39)	—	(202)	—	(32)	(4)	(277)
At 31 March 2019	751	3,103	39,992	1,156	3,098	1,394	49,494
Adoption of HKFRS 16 (note 2)	—	—	(14,460)	—	—	—	(14,460)
At 1 April 2019 (restated)	751	3,103	25,532	1,156	3,098	1,394	35,034
Charge for the period	47	76	1,428	83	75	37	1,746
Eliminated on disposals	—	—	(3,132)	—	—	—	(3,132)
Transfer from right-of-use assets (note 17)	—	—	2,977	—	—	—	2,977
Exchange difference	(45)	—	(166)	—	(29)	(1)	(241)
At 30 September 2019	753	3,179	26,639	1,239	3,144	1,430	36,384
<b>CARRYING VALUES</b>							
At 30 September 2019	1,108	706	20,897	233	512	166	23,622
At 31 March 2019	1,229	424	42,239	316	548	205	44,961
At 31 March 2018	1,425	481	41,537	433	357	268	44,501
At 31 March 2017	1,378	616	47,534	431	432	268	50,659

Depreciation is provided 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 at the following rates per annum:

Building in the PRC	5%
Leasehold improvements	20%
Motor vehicles	10%
Machinery	20%
Office equipment	20%
Furniture and fixtures	20%

The building in the PRC is a commercial unit held under a medium-term land use right.

As at 31 March 2017, 2018 and 2019, motor vehicles as shown above with carrying values of HK\$23,866,000, HK\$22,764,000 and HK\$24,109,000, respectively, were held under finance leases during the Track Record Period as set out in note 23. Motor vehicles held under finance leases as at 1 April 2019 and 30 September 2019 were classified as right-of-use assets (note 17) in accordance with HKFRS 16.

#### 14. DEPOSIT PLACED WITH AN INSURANCE COMPANY

	As at 31 March			As at
	2017	2018	2019	30 September
	HK\$'000	HK\$'000	HK\$'000	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Life insurance policy for a former director of Kwai Bon (HK), a subsidiary of the Group	2,459	—	—	—

In 2013, the Group entered into a life insurance policy with an insurance company to insure Mr. Chan Heung Ming, a former director of Kwai Bon (HK) and the father of Mr. LB Chan (an executive director of the Company) ("Mr. Chan"). Under the policy, the beneficiary and policy holder is Kwai Bon (HK) and the total insured sum is USD1,000,000 (equivalent to approximately HK\$7,800,000) as at 31 March 2017. The Group is required to pay premium charges at inception of the policy amounting to HK\$2,375,000. The Group can terminate the policy at any time and receive cash back based on the cash value of the policy at the date of withdrawal, which is determined by the upfront payment of HK\$2,375,000 plus accumulated interest earned and minus insurance premium charged at inception of HK\$2,375,000 and the accumulated monthly insurance premium expenses charged ("Cash Value"). In addition, if withdrawal is made between the 1st to 19th policy year, there is a specified amount of surrender charge deducted from the Cash Value. The insurance company will pay the Group an interest rate of 2% per annum on the outstanding Cash Value of the policy during the effective period of the policy.

The effective interest rate on initial recognition was 3.6%, which was determined by discounting the estimated future cash receipts through the expected life of the policy, excluding the financial effect of surrender charge. The carrying amount of deposit placed with an insurance company as at 31 March 2017 represented the Cash Value of the insurance policy. As at 31 March 2017, the expected life of the policy remained unchanged from the initial recognition and the directors of the Company considered that the financial impact of the option to terminate the policy was insignificant.

As at 31 March 2017, the insured sum amounted to approximately HK\$7,800,000 and deposit placed with an insurance company amounted to HK\$2,459,000 are denominated in United States dollar, a currency other than the functional currency of the relevant group entity. During the year ended 31 March 2018, the Group early terminated the policy and received cash back of HK\$2,248,000 after taking into account the interest earned for the year ended 31 March 2018 and surrender charge of HK\$317,000.

## 15. INTERESTS IN JOINT VENTURES

	As at 31 March			As at
	2017	2018	2019	30 September
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost of unlisted investment in a joint venture	1,380	1,380	—	—
Share of post-acquisition profits and other comprehensive income	1,054	1,309	—	—
	<u>2,434</u>	<u>2,689</u>	<u>—</u>	<u>—</u>

As at 31 March 2017 and 2018, the Group had interest in the following joint venture:

Name of joint venture	Form of business structure	Place of establishment/ operations	Registered capital	Proportion of registered paid up capital held by the Group			As at 30 September 2019	At date of this report	Proportion of voting rights held by the Group			At date of this report	Principal activities	
				As at 31 March					As at 31 March					
				2017	2018	2019			2017	2018	2019			
				%	%	%	%	%	%	%	%			
桂邦運輸(蘇州)有限公司	Limited liability	The PRC	RMB3,000,000	50	50	—	—	—	50	50	—	—	—	Provision of domestic transportation services

In June 2016, 重慶桂邦供應鏈有限公司 applied for deregistration with no gain or loss being recognised. The proceeds on deregistration amounted to RMB774,000 (equivalent to HK\$875,000), out of which RMB424,000 (equivalent to HK\$479,000 and HK\$530,000 as at 31 March 2017 and 2018, respectively) remained receivable from the joint venture partner and included in other receivables as at 31 March 2017 and 2018. The amount has been fully recovered in June 2018. Upon completion of the deregistration in September 2016, the Group does not own any interest in 重慶桂邦供應鏈有限公司.

Pursuant to the equity transfer agreement signed between Kwai Bon Logistics (Shanghai) Limited and a third party who is not connected with the Group on 11 January 2019, that party agreed to purchase the 50% equity interest in 桂邦運輸(蘇州)有限公司 from the Group at a cash consideration of RMB2,151,000 (equivalent to HK\$2,517,000). Upon completion of the transaction, 桂邦運輸(蘇州)有限公司 ceased to be a joint venture of the Group. Out of the consideration, an amount of RMB1,000,000 (equivalent to HK\$1,170,000) was received by the Group during the year ended 31 March 2019 and the remaining balance of RMB1,151,000 (equivalent to HK\$1,347,000) was fully settled on 10 June 2019.

The summarised financial information in respect of the Group's joint venture is set out below. The summarised financial information below represents the amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs:

## 桂邦運輸(蘇州)有限公司

	As at 31 March			As at 30 September
	2017	2018	2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current assets	10,849	5,678	N/A	N/A
Non-current assets	72	2	N/A	N/A
Current liabilities	(6,053)	(303)	N/A	N/A
	Year ended 31 March			Six months ended 30 September
	2017	2018	2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	8,292	—	N/A	N/A
Profit (loss) for the year/period	222	(8)	N/A	N/A
Other comprehensive (expense) income for the year/period	(290)	517	N/A	N/A
Total comprehensive (expense) income for the year/period	(68)	509	N/A	N/A

Reconciliation of the above summarised financial information to the carrying amount of the interest in 桂邦運輸(蘇州)有限公司 recognised in the Historical Financial Information:

	As at 31 March			As at 30 September
	2017	2018	2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net assets of 桂邦運輸(蘇州)有限公司	4,868	5,377	N/A	N/A
Proportion of the Group's ownership in 桂邦 運輸(蘇州)有限公司	50%	50%	N/A	N/A
Carrying amount of the Group's interest in 桂邦 運輸(蘇州)有限公司	2,434	2,689	N/A	N/A

## 16. INTEREST IN AN ASSOCIATE

	As at 31 March			As at
	2017	2018	2019	30 September
	HK\$'000	HK\$'000	HK\$'000	2019
Cost of unlisted investment in an associate	900	900	900	900
Share of post-acquisition losses and other comprehensive expense	(297)	(199)	(219)	(240)
	<u>603</u>	<u>701</u>	<u>681</u>	<u>660</u>

As at 31 March 2017, 2018 and 2019 and 30 September 2019, the Group had interest in the follow associate:

Name of associate	Form of business structure	Place of establishment/ operations	Registered capital	Proportion of registered paid up capital held by the Group			As at 30 September 2019	At date of this report	Proportion of voting rights held by the Group			As at 30 September 2019	At date of this report	Principal activities	
				As at 31 March					As at 31 March						
				2017	2018	2019			2017	2018	2019				
成都市桂邦運輸有限公司	Limited liability	The PRC	RMB3,000,000	25	25	25	25	25	25	25	25	25	25	25	Provision of domestic transportation services

The summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs:

## 成都市桂邦運輸有限公司

	As at 31 March			As at
	2017	2018	2019	30 September
	HK\$'000	HK\$'000	HK\$'000	2019
Current assets	<u>2,475</u>	<u>4,110</u>	<u>3,062</u>	<u>2,992</u>
Non-current assets	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Current liabilities	<u>(64)</u>	<u>(1,306)</u>	<u>(338)</u>	<u>(354)</u>



	Year ended 31 March			Six months ended 30 September	
	2017	2018	2019	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Revenue	<u>355</u>	<u>4,910</u>	<u>5,233</u>	<u>2,860</u>	<u>1,394</u>
(Loss) profit for the year/period	(287)	136	99	105	77
Other comprehensive (expense) income for the year/period	<u>(167)</u>	<u>256</u>	<u>(180)</u>	<u>(251)</u>	<u>(163)</u>
Total comprehensive (expense) income for the year/period	<u>(454)</u>	<u>392</u>	<u>(81)</u>	<u>(146)</u>	<u>(86)</u>

Reconciliation of the above summarised financial information to the carrying amount of the interest in 成都市桂邦運輸有限公司 recognised in the Historical Financial Information:

	As at 31 March			As at 30 September
	2017	2018	2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net assets of 成都市桂邦運輸有限公司	2,413	2,806	2,726	2,640
Proportion of the Group's ownership in 成都市桂邦運輸有限公司	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
Carrying amount of the Group's interest in 成都市桂邦運輸有限公司	<u>603</u>	<u>701</u>	<u>681</u>	<u>660</u>

## 17. RIGHT-OF-USE ASSETS

The Group leases certain motor vehicles and properties as office premises and warehouses for its operations. Leases contracts for the motor vehicles are typically entered into for fixed periods of two to five years. The Group does not have the option to purchase the motor vehicle for a nominal amount at the end of the relevant lease terms. The Group's obligations are secured by the lessor's title to the lease assets for motors vehicles and rental deposits for office premises and warehouses. Property leases are typically made for fixed periods of two to four years at fixed rentals without renewal option. Lease terms are negotiated on an individual basis and contain various different terms and conditions. The lease arrangements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

	<u>Motor vehicles</u>	<u>Office premises</u>	<u>Warehouses</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>COST</b>				
At 1 April 2019 ( <i>note 2</i> )	38,569	1,875	13,219	53,663
Additions	8,743	657	—	9,400
Transfer to property, plant and equipment upon expiration of lease contracts	(8,568)	—	—	(8,568)
Exchange difference	—	(52)	—	(52)
At 30 September 2019	<u>38,744</u>	<u>2,480</u>	<u>13,219</u>	<u>54,443</u>
<b>DEPRECIATION</b>				
At 1 April 2019 ( <i>note 2</i> )	14,460	—	—	14,460
Charge for the period	2,039	536	2,333	4,908
Transfer to property, plant and equipment upon expiration of lease contracts	(2,977)	—	—	(2,977)
At 30 September 2019	<u>13,522</u>	<u>536</u>	<u>2,333</u>	<u>16,391</u>
<b>CARRYING VALUES</b>				
At 30 September 2019	<u>25,222</u>	<u>1,944</u>	<u>10,886</u>	<u>38,052</u>

The above right-of-use assets are depreciated on a straight-line basis over their estimated useful life or lease term as follows:

Motor vehicles	10 years
Office premises and warehouses	Over the lease terms of 2 to 4 years

## 18. TRADE AND OTHER RECEIVABLES

	The Group				The Company		
	As at 31 March			As at 30 September	As at 31 March		As at 30 September
	2017	2018	2019	2019	2018	2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	38,979	44,832	49,687	45,634	—	—	—
Allowance for doubtful debts/ credit losses	—	—	(731)	(661)	—	—	—
	38,979	44,832	48,956	44,973	—	—	—
Rental and other deposits	2,746	1,074	2,909	2,191	—	—	—
Other receivables and prepayments	4,410	5,046	5,899	7,331	—	—	—
Deferred share issue costs	—	—	4,223	5,032	—	4,223	5,032
Prepayments for listing expenses	—	1,148	64	58	1,148	64	58
Total trade and other receivables	46,135	52,100	62,051	59,585	1,148	4,287	5,090
Less: non-current rental deposits	(684)	(1,057)	(1,068)	(1,019)	—	—	—
Less: non-current deposits paid for acquisition of property, plant and equipment	—	—	(1,779)	(1,170)	—	—	—
	<u>45,451</u>	<u>51,043</u>	<u>59,204</u>	<u>57,396</u>	<u>1,148</u>	<u>4,287</u>	<u>5,090</u>

The Group generally allows a credit period ranging from 30 days to 60 days to its customers. For certain customers, the Group requests advance payments before its rendering of express delivery services and no credit period is granted by the Group.

