



裕程物流集團有限公司
Grand Power Logistics Group Limited
(Incorporated in the Cayman Islands with limited liability)
Stock Code : 8489

SHARE OFFER

Sole Sponsor



建泉融資有限公司
VBG Capital Limited

Joint Bookrunners and Joint Lead Managers



建泉融資有限公司
VBG Capital Limited



富滙證券
WealthLink
Securities Limited

IMPORTANT

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



GRAND POWER LOGISTICS GROUP LIMITED

裕程物流集團有限公司

(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	:	75,000,000 Shares
Number of Public Offer Shares	:	7,500,000 Shares (subject to reallocation)
Number of Placing Shares	:	67,500,000 Shares (subject to reallocation)
Offer Price (subject to a Downward Offer Price Adjustment)	:	Not more than HK\$0.94 and not less than HK\$0.74 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full at the maximum Offer Price on application in Hong Kong dollars and subject to refund) (if the Offer Price is set at 10% below the bottom end of the indicative Offer Price range after making a Downward Offer Price Adjustment, the Offer Price will be HK\$0.67 per Offer Share)
Nominal value	:	HK\$0.01 per Share
Stock code	:	8489

Sole Sponsor



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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents 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, having attached thereto the documents specified in the section headed "Appendix VI — Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection — Documents delivered to the Registrar of Companies" in 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.

The Offer Price is currently expected to be determined by agreement between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date, which is scheduled on or about Wednesday, 6 January 2021, and in any event, no later than Monday, 11 January 2021. The Offer Price will be not more than HK\$0.94 per Offer Share and is currently expected to be not less than HK\$0.74 per Offer Share unless otherwise announced. The Joint Bookrunners may, with our consent, reduce the indicative Offer Price range and/or the number of Offer Shares stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. If this occurs, notice of reduction of the indicative Offer Price range and/or the number of Offer Shares will be published on the Stock Exchange's website at www.hkxnews.hk and our website at www.grandpowerexpress.com.

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) on or about Wednesday, 6 January 2021 and in any event, no later than Monday, 11 January 2021, the Share Offer will not become unconditional and will lapse immediately.

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, based on the level of interest expressed by prospective investors during the book-building process, and with the consent of the Company, determine the final Offer Price to be no more than 10% below the bottom end of the indicative Offer Price range of HK\$0.74 (that is HK\$0.67), at any time on or prior to the Price Determination Date. In such a situation, the Company will, as soon as practicable following the decision to set the final Offer Price below the bottom end of the indicative Offer Price range, publish on the website of the Company at www.grandpowerexpress.com and the website of the Stock Exchange at www.hkxnews.hk an announcement of the final Offer Price after making a Downward Offer Price Adjustment.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States of America and may not be offered, sold, pledged or transferred within the United States of America, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. securities law. The Offer Shares are being offered and sold only outside the United States of America in offshore transactions in reliance on Regulation S.

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

Prospective investors of the Share Offer should note that the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement are subject to termination by the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) upon occurrence of any of the events set forth in the section headed "Underwriting — Underwriting arrangements and expenses — Public Offer — Public Offer Underwriting Agreement — 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 Lead Managers (for themselves and on behalf of the Public Offer Underwriters) terminate the Public Offer Underwriting Agreement, the Share Offer will not proceed and will lapse. Further details of these termination provisions are set out in the section headed "Underwriting" in this prospectus. It is important that prospective investors refer to that section for further details.

30 December 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 high 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.

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable of the Share Offer, we will issue an announcement on the websites of our Company at www.grandpowerexpress.com and the Stock Exchange at www.hkexnews.hk. Details of the structure of the Share Offer, including the conditions thereto, are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus.