The following is an aging analysis of trade receivables, net of allowance for doubtful debts/credit losses, presented based on the invoice dates, which approximate the revenue recognition dates:

	The Group			
	As at 31 March			As at 30 September
	2017	2018	2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 30 days	24,691	32,768	35,771	34,256
31 to 60 days	10,042	9,151	9,527	6,734
61 to 90 days	3,733	2,817	3,552	3,508
More than 90 days	513	96	106	475
	<u>38,979</u>	<u>44,832</u>	<u>48,956</u>	<u>44,973</u>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributed to customers and credit terms granted to customers are reviewed regularly. The majority of the trade receivables that are neither past due nor impaired have no history of default on repayments.

Included in the Group's trade receivables balance are debtors with an aggregate carrying amount of HK\$7,143,000, HK\$6,147,000, HK\$6,884,000 and HK\$7,313,000 as at 31 March 2017, 2018 and 2019 and 30 September 2019, respectively, which are past due at the reporting dates for which the Company has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade receivables which are past due but not impaired at the end of each reporting period:

	<b>The Group</b>			
	<b>As at 31 March</b>			<b>As at 30 September</b>
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Overdue by:				
Within 30 days	6,021	5,444	5,791	5,222
31 to 60 days	705	638	987	1,644
61 to 90 days	417	65	106	447
Total	<u>7,143</u>	<u>6,147</u>	<u>6,884</u>	<u>7,313</u>

#### Impairment assessment on trade receivables subject to ECL model

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The impairment allowance on trade receivables which are assessed individually for debtors with significant balances under ECL model was HK\$298,000 as at 31 March 2019 which was determined based on an aggregate gross carrying amount of HK\$25,723,000 at average loss rates ranging from 0.29% to 2.47%. The following table provides information about the exposure to credit risk and ECL for trade receivables which are assessed collectively using a provision matrix with appropriate groupings based on shared credit risk characteristics of customers as at 31 March 2019.

<b>Internal credit rating</b>	<b>Weighted average loss rate</b>	<b>Gross carrying amount</b>	<b>Impairment loss allowance</b>
	<b>%</b>	<b>HK\$</b>	<b>HK\$</b>
Low risk	1.38	20,695,000	286,000
Medium risk	3.09	1,913,000	59,000
High risk	6.51	1,356,000	88,000

The impairment allowance on trade receivables which are assessed individually for debtors with significant balances under ECL model was HK\$216,000 as at 30 September 2019 which was determined based on an aggregate gross carrying amount of HK\$26,054,000 at average loss rates ranging from 0.75% to 0.94%. The following table provides information about the exposure to credit risk and ECL for trade receivables which are assessed collectively using a provision matrix with appropriate groupings based on shared credit risk characteristics of customers as at 30 September 2019.

<u>Internal credit rating</u>	<u>Weighted average loss rate</u>	<u>Gross carrying amount</u>	<u>Impairment loss allowance</u>
	%	HK\$	HK\$
Low risk	1.95%	17,083,000	334,000
Medium risk	2.41%	1,367,000	33,000
High risk	6.89%	1,130,000	78,000

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated. As at 1 April 2018, and 31 March 2019 and 30 September 2019, there were no credit-impaired trade receivables.

The movements in the allowance for impairment in respect of trade receivables during the year ended 31 March 2019 and the six months ended 30 September 2019 are as follows:

	<u>HK\$'000</u>
Balance at 1 April 2018 ( <i>Note</i> )	980
Impairment losses reversed	(980)
Impairment losses recognised	<u>731</u>
Balance at 31 March 2019	<u>731</u>
Impairment losses reversed	(731)
Impairment losses recognised	<u>661</u>
Balance at 30 September 2019	<u><u>661</u></u>

*Note:* The Group has initially applied HKFRS 9 at 1 April 2018 and comparative information is not restated.

**19. AMOUNT(S) DUE FROM (TO) SUBSIDIARIES/A RELATED PARTY/A JOINT VENTURE**

The amount(s) are non-trade in nature, unsecured, interest-free and repayable on demand.

**The Group**

	As at 31 March			As at
	2017	2018	2019	30 September
	HK\$'000	HK\$'000	HK\$'000	2019
				HK\$'000
Amount due to a related party, a former director of Kwai Bon (HK)	<u>(9,797)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Amount due to a joint venture	<u>(811)</u>	<u>(897)</u>	<u>—</u>	<u>—</u>

**The Company**

Amount due from a subsidiary	<u>—</u>	<u>3,899</u>	<u>12,900</u>	<u>12,900</u>
Amounts due to subsidiaries	<u>—</u>	<u>—</u>	<u>(2,653)</u>	<u>(6,418)</u>

**20. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH/BANK OVERDRAFTS**

Bank balances and cash comprise cash on hand and bank balances that are interest-bearing at the market interest rates, ranging from 0.01% to 0.35% per annum as at 31 March 2017, 2018 and 2019 and 30 September 2019.

The pledged deposits carry market interest rates, ranging from 1.73% to 1.80% per annum and from 1.18% to 1.90% per annum as at 31 March 2019 and 30 September 2019, respectively. The pledged bank deposits will be released upon the settlement of relevant bank borrowings. Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to HK\$11,000,000 and HK\$14,500,000 as at 31 March 2019 and 30 September 2019, respectively, have been pledged to secure short-term bank loans and undrawn facilities and are therefore classified as current assets. For the year ended 31 March 2019 and the six months ended 30 September 2019, the Group performed impairment assessment on pledged bank deposits and concluded that the probability of defaults of the counterparty banks is insignificant and accordingly, no allowance for credit losses is provided.

Bank overdrafts carry interest at the bank's HK\$ Best Lending Rate plus 0.5% per annum as at 31 March 2017 and 2018 and the amount as at 31 March 2017 was guaranteed by Mr. Chan and such guarantee was released during the year ended 31 March 2018.

## 21. TRADE AND OTHER PAYABLES

	The Group				The Company		
	As at 31 March			As at 30 September	As at 31 March		As at 30 September
	2017	2018	2019	2019	2018	2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	28,209	29,513	28,547	23,889	—	—	—
Accruals	11,185	9,433	9,419	7,204	—	—	—
Deposits received from customers	996	2,973	2,334	134	—	—	—
Deposits received for disposal of motor vehicles	—	1,235	—	—	—	—	—
Other payables	180	78	563	145	—	—	—
Other taxes payables	138	406	137	88	—	—	—
Accrued share issue costs	—	—	2,100	2,790	—	2,100	2,790
Accrued listing expenses	—	1,042	6,299	8,370	1,042	6,299	8,370
Total trade payables and other payables	<u>40,708</u>	<u>44,680</u>	<u>49,399</u>	<u>42,620</u>	<u>1,042</u>	<u>8,399</u>	<u>11,160</u>

The general credit period on trade payables is 15 to 60 days. Certain suppliers request upfront payment before delivery of services and no credit period has been granted to the Group.

The following is an aging analysis of trade payables, presented based on the invoice date, at the end of each reporting period:

	The Group			
	As at 31 March			As at 30 September
	2017	2018	2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
0–30 days	16,416	16,039	16,587	11,716
31–60 days	8,896	11,050	8,097	5,567
61–90 days	2,162	2,420	3,468	4,785
Over 90 days	735	4	395	1,821
	<u>28,209</u>	<u>29,513</u>	<u>28,547</u>	<u>23,889</u>

## 22. BANK BORROWINGS

	As at 31 March			As at 30 September
	2017	2018	2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Unsecured bank loans	3,043	—	—
Secured bank loans	—	—	22,000	29,000
	<u>3,043</u>	<u>—</u>	<u>22,000</u>	<u>29,000</u>
Carrying amounts that contain a repayable on demand clause and shown under current liabilities and total bank borrowings	<u>3,043</u>	<u>—</u>	<u>22,000</u>	<u>29,000</u>

The bank loans as at 31 March 2017 carried interest at the bank's HK\$ Best Lending Rate less a fixed margin ranging from 2.50% to 4.50% per annum. The effective interest rate of the Group was 4.00% per annum as at 31 March 2017. The bank loans as at 31 March 2017 were guaranteed by a former director of Kwai Bon (HK). During the year ended 31 March 2018, the bank loans were fully settled and the guarantee was released.

The bank loans as at 31 March 2019 and 30 September 2019 carry variable interest rate at 2.75% above Hong Kong Interbank Offered Rate ("HIBOR"). The effective interest rate of the Group was 4.40% per annum and 4.69% per annum as at 31 March 2019 and 30 September 2019, respectively. The bank loans were secured by the pledged bank deposits as disclosed in note 20 and Mr. LB Chan and Mr. Chan Yu had provided personal guarantee for the banking facility. The bank loans as at 30 September 2019 were also guaranteed by the corporate guarantee provided by the Company. As represented by the directors of the Company, the securities by the personal guarantee will be released before or upon listing of the shares of the Company on the Stock Exchange.

### 23. OBLIGATIONS UNDER FINANCE LEASES

The Group leased certain of its motor vehicles under finance leases. The lease terms range from two to four years as at 31 March 2017, 2018 and 2019 and interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 2.00% to 3.50% per annum, 1.85% to 3.50% per annum and 1.85% to 3.50% per annum as at 31 March 2017, 2018 and 2019, respectively. The Group reclassified the obligations under finance lease of HK\$6,021,000 and HK\$4,230,000 to lease liabilities as current and non-current liabilities, respectively, at 1 April 2019 upon the application of HKFRS 16 (note 2).

	<u>Minimum</u>			<u>Present value of</u>		
	<u>lease payments</u>			<u>minimum lease payments</u>		
	<u>As at 31 March</u>			<u>As at 31 March</u>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Amounts payable under finance leases:						
Within one year	6,804	5,281	6,299	6,382	5,045	6,021
Within a period of more than one year but not more than two years	4,422	2,365	2,685	4,221	2,292	2,594
Within a period of more than two years but not more than five years	<u>2,424</u>	<u>485</u>	<u>1,689</u>	<u>2,352</u>	<u>481</u>	<u>1,636</u>
	13,650	8,131	10,673	12,955	7,818	10,251
Less: future finance charges	<u>(695)</u>	<u>(313)</u>	<u>(422)</u>	N/A	N/A	N/A
Present value of lease obligations	<u>12,955</u>	<u>7,818</u>	<u>10,251</u>	12,955	7,818	10,251
Less: Amounts due for settlement within twelve months (shown under current liabilities)				<u>(6,382)</u>	<u>(5,045)</u>	<u>(6,021)</u>
Amounts due for settlement after twelve months				<u>6,573</u>	<u>2,773</u>	<u>4,230</u>

The Group's obligations under finance leases are secured by the lessors' titles to the leased assets and a director of the Company, Mr. Chan Yu, has provided personal guarantee for the leases. The finance lease obligations are all denominated in HK\$, which is the functional currency of the relevant group entity.



## 24. LEASE LIABILITIES

The exposure of the Group's lease liabilities is as follow:

	As at 30 September 2019 HK\$'000
Current	13,136
Non-current	<u>16,068</u>
	<u>29,204</u>

	As at 30 September 2019	
	Minimum lease payments HK\$'000	Present value of minimum lease payments HK\$'000
Lease liabilities:		
Within one year	14,047	13,136
More than one year but not exceeding two years	9,228	8,762
More than two years but not exceeding five years	<u>7,498</u>	<u>7,306</u>
	30,773	29,204
Less: future finance charges	<u>(1,569)</u>	<u>N/A</u>
Present value of lease obligations	<u>29,204</u>	<u>29,204</u>
Less: Amounts due for settlement within twelve months (shown under current liabilities)		<u>13,136</u>
Amounts due for settlement after twelve months		<u>16,068</u>

The Group leases properties and motor vehicles for operations and these lease liabilities were measured at the present value of the lease payments that are not yet paid. All leases are entered at fixed prices.

Lease liabilities as at 30 September 2019 of HK\$16,039,000 are secured by the title of the motor vehicles and a director of the Company, Mr. Chan Yu, has provided personal guarantee for the leases. As represented by the directors of the Company, the personal guarantee may be released upon listing of the shares of the Company on the Stock Exchange.

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

The total cash outflows for leases including the payments of lease liabilities for the six months ended 30 September 2019 were HK\$5,997,000.

## 25. DEFERRED TAXATION

The following is the major deferred tax (assets) liabilities recognised and movements thereon during the Track Record Period:

	<b>Accelerated tax depreciation</b>	<b>Tax losses</b>	<b>Impairment loss allowance on trade receivables</b>	<b>Total</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
At 1 April 2016	6,330	(5,853)	—	477
(Credited) charged to profit or loss	<u>(212)</u>	<u>1,408</u>	<u>—</u>	<u>1,196</u>
At 31 March 2017	6,118	(4,445)	—	1,673
(Credited) charged to profit or loss	<u>(422)</u>	<u>1,855</u>	<u>—</u>	<u>1,433</u>
At 31 March 2018	5,696	(2,590)	—	3,106
Effect arising from initial application of HKFRS 9	<u>—</u>	<u>—</u>	<u>(182)</u>	<u>(182)</u>
Adjusted balance at 1 April 2018	5,696	(2,590)	(182)	2,924
(Credited) charged to profit or loss	<u>(234)</u>	<u>2,590</u>	<u>50</u>	<u>2,406</u>
At 31 March 2019	5,462	—	(132)	5,330
Charged to profit or loss	<u>248</u>	<u>—</u>	<u>8</u>	<u>256</u>
At 30 September 2019	<u><u>5,710</u></u>	<u><u>—</u></u>	<u><u>(124)</u></u>	<u><u>5,586</u></u>

Deferred tax liabilities related to accelerated tax depreciation are mainly arisen from the initial and annual depreciation allowance for the Group's motor vehicles, the amount of which, in aggregate, is higher than the accounting depreciation charges.

As at 31 March 2017 and 2018, the Group had unused tax losses of HK\$26,941,000 and HK\$15,697,000, respectively, available for offset against future profits, all of which are attributable to Kwai Bon (HK). A deferred tax asset has been recognised in respect of such losses which can be carried forward indefinitely. As at 31 March 2019 and 30 September 2019, Kwai Bon (HK) had no unused tax losses.

As at 31 March 2017, 2018, 2019 and 30 September 2019, no deferred tax asset has been recognised in respect of the unused tax losses of nil, nil, RMB1,298,000 (equivalent to HK\$1,518,000) and RMB809,000 (equivalent to HK\$1,174,000), respectively, attributable to the Group's PRC subsidiaries due to the unpredictability of future assessable profit streams. Such tax losses will expire in 2024.

## 26. SHARE CAPITAL

For the purposes of presentation of the statements of financial position, the balances of share capital as at 1 April 2016 and 31 March 2017 represented the share capital of Kwai Bon (HK) prior to the completion of the Reorganisation. The balance of share capital as at 31 March 2018, 2019 and 30 September 2019 represented the share capital of the Company.

Details of movements of share capital of the Company are as follows:

	<u>Number of shares</u>	<u>Share capital</u> HK\$
Ordinary shares of HK\$0.01 each		
Authorised:		
At 2 January 2018 (date of incorporation), 31 March 2018 and 2019 and 30 September 2019	<u>39,000,000</u>	<u>390,000</u>
Issued and fully paid:		
At 2 January 2018 (date of incorporation)	1	—
Issue of shares on 2 January 2018	99	1
Issue of shares on 13 February 2018 upon the Reorganisation	100	1
Issue of shares on 23 March 2018 ( <i>Note a</i> )	<u>30</u>	<u>—*</u>
At 31 March 2018 and 2019	230	2
Repurchase of shares on 4 September 2019 ( <i>Note b</i> )	(4)	—*
Repurchase of shares on 18 September 2019 ( <i>Note b</i> )	<u>(8)</u>	<u>—*</u>
At 30 September 2019	<u>218</u>	<u>2</u>
		<b>HK\$'000</b>
Presented in the Historical Financial Information at 31 March 2018 and 2019 and 30 September 2019		<u>—**</u>

\* The amount is less than HK\$1.

\*\* The amount is less than HK\$1,000.

*Notes:*

- (a) On 23 March 2018, Diligent City, a company incorporated in the BVI with limited liability and an independent third party, as the subscriber entered into a subscription agreement with the Company, pursuant to which Diligent City agreed to subscribe for and the Company agreed to allot and issue 30 new shares, representing approximately 13% of the enlarged issued share capital of the Company at the subscription price of HK\$7,000,000.
- (b) As referred to note 2, on 4 September 2019 and 18 September 2019, the Company completed the repurchase of the 4 shares and 8 shares from its shareholders at considerations of HK\$1,039,000 and HK\$2,079,000, respectively.

Other than the shares allotments and repurchase above, no other share transaction was undertaken by the Company from its incorporation date to 30 September 2019.

## 27. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debt, which includes bank borrowings as disclosed in note 22, obligations under finance leases as disclosed in note 23 and lease liabilities as disclosed in note 24, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising share capital, retained profits and other reserves.

The management of the Group reviews the capital structure on a regular basis by considering the cost of capital and the risks associated with each class of capital. Based on recommendation of management of the Group, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt and the redemption of existing debt.

## 28. FINANCIAL INSTRUMENTS

### 28a. Categories of financial instruments

	The Group				The Company		
	As at 31 March		As at 30 September		As at 31 March		As at 30 September
	2017	2018	2019	2019	2018	2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Financial assets</b>							
Loans and receivables (including cash and cash equivalents, excluding bank overdrafts)	58,117	66,577	—	—	3,899	—	—
Financial assets at amortised cost	—	—	82,951	81,851	—	12,900	12,900
<b>Financial liabilities</b>							
Amortised cost	45,536	35,092	53,444	53,168	—	2,653	6,418
Obligations under finance leases	12,955	7,818	10,251	—	—	—	—
Lease liabilities	—	—	—	29,204	—	—	—

### 28b. Financial risk management objectives and policies

The Group's major financial instruments include deposit placed with an insurance company, trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, amount due to a related party, amount due to a joint venture, obligations under finance leases, bank overdrafts and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include interest risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no change to the policies on how to mitigate these risks.

The Company's financial instruments represent amounts due from (to) subsidiaries.

*Interest rate risk*

The Group is exposed to cash flow interest rate risk in relation to variable-rate pledged bank deposits, bank balances and bank overdrafts and variable-rate bank borrowings (see notes 20 and 22) due to the fluctuation of the prevailing market interest rate.

The Group is exposed to fair value interest rate risk in relation to its obligations under finance leases and lease liabilities (see notes 23 and 24).

In order to mitigate the interest rate risk, the Group adopts a policy of maintaining an appropriate level of floating rate borrowings which is achieved primarily through the contractual terms of borrowings. The position is regularly monitored and evaluated by reference of anticipated changes in market interest rate. The Group did not use any interest rate swap to hedge its interest rate risk during the Track Record Period.

*Sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank overdrafts and variable-rate bank borrowings. The analysis is prepared assuming that the amount of assets and liabilities outstanding at the end of each reporting period were outstanding for the whole year. A 50 basis points increase or decrease in variable-rate bank overdrafts and variable-rate bank borrowings is used as it represents management's assessment of the reasonably possible change in interest rate. Pledged bank deposits and bank balances are excluded from the sensitivity analysis as the management of the Group considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances and pledged bank deposits is insignificant.

If the interest rates had been 50 basis points higher/lower and all other variables were held constant, the potential effect on the Group's post-tax profit for the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019 would decrease/increase by HK\$23,000, HK\$5,000, HK\$92,000 and HK\$121,000, respectively.

*Credit risk and impairment assessment*

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position. The Group's credit risk is primarily attributable to its trade and other receivables and bank balances.

In order to minimise the credit risk, the management of the Group has assessed the credibility and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other debts at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

As at 31 March 2017, 2018 and 2019 and 30 September 2019, the Group had concentration of credit risk as 36%, 46%, 46% and 45%, respectively, of the total trade receivables was due from the Group's largest customer, and 74%, 80%, 80% and 81%, respectively, of the total trade receivables were due from the five largest customers. The management of the Group considered the credit risk of amounts due from these customers is insignificant after considering their historical settlement record, credit quality and financial position.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation and high credit ratings assigned by international credit-rating agencies.

Other than the concentration of credit risk on liquid funds which are deposited with several banks with good reputation and high credit ratings, the Group does not have any other significant concentration of credit risk, with exposure spread over a number of counterparties.

The Group's internal credit risk grading assessment comprises the following categories:

<b>Internal credit rating</b>	<b>Description</b>	<b>Trade receivables</b>	<b>Other financial assets</b>
Low risk	The counterparty has a low risk of default and does not have any past-due amounts or the debtor frequently repays after due dates but usually settle in full	Lifetime ECL — not credit-impaired	12-month ECL
Medium risk	The debtor has historically failed to make payments within the credit term granted. It may face major ongoing uncertainties that could lead to the obligor's inadequate capacity to meet its financial commitments.	Lifetime ECL — not credit-impaired	12-month ECL
High risk	The debtor has past due exceeding the credit period granted. It has minimal capacity for timely payment of financial commitments and increased vulnerability to near term adverse changes in financial and economic conditions. Its ability to pay will depend on favourable condition to the business and economic environment and current ongoing relationship.	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The table below details the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

<u>As at 31 March 2019</u>	<u>Note</u>	<u>External credit rating</u>	<u>Internal credit rating</u>	<u>12-month or lifetime ECL</u>	<u>Gross carrying amount</u> HK\$'000
<b>Financial assets at amortised cost</b>					
Trade receivables	18	N/A	Note i	Lifetime ECL	49,687
Other receivables	18	N/A	Note ii	12-month ECL	4,468
Pledged bank deposits	20	Aa1	Note ii	12-month ECL	11,000
Bank balances	20	Aa1–Aa3	Note ii	12-month ECL	18,527
<b>As at 30 September 2019</b>					
<u>As at 30 September 2019</u>	<u>Note</u>	<u>External credit rating</u>	<u>Internal credit rating</u>	<u>12-month or lifetime ECL</u>	<u>Gross carrying amount</u> HK\$'000
<b>Financial assets at amortised cost</b>					
Trade receivables	18	N/A	Note i	Lifetime ECL	45,634
Other receivables	18	N/A	Note ii	12-month ECL	3,937
Pledged bank deposits	20	Aa1	Note ii	12-month ECL	14,500
Bank balances	20	Aa1–Aa3	Note ii	12-month ECL	18,441

*Notes:*

- (i) For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses for individually significant trade debtors and collectively using a provision matrix with appropriate groupings based on shared credit risk characteristics of customers as at 31 March 2019 and 30 September 2019 and taking into account the financial condition of the customers and historical settlement pattern with no history of default in the past, and the forward-looking information (such as GDP growth in Hong Kong and the PRC and increment in demands of worldwide transportation services). Details of assessments are set out in note 18.
- (ii) For the purposes of internal credit risk management, the Group has applied the general approach in HKFRS 9 to measure the loss allowance at 12m ECL as there is no significant increase in credit risk since initial recognition. The Group determines the expected credit losses for other receivables, pledged bank deposits and bank balances by assessment of probability of default. As at 31 March 2019 and 30 September 2019, in view of the nature of these balances, historical settlement record and good reputations of the banks, the Group considers the provision of impairment allowance for other receivables, pledged bank deposits and bank balances is insignificant.

*Liquidity risk*

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the remaining contractual maturity of the Group and the Company for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group or the Company can be required to pay. The table includes both interest and principal cash flows.