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

Application Forms available from 9:00 a.m. on Wednesday, 30 December 2020

Latest time to complete **electronic applications** under

HK eIPO White Form service through one of the below ways ⁽²⁾:

(1) the designated website at 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 or

www.tricorglobal.com/IPOApp. 11:30 a.m. on Tuesday, 5 January 2021

Application lists of the Public Offer open ⁽³⁾ 11:45 a.m. on Tuesday, 5 January 2021

Latest time to lodge **WHITE** and **YELLOW**

Application Forms and to give **electronic application**

instructions to HKSCC ⁽⁴⁾ 12:00 noon on Tuesday, 5 January 2021

Latest time to complete payments for **HK eIPO White Form**

applications by effecting internet banking transfer(s)

or PPS payment transfer(s) 12:00 noon on Tuesday, 5 January 2021

Application lists of the Public Offer close ⁽³⁾ 12:00 noon on Tuesday, 5 January 2021

Expected Price Determination Date ⁽⁵⁾ Wednesday, 6 January 2021

Where applicable, announcement of the Offer Price being set below the bottom end of the indicative Offer Price range after making a Downward Offer Price Adjustment.

Please see the section headed “Structure and Conditions of the Share Offer — Reduction in indicative Offer Price range and/or number of Offer Shares” in

this prospectus on the website of the Company

at www.grandpowerexpress.com and on the website of

the Stock Exchange at www.hkexnews.hk on or before Tuesday, 12 January 2021

Announcement of (i) the final Offer Price; (ii) the indication

of the level of interest in the Placing; (iii) the level of

applications in the Public Offer; (iv) the basis of allocation

of the Public Offer Shares under the Public Offer; and

(v) the number of Offer Shares reallocated, if any, between

the Public Offer and the Placing to be published on the website

of our Company at www.grandpowerexpress.com and the website

of the Stock Exchange at www.hkexnews.hk on or before. Tuesday, 12 January 2021

Results of allotment of the Public Offer

(with successful applicants’ identification document numbers,

where applicable) to be available through a variety of channels

as described in the section headed “How to Apply for the

Public Offer Shares — 11. Publication of Results” in this

prospectus from Tuesday, 12 January 2021

EXPECTED TIMETABLE⁽¹⁾

Results of allocation in the Public Offer to be available at www.tricor.com.hk/ipo/result or www.hkeipo.hk/IPOResult or the “Allotment Result” in the **IPO App** with a “search by ID Number/Business Registration Number” function from Tuesday, 12 January 2021

Despatch/Collection of share certificates and/or deposit of the share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer on or before ⁽⁵⁾⁽⁶⁾⁽⁸⁾ Tuesday, 12 January 2021

Despatch/Collection of the **HK eIPO White Form** e-Auto Refund payment instructions and refund cheques in respect of wholly or partially successful applications if the final Offer Price is less than the price payable on application (if applicable) and wholly or partially unsuccessful application pursuant to the Public Offer on or about ⁽⁵⁾⁽⁷⁾⁽⁸⁾ Tuesday, 12 January 2021

Dealings in the Shares on GEM to commence on 9:00 a.m. on Wednesday, 13 January 2021

1. All dates and times refer to Hong Kong local dates and times, except as otherwise stated.
2. You will not be permitted to submit your application to the **HK eIPO White Form** Service Provider through the designated website at 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 an application reference number from the designated website or the IPO App prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of the 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 and/or a tropical cyclone warning signal number 8 or above and/or extreme conditions is/are in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 5 January 2021, the application lists will not open on that day. For details, please refer to 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 the 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, being the date on which the final Offer Price is to be determined, is currently expected to be on or about Wednesday, 6 January 2021. If, for any reason, the final Offer Price is not agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the other Underwriters) on the Price Determination Date, and in any event, not later than Monday, 11 January 2021, the Share Offer will not become unconditional and will lapse immediately. Notwithstanding that the Offer Price may be less than the maximum Offer Price of HK\$0.94 per Offer Share, applicants must pay the maximum Offer Price of HK\$0.94 per Offer Share at the time of application, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, but will be refunded the surplus application monies, without interest, as provided in the section headed “How to Apply for the Public Offer Shares” in this prospectus.
6. Share certificates for the Offer Shares are expected to be issued on or about Tuesday, 12 January 2021 but 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 before 8:00 a.m. on the Listing Date. If the Share Offer does not become unconditional or either of the Underwriting Agreements is terminated, we will make an announcement as soon as possible.