*Liquidity and interest risk table***The Group**

	Weighted average interest rate	On demand or less than 1 month	1 month to 3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31.3.2017
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>31 March 2017</b>							
<b>Non-derivative financial liabilities</b>							
Trade and other payables	—	29,385	—	—	—	29,385	29,385
Amount due to a related party	—	9,797	—	—	—	9,797	9,797
Amount due to a joint venture	—	811	—	—	—	811	811
Bank overdrafts	5.50	2,500	—	—	—	2,500	2,500
Bank borrowings	4.00	3,043	—	—	—	3,043	3,043
Obligations under finance leases	2.42	579	1,136	5,089	6,846	13,650	12,955
		<u>46,115</u>	<u>1,136</u>	<u>5,089</u>	<u>6,846</u>	<u>59,186</u>	<u>58,491</u>
	Weighted average interest rate	On demand or less than 1 month	1 month to 3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31.3.2018
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>31 March 2018</b>							
<b>Non-derivative financial liabilities</b>							
Trade and other payables	—	32,945	—	—	—	32,945	32,945
Amount due to a joint venture	—	897	—	—	—	897	897
Bank overdrafts	5.00	1,250	—	—	—	1,250	1,250
Obligations under finance leases	2.44	505	935	3,841	2,850	8,131	7,818
		<u>35,597</u>	<u>935</u>	<u>3,841</u>	<u>2,850</u>	<u>43,223</u>	<u>42,910</u>



	Weighted average interest rate	On demand or less than 1 month	1 month to 3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31.3.2019
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>31 March 2019</b>							
<b>Non-derivative financial liabilities</b>							
Trade and other payables	—	31,444	—	—	—	31,444	31,444
Bank borrowings	4.40	22,000	—	—	—	22,000	22,000
Obligations under finance leases	1.98	557	1,103	4,639	4,374	10,673	10,251
		<u>54,001</u>	<u>1,103</u>	<u>4,639</u>	<u>4,374</u>	<u>64,117</u>	<u>63,695</u>
	Weighted average interest rate	On demand or less than 1 month	1 month to 3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 30.9.2019
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>30 September 2019</b>							
<b>Non-derivative financial liabilities</b>							
Trade and other payables	—	24,168	—	—	—	24,168	24,168
Bank borrowings	4.69	29,000	—	—	—	29,000	29,000
		<u>53,168</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>53,168</u>	<u>53,168</u>
Lease liabilities	3.94	1,268	2,508	10,271	16,726	30,773	29,204
<b>The Company</b>							
	Weighted average interest rate	On demand or less than 1 month	1 month to 3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31.3.2019
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>31 March 2019</b>							
<b>Non-derivative financial liabilities</b>							
Amounts due to subsidiaries	—	2,653	—	—	—	2,653	2,653

	Weighted average interest rate	On demand or less than 1 month	1 month to 3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 30.9.2019
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>30 September 2019</b>							
<b>Non-derivative financial liabilities</b>							
Amounts due to subsidiaries	—	6,418	—	—	—	6,418	6,418

The bank loans with repayment on demand clause were included in the “on demand or less than 1 month” time band in the above maturity analysis. As at 31 March 2017 and 2019 and 30 September 2019, the aggregate undiscounted principal amounts of these bank borrowings amounted to HK\$3,139,000, HK\$22,065,000 and HK\$29,118,000, respectively.

Taking into account the Group's financial position, the management of the Group did not believe that it was probable that the banks would exercise their discretionary rights to demand immediate repayment. The management of the Group believed that such bank borrowings would be repaid in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

	Weighted average effective interest rate	On demand or less than 1 month	1 month to 3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 31 March 2017</b>							
— variable-rate	4.00	189	377	1,697	876	3,139	3,043
<b>At 31 March 2019</b>							
— variable-rate	4.40	22,065	—	—	—	22,065	22,000
<b>At 30 September 2019</b>							
— variable-rate	4.69	29,118	—	—	—	29,118	29,000

**28c. Fair values**

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

**29. OPERATING LEASES****The Group as lessee**

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<u>As at 31 March</u>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
<b>Land and buildings</b>			
Within one year	14,399	6,516	6,190
In the second to fifth year inclusive	<u>14,723</u>	<u>16,694</u>	<u>10,196</u>
	<u>29,122</u>	<u>23,210</u>	<u>16,386</u>

Operating lease payments represent rentals paid or payable by the Group for its office premises and warehouses. Leases are negotiated for terms of one to five years.

Since 1 April 2019, the Group's commitments for the future minimum lease payments under non-cancellable operating leases have been accounted for in accordance with HKFRS 16 (see notes 2, 17 and 24 for more details). At 30 September 2019, the Group did not have commitments for future minimum lease payments under non-cancellable short-term leases.

**30. RELATED PARTY DISCLOSURES****(a) Related party balances**

Details of the outstanding balance with related parties of the Group are set out in the statements of financial position and in note 19.

**(b) Related party transactions**

During the Track Record Period, the Group entered into the following transactions with related parties:

Nature of transaction	Class of related party	Year ended 31 March			Six months ended 30 September	
		2017	2018	2019	2018	2019
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Operating lease rental expenses	A related company jointly controlled by Mr. Chan	2,758	3,579	—	—	—
Transportation costs	Mr. Chan	<u>75</u>	<u>75</u>	<u>75</u>	<u>38</u>	<u>—</u>

**(c) Compensation of key management personnel of the Company**

	Year ended 31 March			Six months ended 30 September	
	2017	2018	2019	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fees	—	—	—	—	—
Salaries, discretionary bonuses and other benefits	614	1,023	1,146	504	525
Share-based payment	1,866	—	—	—	—
Retirement benefits scheme contributions	<u>17</u>	<u>35</u>	<u>36</u>	<u>18</u>	<u>18</u>
Total	<u>2,497</u>	<u>1,058</u>	<u>1,182</u>	<u>522</u>	<u>543</u>

**(d) Guarantees provided by a related party**

The Group's bank borrowings and bank overdrafts as at 31 March 2017 were secured by personal guarantees provided by a former director of Kwai Bon (HK), Mr. Chan as set out in notes 20 and 22.

The Group's bank borrowings as at 31 March 2019 and 30 September 2019 were secured by personal guarantees provided by Mr. LB Chan and Mr. Chan Yu, directors of the Company as set out in note 22.

The Group's leased motor vehicles are guaranteed by Mr. Chan Yu, a director of the Company as set out in notes 23 and 24.

## 31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows (used in)/from financing activities.

	Dividend payable	Interest payable on bank overdrafts	Obligations under finance leases	Lease liabilities	Bank borrowings	Amount due to a related party	Amount due to a joint venture	Accrued share issue costs	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2016	—	—	16,109	—	5,135	9,833	861	—	31,938
Financing cash flows (Note)	(15,000)	(160)	(3,810)	—	(2,265)	(36)	—	—	(21,271)
Dividend declared (note 11)	15,000	—	—	—	—	—	—	—	15,000
Finance costs	—	160	656	—	173	—	—	—	989
Exchange difference	—	—	—	—	—	—	(50)	—	(50)
At 31 March 2017	—	—	12,955	—	3,043	9,797	811	—	26,606
Financing cash flows (Note)	—	(135)	(5,591)	—	(3,151)	(9,797)	—	—	(18,674)
Finance costs	—	135	454	—	108	—	—	—	697
Exchange difference	—	—	—	—	—	—	86	—	86
At 31 March 2018	—	—	7,818	—	—	—	897	—	8,715
Financing cash flows (Note)	(9,000)	(8)	2,060	—	21,453	—	(761)	(2,123)	11,621
Deferred issue costs recognised	—	—	—	—	—	—	—	4,223	4,223
Dividend declared (note 11)	9,000	—	—	—	—	—	—	—	9,000
Finance costs	—	8	373	—	547	—	—	—	928
Exchange difference	—	—	—	—	—	—	(136)	—	(136)
At 31 March 2019	—	—	10,251	—	22,000	—	—	2,100	34,351
Adoption of HKFRS 16 (note 2)	—	—	(10,251)	25,601	—	—	—	—	15,350
At as 1 April 2019 (restated)	—	—	—	25,601	22,000	—	—	2,100	49,701
Financing cash flows (Note)	—	—	—	(6,546)	6,388	—	—	(119)	(277)
Additions to lease liabilities	—	—	—	9,600	—	—	—	—	9,600
Deferred issue costs recognised	—	—	—	—	—	—	—	809	809
Finance costs	—	—	—	549	612	—	—	—	1,161
Exchange difference	—	—	—	—	—	—	—	—	—
At 30 September 2019	—	—	—	29,204	29,000	—	—	2,790	60,994

Note: The cash flows for dividend payable, obligations under finance leases, bank borrowings and amount due to a related party above include the net amount of proceeds from and repayments to the relevant parties in the consolidated statements of cash flows.

## 32. RETIREMENT BENEFIT SCHEMES

The Group participates in a defined contribution scheme in Hong Kong which is registered under the MPF Scheme established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees.

For members of the MPF Scheme, the Group contributes at the lower of HK\$1,500 or 5% of relevant payroll costs per person each month to the MPF Scheme, which contribution is matched by the employees.

The employees of the Group in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The Company's subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit schemes to fund the benefits.

The only obligation of the Group with respect to these retirement benefit schemes is to make the specified contributions. During the Track Record Period, the total amounts contributed by the Group to the schemes and costs charged to the profit or loss represent contributions paid or payable to the schemes by the Group. The retirement benefit scheme contributions made by the Group amounted to HK\$2,668,000, HK\$2,975,000, HK\$2,408,000, HK\$1,890,000 (Unaudited) and HK\$1,789,000 for the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2018 and 2019, respectively.

### 33. INFORMATION OF THE COMPANY AND ITS SUBSIDIARIES

#### (a) Particulars of the subsidiaries

The Company had investments in the following subsidiaries:

Name of subsidiary	Form of business structure	Place of establishment/ incorporation/ operations	Issued and fully paid share capital/registered capital	Proportion of registered and paid up capital held by the Group					Principal activities
				As at 31 March			As at 30 September	As at date of this report	
				2017	2018	2019	2019		
				%	%	%	%	%	
<b>Directly owned</b>									
Asia-express (BVI) (Note i)	Limited liability	The BVI	US\$1	N/A	100	100	100	100	Investment holding
<b>Indirectly owned</b>									
Kwai Bon (HK) (Note ii)	Limited liability	Hong Kong	HK\$10,000	100	100	100	100	100	Provision of air cargo ground handling, transportation services and warehousing and other value-added services in Hong Kong
Shenzhen Kwai Bon Logistics Limited 深圳市桂邦運輸有限公司 (Note iii)	Limited liability	The PRC	RMB3,000,000	100	100	100	100	100	Provision of air cargo ground handling services and domestic transportation services in Shenzhen, the PRC
Kwai Bon Logistics (Guangzhou) Limited 桂邦運輸(廣州)有限公司 (Note iii)	Limited liability	The PRC	RMB5,000,000	100	100	100	100	100	Provision of domestic transportation services in Guangzhou, the PRC
Kwai Bon Logistics (Shanghai) Limited 桂邦運輸(上海)有限公司 (Note iii)	Limited liability	The PRC	RMB5,000,000	100	100	100	100	100	Provision of domestic transportation services in Shanghai, the PRC
Brilliant Logistics Limited ("BLL") (Note iv)	Limited liability	Hong Kong	HK\$10,000	N/A	N/A	100	100	100	Provision of domestic transportation services in Hong Kong

All subsidiaries are limited liability companies and have adopted 31 March as their financial year end date except for the PRC subsidiaries which have adopted 31 December as their financial year end date.

*Notes:*

- (i) No audited financial statements have been prepared for Asia-express (BVI) since its date of incorporation as it was incorporated in a jurisdiction where there is no statutory audit requirement.
- (ii) The statutory financial statements of Kwai Bon (HK) for the years ended 31 March 2017, 2018 and 2019 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by us.
- (iii) The statutory financial statements of Shenzhen Kwai Bon Logistics Limited for the years ended 31 December 2016, 2017 and 2018 were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises and were audited by 深圳中聯岳華會計師事務所(普通合夥), certified public accountants registered in the PRC.

The statutory financial statements of Kwai Bon Logistics (Guangzhou) Limited for the years ended 31 December 2016 and 2017 were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises and were audited by 廣州市易審通會計師事務所有限公司, certified public accountants registered in the PRC. The statutory financial statements of this company for the year ended 31 March 2018 were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises and were audited by 廣州市立正會計師事務所有限公司, certified public accountants registered in the PRC.

The statutory financial statements of Kwai Bon Logistics (Shanghai) Limited for the years ended 31 December 2016, 2017 and 2018 were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises and were audited by 上海兆信會計師事務所有限公司, certified public accountants registered in the PRC.

- (iv) BLL was incorporated on 29 August 2018 and no audited financial statements have been prepared as its first statutory financial statements are not yet due.

**(b) Reserves of the Company**

	<u>Share premium</u>	<u>Accumulated losses</u>	<u>Total</u>
At 2 January 2018 (date of incorporation)	—	—	—
Loss for the period	—	(2,995)	(2,995)
Issue of shares	<u>7,000</u>	<u>—</u>	<u>7,000</u>
At 31 March 2018	7,000	(2,995)	4,005
Profit for the year	—	11,130	11,130
Dividend declared ( <i>note 11</i> )	<u>—</u>	<u>(9,000)</u>	<u>(9,000)</u>
At 31 March 2019	7,000	(865)	6,135
Repurchase of ordinary shares ( <i>note 26</i> )	(3,118)	—	(3,118)
Loss for the period	<u>—</u>	<u>(2,605)</u>	<u>(2,605)</u>
At 30 September 2019	<u>3,882</u>	<u>(3,470)</u>	<u>412</u>

**34. CAPITAL COMMITMENTS**

	As at 31 March			As at 30 September
	2017	2018	2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment which is contracted for but not provided in the Historical Financial Information	—	—	16,823	11,558

**35. CONTINGENT LIABILITIES**

In August 2019, the Group was involved in a personal injury claim against the Group, a customer and a subcontractor of the Group. The injured person is an employee of the subcontractor and involved in an accident happened at the customer's warehouse in March 2016 in the ordinary course of work. Further details are set out under the heading "Litigation and claim" in the section headed "Business" in the Prospectus.

Having considered, among other things, the opinion from the external legal adviser representing the Group in such claim, the directors of the Company consider that it is premature to estimate the outcome and financial impact of the claim, therefore, no provision has been made at this stage.

**36. SUBSEQUENT EVENTS****The outbreak of coronavirus disease ("COVID-19")**

The directors of the Company are of the view of that since the Group has operations in Hong Kong and the PRC, the recent outbreak of COVID-19 has some degree of impact on the operations and financial position of the Group in the short term, they considered that such event would not have a material adverse impact to the sustainability of the Group's business in the foreseeable future as:

- (i) the impact of COVID-19 on the Group's ability in providing logistics services in the PRC was limited as the resumption of the Group's operations in the PRC was only delayed to 3 February 2020 (i.e. three additional days from the original Lunar New Year holidays);
- (ii) as at the date of this report, the government of Hong Kong has not imposed any regulation requiring suspension of (a) operations for all enterprises in Hong Kong; (b) air terminal cargo operations of the Hong Kong International Airport; nor (c) cross-border logistics services between Hong Kong and the PRC;
- (iii) the Chief Secretary of Administration of Hong Kong has exempted cross-boundary goods vehicle drivers and necessary accompanying personnel from a 14-day compulsory quarantine and as such, our provision of cross-border transportation services was not affected;
- (iv) there was no cessation of the Group's operations in Hong Kong subsequent to the Track Record Period and up to the date of this report; and
- (v) the Group have not encountered any material supply chain disruption subsequent to the Track Record Period and up to the date of this report.



Given the dynamic nature of these circumstances, the directors of the Company consider that the financial effects on the Group's future financial statements cannot be reasonably estimated as at the date of this report, but expected it to moderately affect the consolidated results for the year ended 31 March 2020 due to the aforesaid negative impact on the cargo volume and business.

#### **Other subsequent events**

Subsequent to 30 September 2019, save as disclosed above and elsewhere in the Historical Financial Information, the Group also has the following subsequent events:

- (i) The share option scheme of the Company was conditionally adopted and principal terms of which are summarised in Appendix IV to the Prospectus. No option was granted as at date of this report.
- (ii) Pursuant to the resolution of the shareholders passed on 23 March 2020, the authorised share capital of the Company was increased from HK\$390,000 to HK\$100,000,000 by the creation of an additional 9,961,000,000 ordinary shares of HK\$0.01 each, and subject to the Listing become unconditional and the share premium account having sufficient balance, the directors of the Company will be authorised to, among other things, capitalise the amount of HK\$3,599,997.82 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 359,999,782 shares for allotment and issue to shareholders of the Company as at 17 April 2020 in proportion to their then existing shareholdings in the Company.

Saved as aforesaid, there were no other significant events taken place subsequent to 30 September 2019.

#### **37. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 30 September 2019.

<b>APPENDIX II</b>	<b>UNAUDITED PRO FORMA FINANCIAL INFORMATION</b>
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The information set forth in this appendix does not form part of the accountants' report on the financial information for each of the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019 of the Group (the "Accountants' Report on Historical Financial Information") from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" and the "Accountants' Report on Historical Financial Information" set forth in Appendix I to this prospectus.

**A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared in accordance with Rules 7.31 of the GEM Listing Rules for illustrative purpose only, and is set out below to illustrate the effect of Share Offer on the consolidated net tangible assets of the Group as at 30 September 2019 as if the Share Offer had taken place on 30 September 2019.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 30 September 2019 or at any future dates following the Share Offer. It is prepared based on the audited consolidated net tangible assets of the Group as at 30 September 2019 as shown in the Accountants' Report on Historical Financial Information as set out in Appendix I to this prospectus and adjusted as described below.

	Audited consolidated net tangible assets of the Group as at 30 September 2019	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted consolidated net tangible assets of the Group as at 30 September 2019	Unaudited pro forma adjusted consolidated net tangible assets of the Group as at 30 September 2019 per Share
	HK\$'000 <i>(Note 1)</i>	HK\$'000 <i>(Note 2)</i>	HK\$'000	HK\$ <i>(Note 3)</i>
Based on Offer Price of HK\$0.42 per Offer Share	47,264	26,389	73,653	0.15
Based on Offer Price of HK\$0.58 per Offer Share	47,264	41,941	89,205	0.19

## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

*Notes:*

1. The audited consolidated net tangible assets of the Group as at 30 September 2019 is based on the consolidated net assets of the Group of HK\$47,264,000 as at 30 September 2019 as extracted from the Accountants' Report of our Group as set out in Appendix I to this Prospectus.
2. The estimated net proceeds from the Share Offer are based on 120,000,000 Shares to be issued at the Offer Price of HK\$0.42 per Offer Share and HK\$0.58 per Offer Share, respectively, being the low-end and high-end of the indicative Offer Price range, respectively, after deduction of the estimated listing expenses (excluding approximately HK\$16,365,000 of listing expenses recognised in profit or loss up to 30 September 2019). It does not take into account any shares which may be allotted and issued or repurchased by the Company as referred to in the paragraphs headed "General Mandate to Issue Shares" or "General Mandates to Repurchase Shares" under the section headed "Share Capital" in this prospectus, as the case may be.
3. The unaudited pro forma adjusted consolidated net tangible assets of the Group as at 30 September 2019 is calculated based on 480,000,000 Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer. It does not take into account any shares which may be allotted and issued or repurchased by the Company as referred to in the paragraphs headed "General Mandate to Issue Shares" or "General Mandates to Repurchase Shares" under the section headed "Share Capital" in this prospectus, as the case may be.
4. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group as at 30 September 2019 to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2019.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of the assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

**Deloitte.**

**德勤**

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

**To the Directors of Asia-express Logistics Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Asia-express Logistics Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 30 September 2019 and related notes as set out on pages II-1 and II-2 of Appendix II to the prospectus issued by the Company dated 31 March 2020 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 and II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed listing of the shares of the Company on GEM of The Stock Exchange of Hong Kong Limited by way of share offer (the "Share Offer") on the Group's financial position as at 30 September 2019 as if the proposed Share Offer had taken place at 30 September 2019. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for each of the years ended 31 March 2017, 2018 and 2019 and the six months ended 30 September 2019, on which an accountants' report set out in Appendix I to the Prospectus has been published.

**Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

### **Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
*Hong Kong*

31 March 2020

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 2 January 2018 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Company’s constitutional documents consist of its amended and restated Memorandum of Association (the “Memorandum”) and its amended and restated Articles of Association (the “Articles”).

## 1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

## 2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 23 March 2020 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

### (a) Shares

#### (i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

#### (ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the

necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

**(iii) *Alteration of capital***

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

**(iv) *Transfer of shares***

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.



Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

**(v) *Power of the Company to purchase its own shares***

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

**(vi) *Power of any subsidiary of the Company to own shares in the Company***

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

**(vii) *Calls on shares and forfeiture of shares***

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

**(b) Directors**

**(i) *Appointment, retirement and removal***

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re election or appointment but as between persons who became or were last re elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company)

and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

**(ii) *Power to allot and issue shares and warrants***

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

**(iii) *Power to dispose of the assets of the Company or any of its subsidiaries***

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

**(iv) *Borrowing powers***

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

**(v) *Remuneration***

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending

any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons

that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

**(vi) *Compensation or payments for loss of office***

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

**(vii) *Loans and provision of security for loans to Directors***

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

**(viii) *Disclosure of interests in contracts with the Company or any of its subsidiaries***

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such

Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/ themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/ are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.



**(c) Proceedings of the Board**

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

**(d) Alterations to constitutional documents and the Company's name**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

**(e) Meetings of members****(i) *Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

**(ii) *Voting rights and right to demand a poll***

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

**(iii) *Annual general meetings and extraordinary general meetings***

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may

do so in the same manner, and all reasonable expenses incurred by the requisitioner(s) as a result of the failure of the board shall be reimbursed to the requisitioner(s) by the Company.

**(iv) *Notices of meetings and business to be conducted***

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers; and
- (ee) the fixing of the remuneration of the directors and of the auditors.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) **Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

**(g) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors

may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

**(h) Inspection of corporate records**

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

**(i) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

**(j) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different

classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(k) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

**3. CAYMAN ISLANDS COMPANY LAW**

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

**(a) Company operations**

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

**(b) Share capital**

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of



shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “Court”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

**(c) Financial assistance to purchase shares of a company or its holding company**

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not to be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

**(f) Protection of minorities and shareholders' suits**

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

**(g) Disposal of assets**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**(h) Accounting and auditing requirements**

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**(j) Taxation**

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 25 January 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

**(m) Inspection of corporate records**

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

**(n) Register of members**

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Law. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

**(o) Register of Directors and Officers**

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

**(p) Beneficial Ownership Register**

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

**(q) Winding up**

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

**(r) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

**(s) Take-overs**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

**(t) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**(u) Economic Substance Requirements**

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands ("ES Law") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Law. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

**4. GENERAL**

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES****1. Information of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 2 January 2018. Its registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

As our Company is incorporated in the Cayman Islands, we are subject to the relevant laws of the Cayman Islands and our constitution which comprises the Memorandum of Association and Articles of Association. A summary of the relevant aspects of the Companies Law and certain provisions of our constitution are set out in Appendix III to this prospectus.

**2. Changes in share capital of our Company**

- (a) On 2 January 2018, our Company was incorporated under the laws of the Cayman Islands with limited liability, with an authorised capital of HK\$390,000 divided into 39,000,000 Shares with a par value of HK\$0.01 each. Upon incorporation, one subscriber's Share, credited as fully paid, was immediately transferred, and 99 Shares were further allotted and issued, all at par value, to 3C Holding. As a result, our Company was owned as to 100% by 3C Holding (100 Shares).
- (b) Pursuant to the Reorganisation and as a consideration for:
  - i. the acquisition by Asia-express (BVI) (as our Company's nominee) of 9,500 shares in Kwai Bon (HK) held by Mr. LB Chan, on 13 February 2018, 95 Shares (credited as fully paid) were allotted and issued to 3C Holding (at the direction of Mr. LB Chan); and
  - ii. the acquisition by Asia-express (BVI) (as our Company's nominee) of 500 shares in Kwai Bon (HK) held by Mr. Chan Yu, on 13 February 2018, 5 Shares (credited as fully paid) were allotted and issued to 3C Holding (at the direction of Mr. Chan Yu).

Following completion of the above transfers, our Company was as a result continued to be owned as to 100% by 3C Holding (200 Shares).