EXPECTED TIMETABLE⁽¹⁾

7. Refund cheques or e-Auto Refund payment instructions will be issued in respect of wholly or partially unsuccessful applications, and in respect of successful applications if the Offer Price as finally determined is less than the price payable on application. If you apply through the **HK eIPO White Form** services by paying the application monies through a single bank account, you may have e-Auto Refund payment instructions (if any) despatched to your application payment bank account. If you apply through the **HK eIPO White Form** services by paying the application monies through multiple bank accounts, you may have refund cheque(s) sent to the address specified in your application instructions to the designated website (www.hkeipo.hk) by ordinary post and at your own risk. Refund by cheque(s) will be made out to you, or if you are joint applicants, to the first-named applicant on your Application Form. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque, if any. Inaccurate completion of your Hong Kong identity card number/passport number may lead to a delay in encashment of, or may invalidate, your refund cheque.

Investors may obtain a printed copy of this prospectus, free of charge, during normal business hours from any of the designated branches of the receiving banks and the designated offices of the Joint Bookrunners as set out in the section headed “How to Apply for the Public Offer Shares” in this prospectus. An electronic version of this prospectus (which is identical to the printed prospectus) can be accessed and downloaded from the websites of our Company at www.grandpowerexpress.com and the Stock Exchange at www.hkexnews.hk under the section headed “HKExnews > Listed Company Information > Latest Listed Company Information”.

Distribution of this prospectus into any jurisdiction other than Hong Kong may be restricted by law. Persons into whose possession this prospectus come (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.

For details of the structure of the Share Offer, including the conditions of the Share Offer, and the procedures for application for the Public Offer Shares, you should read the sections headed “Structure and Conditions of the Share Offer” and “How to Apply for the Public Offer Shares” in this prospectus, respectively. If the Public Offer does not become unconditional or is terminated in accordance with its terms, the Public Offer will not proceed. In such case, our Company may make an announcement as soon as practicable thereafter.

8. In case a typhoon warning signal no. 8 or above, a black rainstorm warning signal and/or extreme condition is/are in force in any days between Wednesday, 30 December 2020 to Wednesday, 13 January 2021, then the day of (i) Announcement of results of allocation in the Public Offer; (ii) Dispatch of Share certificates and refund cheques/HK eIPO White Form e-Auto Refund payment instructions; and (iii) Dealings in the Shares on the Stock Exchange may be postponed according to the number of business days affected by the bad weather and/or extreme conditions.
9. Applicants who have applied on **WHITE** Application Forms or through **HK eIPO White Form** service for 1,000,000 or more Public Offer Shares under the Public Offer may collect their refund cheques and share certificates (as applicable) in person 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 Tuesday, 12 January 2021. Applicants being individuals who opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorised representatives bearing a letter of authorisation from their corporation stamped with the corporation’s chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, identification and (where applicable) documents acceptable to our Hong Kong Branch Share Registrar.

Applicants who apply with **YELLOW** Application Forms for 1,000,000 Public Offer Shares under the Public Offer may collect their refund cheques (where relevant) in person but may not collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Uncollected share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post and at the own risk of the applicants shortly after the expiry of the time for collection on the date of despatch of share certificates/refund cheques as described in the section headed “How to Apply for the Public Offer Share — 14. Dispatch/ collection of share certificates and refund monies” in this prospectus.