- (c) On 23 March 2018, Diligent City subscribed for 30 new Shares, representing approximately 13% of the enlarged issued share capital of our Company, at the subscription price of HK\$7,000,000. Following completion of the Pre-IPO Investment, our Company is owned as to approximately 87% (200 Shares) by 3C Holding and approximately 13% (30 Shares) by Diligent City, respectively.
- (d) On 28 June 2019, Diligent City repurchased 14,000 shares (representing 28% of the total issued share capital of Diligent City) and 6,000 shares (representing 12% of the total issued share capital of Diligent City) from Maia Global and Solution Lion, respectively.



In consideration of such repurchase, Diligent City transferred 8 Shares and 4 Shares of our Company to Maia Global and Solution Lion, respectively. Immediately after completion of such repurchase, our Company is owned as to approximately 87% (200 Shares) by 3C Holding, approximately 3.5% (8 Shares) by Maia Global, approximately 1.7% (4 Shares) by Solution Lion and approximately 7.8% (18 Shares) by Diligent City (which is wholly owned by Mr. William Choy), respectively.

- (e) On 4 September 2019, our Company repurchased 8 Shares and 4 Shares from Maia Global and Solution Lion at a consideration of HK\$2,079,000 and HK\$1,039,000, respectively. Immediately following such repurchases, our Company is owned as to approximately 91.7% (200 Shares) by 3C Holding and 8.3% (18 Shares) by Diligent City (which is wholly owned by Mr. William Choy), respectively.
- (f) Prior to the Capitalisation Issue, the authorised share capital of our Company was increased from HK\$390,000 divided into 39,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares by the creation of an additional 9,961,000,000 Shares.
- (g) Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon exercise of any options that may be granted under the Share Option Scheme), 480,000,000 Shares, fully paid or credited as fully paid, will be issued. Our Directors do not have any present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed herein and in paragraphs 3 and 4 below, there has been no alteration in the share capital of our Company since its incorporation.

### **3. Resolutions in writing of our Shareholders passed on 23 March 2020 and 27 March 2020**

On 23 March 2020 and 27 March 2020, pursuant to resolutions in writing passed by all of our Shareholders:

- (a) the authorised share capital of our Company was increased from HK\$390,000 divided into 39,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares by the creation of an additional 9,961,000,000 Shares;
- (b) the Memorandum of Association was conditionally adopted with effect from the Listing Date;
- (c) the Articles of Association were conditionally adopted with effect from the Listing Date;
- (d) conditional on (1) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM; (2) the Offer Price having been fixed on or about the Price Determination Date; and (3) the obligations of the Underwriters under the Underwriting

Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the day falling 30 days after the date of this prospectus:

- (i) the Share Offer was approved and our Directors were authorised to approve the allotment and issue of the new Offer Shares pursuant to the Share Offer;
- (ii) the rules of the Share Option Scheme were approved and adopted and our Directors or any such committee established by our Board were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for the Shares thereunder, to allot, issue and deal with the Shares pursuant to the exercise of options granted under the Share Option Scheme and to take all such steps as may be necessary or desirable to implement the Share Option Scheme;
- (iii) conditional on the share premium account being credited as a result of the issue of the Offer Shares under the Share Offer or otherwise having sufficient balance, our Directors were authorised to capitalise HK\$3,599,997.82 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 359,999,782 Shares for allotment and issue to Shareholder(s) whose name(s) appear(s) on the register of members of our Company at the close of business on 17 April 2020 (or as it/they may direct) in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings in our Company and so that the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares (other than the right to participate in the Capitalisation Issue) and our Directors be and they are thereby authorised to give effect to such capitalisation;
- (iv) a general unconditional mandate was given to our Directors to allot, issue and deal with (otherwise than by way of rights issue or an issue of shares upon the exercise of any subscription or conversion rights attached to any warrants or any securities which are convertible into shares or pursuant to exercise any options which may be granted under the Share Option Scheme, any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries or any other person of share or rights to acquire Shares or any script dividend schemes or similar arrangements providing for the allotment and issue of shares in lieu of the whole or part of a dividend on shares in accordance with the Articles of Association or a specific authority granted by the Shareholders in general meeting), Shares with an aggregate number of not exceeding the sum of (aa) 20% of the aggregate number of issued Shares immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme, and (bb) the aggregate number of Shares which may be purchased by our Company pursuant to

the authority granted to our Directors as referred to in subparagraph (v) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association, the Companies Law or any applicable laws of the Cayman Islands to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to our Directors, whichever occurs first (the “**Applicable Period**”);

- (v) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to purchase Shares with an aggregate number of not exceeding 10% of the aggregate number of issued Shares immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme until expiry of the Applicable Period; and
- (vi) the extension of the general mandate to allot, issue and deal with Shares to include the number of Shares which may be purchased or repurchased pursuant to subparagraph (v) above.

#### **4. Corporate reorganisation**

Our Group underwent the Reorganisation to rationalise our Group’s structure in preparation for the Listing and our Company becomes the holding company of our Group. Please refer to the section headed “History, Reorganisation and Corporate Structure” in this prospectus for further details.

#### **5. Particulars of our subsidiaries and associate**

Following completion of the Reorganisation and as at the Latest Practicable Date, our Group comprises (i) our Company, (ii) six subsidiaries namely Asia-express (BVI), Kwai Bon (HK), Kwai Bon (Guangzhou), Kwai Bon (Shenzhen), Kwai Bon (Shanghai) and Brilliant Logistics; and (iii) one associate namely Kwai Bon (Chengdu). Please refer to the Accountants’ Report as set out in Appendix I to this prospectus for a summary of the corporate information of these companies. In addition, our Group, through our subsidiaries, holds two branches namely Kwai Bon (Guangzhou) Branch and Kwai Bon (Shanghai) Branch following completion of the Reorganisation and as at the Latest Practicable Date.

#### **6. Changes in share capital of the subsidiaries of our Company**

Save as disclosed in the section headed “History, Reorganisation and Corporate Structure” in this prospectus, there has been no alteration in the share capital of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

## 7. Repurchase by our Company of our own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

### (a) *Shareholders' approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

### (b) *Source of funds*

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles, the GEM Listing Rules and the Companies Law. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Under the laws of the Cayman Islands, any repurchases by our Company may be made either (1) out of profits of our Company; (2) out of the share premium account of our Company; (3) out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase; or (4) out of capital, if so authorised by the Articles and subject to the provisions of the Companies Law; and in the case of any premium payable on the repurchase, (1) out of the profits of our Company; (2) from sums standing to the credit of the share premium account of our Company; or (3) out of capital, if so authorised by the Articles and subject to the provisions of the Companies Law.

On the basis of our current financial position as disclosed in this prospectus and taking into account our current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

The exercise in full of the Repurchase Mandate, on the basis of 480,000,000 Shares in issue immediately after the Listing, would result in up to 48,000,000 Shares being repurchased by us during the period in which the Repurchase Mandate remains in force.

### (c) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and

funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and our Shareholders.

**(d) General**

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

No core connected person (as defined in the GEM Listing Rules) of our Company has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

**8. Registration under the Companies Ordinance**

Our Company is a registered non-Hong Kong company as defined under Part 16 of the Companies Ordinance with a principal place of business in Hong Kong at Unit 1613–1615, Level 16, Tower 1, Metroplaza, 223 Hing Fong Road, Kwai Fong, Hong Kong. Mr. Chan Yu, the executive Director of our Company, who resides at Flat B, 12/F, Tower 6, City Point, 48 Wing Shun Street, Tsuen Wan, New Territories, has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

**FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP**

**9. Summary of material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:



- (a) the Share Swap Deed;
- (b) the Subscription Agreement;
- (c) the Shareholders Agreement;

- (d) an equity transfer agreement dated 11 January 2019 entered into between Kwai Bon (Shanghai) and a third party, pursuant to which Kwai Bon (Shanghai) transferred its 50% equity interests in Kwai Bon (Suzhou) to the third party;
- (e) an instrument of transfer dated 4 September 2019 entered into between Maia Global as the transferor and our Company as the transferee pursuant to which Maia Global transferred 8 Shares of our Company for a consideration of HK\$2,079,000;
- (f) an instrument of transfer dated 4 September 2019 entered into between Solution Lion as the transferor and our Company as the transferee pursuant to which Solution Lion transferred 4 Shares of our Company for a consideration of HK\$1,039,000;
- (g) the deed of non-competition dated 23 March 2020 given by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries) regarding certain non-competition undertakings;
- (h) the deed of lock-up undertaking dated 23 March 2020 entered into between Mr. William Choy, Diligent City, our Company and the Sole Sponsor, pursuant to which each of Mr. William Choy and Diligent City has undertaken to lock-up his/its Shares in our Company for a period of 6 months from the Listing Date;
- (i) the Deed of Indemnity; and
- (j) the Public Offer Underwriting Agreement.

## 10. Intellectual property rights of our Group

### *Trademark(s)*

As at the Latest Practicable Date, our Group had registered the following trademarks:

<u>Trademark</u>	<u>Registered owner</u>	<u>Place of registration</u>	<u>Class</u>	<u>Registration number</u>	<u>Expiry date</u>
	Kwai Bon (HK)	Hong Kong	16, 35, 39	304324888	5 November 2027
	Kwai Bon (Shenzhen)	PRC	39	6275817	13 June 2020

*Domain name(s)*

As at the Latest Practicable Date, our Group was the registrant of the following domain names:

<u>Domain name</u>	<u>Registrant</u>	<u>Registration date</u>	<u>Expiry date</u>
kwaibon.com	Kwai Bon (HK)	19 February 2004	19 February 2021
asia-expresslogs.com	the Company	10 July 2018	10 July 2020

## FURTHER INFORMATION ABOUT OUR DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND EXPERTS

### 11. Directors

#### (a) *Disclosure of interests*

- (i) Our executive Directors are interested in the Reorganisation. Please refer to the section headed “History, Reorganisation and Corporate Structure” in this prospectus.
- (ii) Save as disclosed in this prospectus, none of our Directors or their respective close associates was engaged in any dealings with our Group during the two years preceding the date of this prospectus.

#### (b) *Particulars of service contracts and letters of appointment*

Each of our executive Directors has entered into a service contract with our Company pursuant to which each of them agreed to act as an executive Director for an initial term of three years commencing from the Listing Date.

Each of our executive Directors is entitled to a basic salary subject to an annual review by the remuneration committee of the Board during the term. In addition, each of our executive Directors is also entitled to a discretionary management bonus provided that the aggregate amount of the bonuses payable to all our executive Directors for any financial year of our Company may not exceed 5% of the audited combined or consolidated net profit of our Group (after taxation and minority interests but before extraordinary and exceptional items) in respect of that financial year. An executive Director may not vote on any resolution of our

Directors regarding the amount of the management bonus payable to him. The annual salaries of our executive Directors provided under the service contracts are as follows:

Name	Annual salary (HK\$'000)
Mr. LB Chan	408
Mr. Chan Yu	576

Each of our non-executive Director and independent non-executive Directors has entered into a letter of appointment with our Company for an initial term of three years commencing from the Listing Date with the following annual salaries:

Name	Annual salary (HK\$'000)
<i>Non-executive Director</i>	
Mr. William Choy	—
<i>Independent non-executive Director</i>	
Mr. Fu Lui	120
Mr. Chan Chi Ho	120
Ms. Chui Sin Heng	120

Save for directors' fees, none of our non-executive Director nor independent non-executive Directors is expected to receive any other remuneration for holding his/her office as a non-executive Director or an independent non-executive Director.

Save as disclosed above, none of our Directors has or is proposed to have a service contract or letter of appointment with our Company or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

**(c) Directors' remuneration**

- (i) During each of the three years ended 31 March 2019 and the six months ended 30 September 2019, the aggregate remuneration paid by our Group to our Directors was approximately HK\$2.5 million, HK\$1.1 million, HK\$1.2 million and HK\$0.5 million, respectively.
- (ii) Under the arrangements currently in force, the aggregate remuneration (excluding any discretionary bonuses) payable by our Group to our Directors for the year ending 31 March 2021 is estimated to be approximately HK\$1.5 million.



(iii) None of our Directors or any past directors of any member of our Group has been paid any sum of money during the Track Record Period as (i) an inducement to join or upon joining our Company; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

(iv) There has been no arrangement under which a Director has waived or agreed to waive any remuneration during the Track Record Period.