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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 security 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 other circumstances. No action has been taken to permit a Public Offer of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus and the Application Forms 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 their respective directors, advisers, officers, employees, agents or representatives or any other person involved in the Share Offer.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety 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 a long-established freight forwarder headquartered in Hong Kong, with sales force in Hong Kong and six regional offices in the PRC, including Shanghai, Shenzhen, Guangzhou, Xiamen, Tianjin and Fuzhou as at the Latest Practicable Date, focusing on the market in Hong Kong, the PRC and Macau. We provide air and ocean export and import freight forwarding services, with optional ancillary logistics services (such as cargo pick up, cargo handling at ports and local transportation) and warehousing related services (such as repackaging, labelling, palletising, customs clearance and warehousing) to meet the requirements of our customers. According to the CIC Report, the freight forwarding logistics industry in Hong Kong is highly fragmented and competitive. In 2019, there were more than 1,500 freight forwarding companies registered in Hong Kong which can be divided into two tiers, consisting of (i) tier one players, mainly around 20 to 30 multinational enterprises, which contributed about nearly half of the total revenue of air freight forwarding logistics industry in Hong Kong; and (ii) tier two players, being small- and medium-scale Hong Kong based freight forwarders (normally having a turnover below HK\$1.5 billion per year), whose top ten players accounted for a market share of 7.9% in aggregate. We are one of the constituents of the tier two players and accounted for about 0.6% market share of the Hong Kong air freight forwarding logistics industry in 2019.

We derive our revenue from two business segments, namely air freight forwarding services and ocean freight forwarding services. For FY2017, FY2018, FY2019 and 8M2020 our total revenue amounted to approximately HK\$425.4 million, HK\$463.1 million, HK\$353.3 million and HK\$553.4 million, respectively. Our business focus is the provision of air freight export services from the PRC, Hong Kong and Macau to over 120 countries in Europe, Asia, North America and other regions (including South America, Oceania and Africa). For FY2017, FY2018, FY2019 and 8M2020, our total revenue attributable to the provision of air freight export services amounted to approximately HK\$400.4 million, HK\$447.2 million, HK\$318.7 million and HK\$536.4 million, respectively, representing 94.1%, 96.6%, 90.2% and 96.9% of our total revenue for the same year/period.

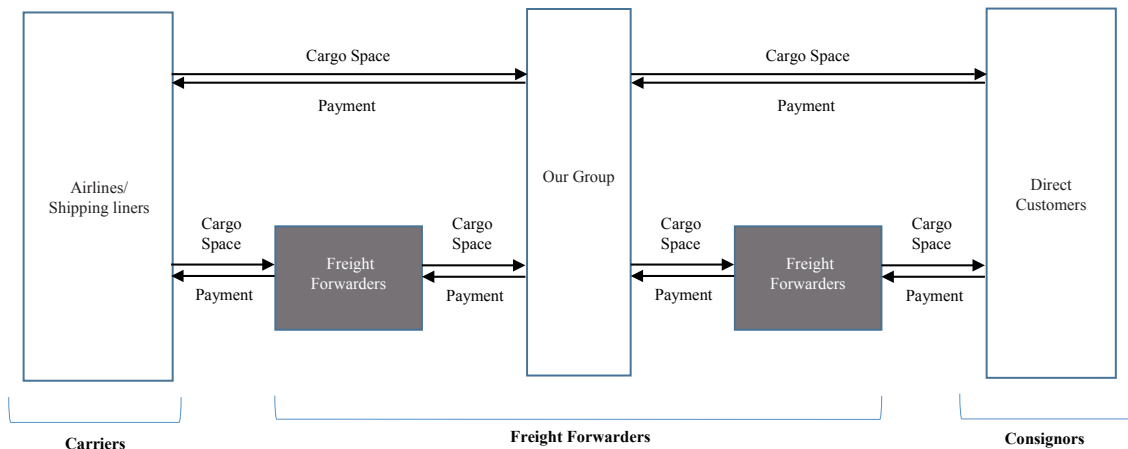
Our suppliers include airlines, freight forwarders and shipping liners for cargo space and other suppliers for logistics related services such as transportation and warehousing related services. We source cargo spaces from our suppliers under different arrangements including direct booking, block space arrangements, and flight charters. We have long established business relationships with various international airlines since 2009. Amongst our five largest suppliers in the Track Record Period, six were international airlines. Our relationship with airlines has been recognised, as we were awarded various awards by different airlines in the past years. To maximise our flexibility in securing cargo spaces, we also source cargo spaces from other freight forwarders depending on their cargo spaces' availability, capacity, routing and timing. Our ability to secure cargo spaces from these airlines as well as other freight forwarders enable us to reach a wide range of destinations.