**(d) *Interests and short positions of Directors and chief executive in the shares, underlying shares or debentures of our Company and our associated corporations***

Immediately following the completion of the Capitalisation Issue and the Share Offer (but without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme), the interests and short positions of our Directors and chief executive of our Company in the shares, underlying shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to notify our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, will be as follows:

<u>Name</u>	<u>Nature of interest</u>	<u>Number of Shares<sup>(1)</sup> immediately following completion of the Reorganisation, the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon exercise of any options that may be granted under the Share Option Scheme)</u>	<u>Approximate percentage of shareholding in our Company immediately following completion of the Reorganisation, the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon exercise of any options that may be granted under the Share Option Scheme)</u>
Mr. LB Chan	Interest in a controlled corporation <sup>(2)</sup>	330,120,000 (L)	68.8%
Mr. William Choy	Interest in a controlled corporation <sup>(3)</sup>	29,880,000 (L)	6.2%

*Notes:*

1. The letter “L” denotes the long position in our Shares.

2. Mr. LB Chan beneficially owns 95% of the issued share capital of 3C Holding. By virtue of the SFO, Mr. LB Chan is deemed to be interested in 330,120,000 Shares held by 3C Holding.
3. Since 28 June 2019, Mr. William Choy beneficially owns 100% of the issued share capital of Diligent City. By virtue of the SFO, Mr. William Choy is deemed to be interested in 29,880,000 Shares held by Diligent City.

## 12. Interest discloseable under the SFO and substantial shareholders

So far as is known to our Directors and chief executive of our Company, immediately following the completion of the Capitalisation Issue and the Share Offer (but without taking account any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme), the following persons (other than our Directors or chief executive officer of our Company) will have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be expected, directly or indirectly, to be interested in 10% or more of the voting power in all circumstances at general meetings of any member of our Group:

<u>Name</u>	<u>Nature of interest</u>	<b>Number of Shares<sup>(1)</sup> immediately following completion of the Reorganisation, the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon exercise of any options that may be granted under the Share Option Scheme)</b>	<b>Approximate percentage of shareholding in our Company immediately following completion of the Reorganisation, the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon exercise of any options that may be granted under the Share Option Scheme)</b>
3C Holding	Beneficial owner <sup>(2)</sup>	330,120,000 (L)	68.8%
Diligent City	Beneficial owner <sup>(3)</sup>	29,880,000 (L)	6.2%
Ms. Leung Song	Interest of spouse <sup>(4)</sup>	29,880,000 (L)	6.2%

*Notes:*

1. The letter “L” denotes the long position in our Shares.
2. The entire issued share capital of 3C Holding is owned as to 95% by Mr. LB Chan and as to 5% by Mr. Chan Yu, respectively.
3. Prior to 28 June 2019, the entire issued share capital of Diligent City was owned by Mr. William Choy (as to 60%), Maia Global (as to 28%) and Solution Lion (as to 12%) respectively. On 28 June 2019, Diligent City repurchased its shares held by each of Maia Global and Solution Lion and in return, Diligent City transferred its Shares to each of them as consideration on a pro-rata basis. For further details, please refer to the section headed “History, Reorganisation and Corporate Structure — Reorganisation — Step 8 — Repurchase of shares by Diligent City” in this prospectus. As a result of such repurchase, Diligent City is wholly owned by Mr. William Choy. Furthermore, on 4 September 2019, our Company repurchased 8 Shares and 4 Shares from Maia Global and Solution Lion at a consideration of HK\$2,079,000 and HK\$1,039,000, respectively. For

further details, please refer to the section headed “History, Reorganisation and Corporate Structure — Reorganisation — Step 9 — Repurchases of Shares by our Company” in this prospectus. As a result of such repurchases, Diligent City owns approximately 68.8% of the entire issued share capital of our Company following completion of the Reorganisation, the Capitalisation Issue and the Share Offer (without taking into account of any Shares which may be allotted and issued upon exercise of any options that may be granted under the Share Option Scheme).

4. Ms. Leung Song is the spouse of Mr. William Choy. By virtue of the SFO, Ms. Leung Song is deemed to be interested in the same number of Shares in which Mr. William Choy is deemed to be interested in under the SFO.

### **13. Related party transactions**

Save as disclosed in note 30 of the Accountants’ Report as set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, our Group has not engaged in any other material related party transactions.

### **14. Disclaimers**

- (a) Our Directors are not aware of any person who, save as disclosed in paragraph 12 in this appendix, will, immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options granted or which may be granted under the Share Option Scheme), have an interest or a short position in Shares or underlying shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the voting power in all circumstances at general meetings of any member of our Group.
- (b) Save as disclosed in paragraph 11(d) in this appendix, none of our Directors has for the purpose of Divisions 7 and 8 of Part XV of the SFO or the GEM Listing Rules, nor is any of them taken to or deemed to have under such provisions of the SFO, any interests or short position in the Shares or underlying shares and debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, once our Shares are listed on GEM.

- (c) None of our Directors nor the experts named in paragraph 21 of this appendix has been interested in the promotion of, or has any direct or indirect interest in any assets acquired or disposed of by or leased to or by, any member of our Group within the two years immediately preceding the date of this prospectus, or which are proposed to be acquired or disposed of by or leased to or by any member of our Group nor will any Director apply for the Offer Shares either in his own name or in the name of a nominee.
- (d) Save in connection with the material contracts referred to in paragraph 9 of this appendix and the service contracts and letters of appointments referred to in paragraph 11(b) of this appendix, none of our Directors nor the experts named in paragraph 21 of this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole.
- (e) None of the experts named in paragraph 21 in this appendix has any shareholding in any member in our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member in our Group.

## OTHER INFORMATION

### 15. Share option scheme

#### (a) *Summary of terms*

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by our Shareholders on 27 March 2020:

##### (i) *Purpose of the scheme*

The purpose of the Share Option Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group.

##### (ii) *Who may join*

Our Directors (which expression shall, for the purpose of this paragraph 15, include a duly authorised committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants (“**Eligible Participants**”), to take up options to subscribe for Shares:

- (aa) any employee (whether full-time or part-time, including any executive director but excluding any non-executive director and independent non-executive director) of our Company, any of our subsidiaries (“**Subsidiaries**”) or any entity (“**Invested Entity**”) in which our Group holds an equity interest (“**Eligible Employee**”);

- (bb) any non-executive director (including independent non-executive director) of our Company, any Subsidiary or any Invested Entity;
- (cc) any supplier of goods or services to any member of our Group or any Invested Entity;
- (dd) any customer of any member of our Group or any Invested Entity;
- (ee) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;
- (ff) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;
- (gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and
- (hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group,

and, for the purposes of the Share Option Scheme, the options may be granted to any company wholly owned by one or more Eligible Participants. For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of Eligible Participants shall not, by itself, unless our Directors otherwise determined, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the Eligible Participants to the grant of options shall be determined by our Directors from time to time on the basis of our Directors' opinion as to his contribution to the development and growth of our Group.

(iii) *Maximum number of Shares*

- (aa) The maximum number of Shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by our Group shall not exceed 30% of the Shares in issue from time to time.
- (bb) The total number of Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed

10% of the Shares in issue on the day on which dealings in the Shares first commence on the Stock Exchange (i.e. not exceeding 48,000,000 Shares) (the “**General Scheme Limit**”), provided that:

(aaa) Subject to paragraph (aa) above and without prejudice to paragraph (bbb) below, our Company may issue a circular to its Shareholders and seek approval of its Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Group must not exceed 10% of the Shares in issue as at the date of approval of the limit, and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted. The circular sent by our Company to its Shareholders shall contain, among other information, the information required under Rule 23.02(2)(d) of the GEM Listing Rules and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.

(bbb) Subject to paragraph (aa) above and without prejudice to paragraph (aaa) above, our Company may seek separate Shareholders’ approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the refreshed limit referred to in paragraph (aaa) above to Eligible Participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to its Shareholders containing a generic description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 23.02(2)(d) of the GEM Listing Rules and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.

(iv) *Maximum entitlement of each participant*

Subject to paragraph (v)(bb) below, the total number of Shares issued and to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the Shares in issue from time to time (“**Individual Limit**”). Where any further grant of options to a grantee under the Share Option Scheme would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised,

cancelled and outstanding options) under the Share Option Scheme and any other share option schemes of our Group in the 12-month period up to and including the date of such further grant representing in aggregate over 1 per cent. of the Shares in issue, such further grant must be separately approved by the Shareholders in general meeting with such grantee and his close associates (or his associates if the grantee is a connected person) abstaining from voting. Our Company must send a circular to the Shareholders and the circular must disclose the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), the information required under Rule 23.02(2)(d) of the GEM Listing Rules and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders' approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 23.03(9) of the GEM Listing Rules.

(v) *Grant of options to connected persons*

- (aa) Without prejudice to paragraph (bb) below, any grant of options under the Share Option Scheme to a Director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who or whose associate is the proposed grantee of the option).
- (bb) Without prejudice to paragraph (aa) above, where any grant of options to a substantial shareholder or an independent non-executive Director of our Company or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
  - (i) representing in aggregate over 0.1 % of the Shares in issue; and
  - (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million;

such further grant of options must be approved by the Shareholders in general meeting. Our Company must send a circular to the Shareholders. The grantee, his associates and all core connected persons of our Company must abstain from voting in favour at such general meeting. Any change in the terms of options granted to a substantial shareholder or an independent non-executive Director of our Company or any of their respective associates must be approved by the Shareholders in general meeting.

(vi) *Time of acceptance and exercise of option*

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on the date on which the offer for the grant of option is made but shall end in any event not later than 10 years from the date on which the offer for the grant of option is made subject to the provisions for early termination thereof. Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vii) *Performance targets*

Unless our Directors otherwise determined and stated in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(viii) *Subscription price for Shares and consideration for the option*

The subscription price per Share under the Share Option Scheme shall be determined at the absolute discretion of our Directors, provided that it shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which the offer for the grant of option is made, which must be a Business Day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five Business Days immediately preceding the date on which the offer for the grant of option is made; and (iii) the nominal value of the Shares.

A nominal consideration of HK\$1.00 is payable on acceptance of the grant of an option.

(ix) *Ranking of Shares*

- (aa) Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles of Association and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and will entitle the holders thereof to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the completion of the registration of the grantee on the register of members of our Company as the holder thereof.



(bb) Unless the context otherwise requires, references to “Shares” in this paragraph include references to shares in the ordinary share capital of our Company of such nominal amount as shall result from a sub-division, consolidation, re-classification, reduction or re-construction of the share capital of our Company from time to time.

(x) *Restrictions on the time of grant of options*

Our Company shall not make any offer for grant of options during the period of six months commencing from the Listing Date.

Our Company may not make any offer for grant of options after inside information has come to our knowledge until our Company has announced the information. In particular, our Company may not make any offer during the period commencing one month immediately before the earlier of (aa) the date of the meeting of the Board (as such date is first notified to the Stock Exchange under the GEM Listing Rules) for approving our Company’s results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules); and (bb) the deadline for our Company to announce our results for any year or half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement.

Our Directors may not make any offer to an Eligible Participant who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the GEM Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(xi) *Period of the Share Option Scheme*

The Share Option Scheme will remain in force for a period of 10 years commencing on the date which is six months after the Listing Date.

(xii) *Rights on ceasing employment*

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or for serious misconduct or other grounds referred to in subparagraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) shall lapse on the date of cessation and will not be exercisable unless our Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as our Directors may determine following the date of such cessation, which will be taken to be the last actual working day of which the grantee was at work with our Company, the relevant Subsidiary or the Invested Entity whether salary is paid in lieu of notice or not.

(xiii) *Rights on death, ill-health or retirement*

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s) or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation which date shall be the last day on which the grantee was at work with our Company, the relevant Subsidiary or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as our Directors may determine.

(xiv) *Rights on dismissal*

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason that he has been guilty of persistent and serious misconduct or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or our Group or the Invested Entity into disrepute), his option will lapse automatically and will not in any event be exercisable on or after the date of cessation to be an Eligible Employee.

(xv) *Rights on breach of contract*

If our Directors shall at their absolute discretion determine that (aa) the grantee of any option (other than an Eligible Employee) or his close associates (or his associates if the grantee is a connected person) has committed any breach of any contract entered into between the grantee or his close associate on the one part and our Group or any Invested Entity on the other part; or (bb) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (cc) the grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by other reason whatsoever, then the option granted to the grantee under the Share Option scheme shall lapse as a result of any event specified in sub-paragraph (aa), (bb) or (cc) above.