SUMMARY

Our customers include freight forwarders and direct customers (i.e. customers that are not freight forwarders who purchase cargo spaces from our Group and directly ship their consignments, for example, manufacturers which directly ship their products to their customers through purchasing cargo spaces directly from our Group, or buyers of goods which arrange shipment by themselves). According to the CIC Report, it is a common industry practice for small- and medium-sized freight forwarders to co-load their consignments with each other for maximum utilisation of cargo space. As a co-loader in the industry, in terms of our total revenue, a majority of our customers are other freight forwarders who act on behalf of their own customers during the Track Record Period. With our established track record of over 18 years in serving the freight forwarding industry with recognised quality, we have provided freight forwarding services to over 950 customers. Out of our top five largest customers who are also freight forwarders during the Track Record Period, we have maintained business relationships with three of them for 10 years as at the Latest Practicable Date, which we believe is an indication of the customers' loyalty and recognition of our service quality.

BUSINESS MODEL

The following illustrates how we source cargo space from our suppliers (such as airlines, shipping liners or freight forwarders) and sell them to our customers (such as direct customers and freight forwarders):



Cargo Space Procurement and Suppliers

We procure cargo spaces directly from airlines, shipping liners or other freight forwarders suppliers under different arrangements, including (i) direct booking; (ii) block space arrangements; and (iii) flight charters. During the Track Record Period, we (i) transacted with over 500 cargo space suppliers, including 11 airlines and shipping liners as well as other freight forwarders suppliers; and (ii) engaged over 40 service providers for local transportation and warehousing related services. We generally procure our cargo spaces through direct booking on demand basis. To secure committed amount of cargo space for a period of time at pre-agreed costs or having been supported by back-to-back orders or charters from our customers, we also entered into block space agreements or flight charter agreements with our suppliers during the Track Record Period as follows:

- in December 2017, being the peak season of freight forwarding industry, we entered into two charter flight agreements with Supplier E, who is a Hong Kong based airline and one of our top five suppliers during the Track Record Period, for a partial charter flight to Taiwan and a full charter flight to Singapore;

SUMMARY

- we entered into a block space agreement in December 2017 for a term of one year effective from January 2018 with Supplier E for supply of cargo space to Taiwan, to meet the demand of Customer F, who entered into a strategic partnership agreement with us in December 2017. The block space agreement was renewed for a term of one year effective from 1 January 2019 and expired on 31 December 2019. We have not further renewed the block space agreement to Taiwan since Customer F has not provided us their back-to-back demand for the year of 2020 due to change of their cargo shipment route. The committed tonnage under the abovementioned block space agreement was 100 tonnes per month for 2018, 300 tonnes per month for January to April 2019, and 200 tonnes per month for May to December 2019;
- we also entered into a block space agreement in December 2017 for a term of one year effective from January 2018 with Supplier E for the supply for cargo space to Europe. This block space agreement was subsequently renewed twice for one-year term each and will expire at the end of December 2020. The committed tonnage under the block space agreement was 100 tonnes per month for 2018 and 2019, and 400 tonnes per month for 2020. Due to the decreased number of flights caused by the outbreak of COVID-19, Supplier E adjusted downward its committed tonnage per month under this block space agreement, by 35% for February, 40% for March, 75% for April to June, 70% for July to August and 75% for September to November 2020, respectively;
- in May 2019, we entered into a block space agreement with Supplier I for the supply of cargo space to Europe up to the end of the first quarter of 2020 and such agreement was renewed for one year effective from April 2020 to March 2021. The committed tonnage under the block space agreement was 100 tonnes per month;
- we have entered into flight charter agreements with (i) three airlines, namely Supplier A, Supplier B and Supplier E, which are our top five suppliers during the Track Record Period, for a total of five, 33 and seven charter flights to the U.S. and Europe in April, May and June 2020, respectively; and (ii) Supplier J, one of our top five suppliers in 8M2020, for a total of three and one charter flights to the U.S. in April and May 2020, respectively in response to the back-to-back charters from our customers, in particular, Customer F; and
- we entered into a block space agreement with a Hong Kong freight forwarder in August 2020 for a term of one year effective from October 2020 for the supply of cargo space to the U.S.. This block space agreement contains a committed tonnage of 52 tonnes per month, save for the months of December 2020 and February 2021, of which the committed tonnage is approximately 20 tonnes and 12 tonnes, respectively. We entered into this block space agreement because the outbreak of COVID-19 caused cancellation of passenger flights worldwide, which largely reduced the supply of cargo space; and in August 2020, there was not any news indicating resumption of passenger flights to the level before the outbreak of COVID-19, and thus the supply of cargo space was then expected to continue to be low for the forthcoming months. In addition, the cargo space to North America procured by our Group's customers ranged from 2,515 tonnes to 3,090 tonnes from FY2017 to FY2019 and reached 3,810 tonnes for 8M2020; whereas the committed tonnage under this space agreement only amounts to a total of 552 tonnes and is a reasonably achievable commitment.