(xvi) *Rights on a general offer, a compromise or arrangement*

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, *mutatis mutandis*, and assuming that they will become, by the exercise in full of the options granted to them, the Shareholders. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to the Shareholders, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's

notice to our Company at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date on which such offer (or, as the case may be, revised offer) closes or the relevant record date for entitlements under the scheme of arrangement, as the case may be.

(xvii) *Rights on winding up*

In the event a notice is given by our Company to the Shareholders to convene a Shareholders' meeting for the purpose of considering, and if thought fit, approving a resolution for the voluntary winding-up of our Company during the option period, our Company shall forthwith give notice thereof to the grantee and the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two Business Days prior to the proposed Shareholders' meeting, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one Business Day prior to the proposed Shareholders' meeting whereupon the grantee shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such meeting. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

(xviii) *Grantee being a company wholly owned by Eligible Participants*

If the grantee is a company wholly owned by one or more Eligible Participants:

- (i) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options to such grantee, *mutatis mutandis*, as if such options had been granted to the relevant Eligible Participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant Eligible Participant; and
- (ii) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant Eligible Participant provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xix) *Adjustments to the subscription price*

In the event of a rights issue, subdivision or consolidation of Shares or reduction of the share capital of our Company or otherwise howsoever but shall not in any event exceed the limits imposed by the GEM Listing Rules whilst an option remains

exercisable or the Share Option Scheme remains in effect, such corresponding alterations (if any) certified by the auditors for the time being or an independent financial adviser to our Company as fair and reasonable will be made to the number or nominal amount of Shares to which the Share Option Scheme or any option relates, the subscription price of any option, and/or (unless the relevant grantee elects to waive such adjustment) the number of Shares consisted in an option or which remains consisted in an option, provided that (i) any adjustment shall give a grantee the same proportion of the issued Share for which he would have been entitled subscribe had he exercised the options held by him immediately prior to such adjustment; (ii) no adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; (iii) the issue of Shares or other securities of our Group as consideration in a transaction shall not be regarded as a circumstance requiring any adjustment; and (iv) any adjustment shall be in compliance with, among others, the GEM Listing Rules. In addition, in respect of any such adjustments, such auditors or independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the GEM Listing Rules and such other applicable guidance and/or interpretation of the GEM Listing Rules from time to time issued by the Stock Exchange.

*(xx) Cancellation of options*

Any cancellation of options granted but not exercised must be subject to the consent of the relevant grantee and the approval of our Directors. When our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant to subparagraphs (iii) (aaa) and (bbb) above.

*(xxi) Termination of the Share Option Scheme*

Our Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme and Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

*(xxii) Rights are personal to the grantee*

An option is personal to the grantee and shall not be transferable or assignable.

*(xxiii) Lapse of options*

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (aa) the expiry of the period referred to in paragraph (vi);
- (bb) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvii) and (xviii);
- (cc) the date on which our Directors shall exercise our Company's right to cancel the option by reason of a breach of paragraph (xxii) above by the grantee in respect of that or any other options; and
- (dd) the date of the commencement of winding-up of our Company.

*(xxiv) Alternation to the Share Option Scheme and others*

- (aa) The Share Option Scheme is conditional, among others, on the Stock Exchange granting the listing of and permission to deal in, such number of Shares to be allotted and issued by our Company pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.
- (bb) The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 23.03 of the GEM Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of the Shareholders in general meeting.
- (cc) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature shall be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (dd) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 23 of the GEM Listing Rules, the "Supplementary Guidance on Main Board Listing Rule 17.03(13)/GEM Listing Rule 23.03(13) and the Note Immediately After the Rule" set out in the letter from the Stock Exchange to all listed issuers dated 5 September 2005 and other relevant guidance of the Stock Exchange.
- (ee) Any change to the authority of our Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

(b) *Present status of the Share Option Scheme*

(i) *Approval of the Stock Exchange required*

The Share Option Scheme, which complies with Chapter 23 of the GEM Listing Rules, is conditional on, among others, the Stock Exchange granting approval (whether subject to conditions or not) of the Share Option Scheme and any options which may be granted thereunder, and the listing of, and permission to deal in, such number of Shares to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(ii) *Application for approval*

Application has been made to the Stock Exchange for the listing of and permission to deal in the Shares to be allotted and issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(iii) *Grant of option*

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(iv) *Value of options*

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

## 16. Estate duty, tax and other indemnities

3C Holding, Mr. Chan Yu and Mr. LB Chan (collectively the “**Indemnifiers**”) have executed the Deed of Indemnity in favour of our Company (for itself and as trustee for each of its present subsidiaries).

Pursuant to the Deed of Indemnity, the Indemnifiers have agreed to jointly and severally indemnify each of the members of our Group against the following:

- (a) any liability for Hong Kong estate duty which might be incurred by us by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong)) to us on or before the date on which the Share Offer becomes unconditional (the “**Effective Date**”);

- (b) taxation which might fall on us in respect of any income, profits or gains earned, accrued or received (or deemed to be so earned, accrual or received) on or before the Effective Date, subject to certain exceptions set out below; and
- (c) any and all expenses, payments, sums, outgoings, fees, demands, claims, actions, proceedings, judgments, damages, losses, costs (including but not limited to legal and other professional costs), charges, contributions, liabilities, fines, penalties in connection with any failure, delay or defects of non-compliance under, or any breach of any provision of, all applicable laws, rules or regulations by any member of our Group on or before the Effective Date.

The Indemnifiers will, however, not be liable in respect of any taxation referred to in paragraph (b) above:

- (1) to the extent that provision or reserve has been made for such taxation in the audited consolidated accounts of our Group for the Track Record Period and to the extent that such taxation is incurred or accrued since 1 April 2019 which arises in our ordinary course of business; or
- (2) to the extent that a claim or liability for such taxation falls on us in respect of the accounting period commencing on or after 1 April 2019 unless such taxation would not have arisen but for some act or omission of, or transaction voluntarily effected by the Indemnifiers or us otherwise than in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets, before the Effective Date; or
- (3) to the extent that a claim or liability for such taxation would not have arisen but for a voluntary act or transaction carried out or effected (other than pursuant to a legally binding commitment created on or before the date of the Deed of Indemnity) by us after the date of the Deed of Indemnity; or
- (4) to the extent that a claim or liability for such taxation arises as a consequence of any retrospective change in the law, rules and regulations, or the interpretation or practice thereof by any relevant authority coming into force after the date of the Deed of Indemnity or to the extent that such taxation arises or is increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect; or
- (5) to the extent of any provision or reserve made for taxation in the audited accounts of our Group up to the three financial years ended 31 March 2019 and which is finally established to be an over-provision or an excessive reserve.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries under the laws of the Cayman Islands, the BVI, Hong Kong and the PRC, being jurisdictions in which one or more of the companies comprising our Group are incorporated.

**17. Litigation**

Save as disclosed in the section headed “Business — Litigation and Claim” in this prospectus, neither our Company nor any of its subsidiaries is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company or any of its subsidiaries, that would have a material adverse effect on the results of operations or financial condition of our Group.

**18. Sole Sponsor**

The Sole Sponsor has made an application for and on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme). The Sole Sponsor is independent of our Company in accordance with Rule 6A.07 of the GEM Listing Rules.

The Sole Sponsor will be paid by our Company a total fee of HK\$5.5 million to act as the sole sponsor to our Company in connection with the Listing.

**19. Preliminary expenses**

The estimated preliminary expenses of our Company are approximately HK\$43,000 and are payable by our Company.

**20. Promoters**

Our Company has no promoter for the purpose of the GEM Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoters of our Company in connection with the Share Offer or the related transactions described in this prospectus.



**21. Qualification of experts**

The qualifications of the experts who have given opinions or advice in this prospectus are as follows:

Name	Qualifications
South China Capital Limited	A corporation licenced under the SFO and permitted to carry out Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants Registered public interest entity auditors
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Frost & Sullivan Limited	Independent industry consultant
Han Kun Law Offices	PRC legal advisers to our Company

**22. Consent of experts**

Each of the experts named in paragraph 21 above has given and has not withdrawn its written consents to the issue of this prospectus with the inclusion of its report, letter, opinion or summaries of opinion (as the case may be), all of which are dated the date of this prospectus, and the references to its names included herein in the form and context in which they respectively appear.

None of the experts named in paragraph 21 above has any shareholding interests in any member of our Group and the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

**23. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

**24. Taxation of holders of Shares**

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

Under the present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

Potential holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

## **25. Share registers**

The principal register of members of our Company is maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited and the branch register of members of our Company is maintained in Hong Kong by Tricor Investor services Limited. Unless our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, the branch registrar in Hong Kong and may not be lodged in the principal registrar in the Cayman Islands.

## **26. Miscellaneous**

- (i) Save as disclosed in the sections headed “History, Reorganisation and Corporate Structure” and “Structure and Conditions of the Share Offer” in this prospectus and paragraph 2 in this appendix, within two years immediately preceding the date of this prospectus:
  - (aa) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
  - (bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
  - (cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any Share in our Company or any of our subsidiaries.
- (ii) No share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (iii) Save as disclosed in the sections headed “Summary” and “Financial Information” in this prospectus, there has been no material adverse change in the financial position or prospects of our Group since 30 September 2019 (being the date to which the latest audited consolidated financial statements of our Group were made up).
- (iv) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

- (v) There is no arrangement under which future dividends of our Company are waived or agreed to be waived.
- (vi) There are no contracts for hire or hire purchase of plant to or by us for a period of over one year which are substantial in relation to our business.
- (vii) There are no founder, management or deferred shares in our Company or any of its subsidiaries.
- (viii) Our Group does not have any outstanding convertible debt securities or debentures.
- (ix) No securities of our Group are listed, and no listing of any such securities is proposed to be sought, on any other stock exchange.
- (x) All necessary arrangements have been made to enable the Shares to be admitted into CCASS.
- (xi) None of the debt and equity securities of the companies comprising our Group is presently listed on any stock exchange or traded on any trading system.
- (xii) Our Company has not entered into any consultancy agreement(s) with any parties for the purpose of the Listing.

## **27. Bilingual prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration include:

- (a) a copy of each of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) the written consents referred to in “Statutory and General Information — Other information — 22. Consents of experts” in Appendix IV to this prospectus; and
- (c) certified copies of each of the material contracts referred to in “Statutory and General Information — Further information about the business of our Group — 9. Summary of material contracts” in Appendix IV to this prospectus.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Holman Fenwick Willan at 15/F, Tower I, Lippo Centre, 89 Queensway, Admiralty, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) our Memorandum and Articles;
- (b) the Accountants’ Report from Deloitte Touche Tohmatsu, in respect of the historical financial information for the three years ended 31 March 2019 and the six months ended 30 September 2019, the text of which is set out in Appendix I to this prospectus;
- (c) the audited consolidated financial statements of our Group for the three years ended 31 March 2019 and the six months ended 30 September 2019;
- (d) the report on the unaudited pro forma financial information of our Group from Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this prospectus;
- (e) the letter of advice prepared by Conyers Dill & Pearman, summarising certain aspects of Cayman company law, as referred to in Appendix III to this prospectus;
- (f) the industry report prepared by Frost & Sullivan Limited referred to in the section headed “Industry Overview” in this prospectus;
- (g) the PRC legal opinions prepared by Han Kun Law Offices, our legal advisers as to PRC law, in respect of certain aspects of our Group and our property interests;
- (h) the written consents referred to in “Statutory and General Information — Other information — 22. Consents of experts” in Appendix IV to this prospectus;

- (i) the service contracts and letters of appointment referred to in “Statutory and General Information — Further information about our Directors, Substantial Shareholders and experts — 11. Directors — (b) Particulars of service contracts and letters of appointment” in Appendix IV to this prospectus;
- (j) the material contracts referred to in “Statutory and General Information — Further information about the business of our Group — 9. Summary of material contracts” in Appendix IV to this prospectus;
- (k) the rules of the Share Option Scheme; and
- (l) the Companies Law.



**Asia-express Logistics Holdings Limited**  
**亞洲速運物流控股有限公司**