SUMMARY

In order to procure cargo spaces from airlines, we are often required to provide bank guarantees and settle payment within a relatively short credit period of around 15 to 30 days, while we provide a credit term of up to 90 days to our customers, resulting in a credit mismatch. In addition, for the procurement of charter flights, we have to fully pay in advance to airlines two to ten days before the departure of the flights, and we usually require full or partial payment in advance from our customers.

OUR SERVICES

We derive our revenue from two business segments, namely air freight forwarding services and ocean freight forwarding services, which include both import and export of goods. During the Track Record Period, our business focus was on air freight export as illustrated in the following table:

	FY2017		FY2018		FY2019		8M2019		8M2020	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK'000	%	HK\$'000	%
Exports										
<i>Air Freight</i>	400,416	94.1	447,243	96.6	318,666	90.2	194,799	90.9	536,402	96.9
<i>Ocean Freight</i>	24,127	5.7	14,298	3.1	32,402	9.2	17,781	8.3	15,594	2.9
Imports	871	0.2	1,509	0.3	2,273	0.6	1,738	0.8	1,371	0.2
Total	425,414	100.0	463,050	100.0	353,341	100.0	214,318	100.0	553,367	100.0

Our freight forwarding services (both air and ocean freight) principally involve arranging shipment upon receipt of booking instructions from our customers, obtaining cargo space from cargo space suppliers (including airlines, shipping liners and other freight forwarders) and preparing the relevant documentations (such as customs clearance from origin of consignment). We also arrange ancillary logistics services to our air freight forwarding services, including cargo pick up, cargo handling at ports and local transportation and warehousing related services (such as repackaging, labelling, palletising, customs clearance and warehousing) to meet our customer's requirement. For FY2017, FY2018, FY2019 and 8M2020, our revenue attributable to air freight forwarding export amounted to approximately HK\$400.4 million, HK\$447.2 million, HK\$318.7 million and HK\$536.4 million, representing 94.1%, 96.6%, 90.2% and 96.9% of our total revenue, respectively; and our revenue from ocean freight export amounted to approximately HK\$24.1 million, HK\$14.3 million, HK\$32.4 million and HK\$15.6 million, representing 5.7%, 3.1%, 9.2% and 2.9% of our total revenue, respectively.

SUMMARY

Revenue by Destination

During the Track Record Period, our Group mainly focused on provision of air freight export shipments from the PRC, Hong Kong and Macau to over 120 countries in Europe, Asia and North America. The following table sets forth our revenue breakdown by destination for the periods indicated:

	Year ended 31 December						Eight months ended 31 August			
	2017		2018		2019		2019		2020	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Export Shipments										
Europe	164,535	38.7	148,726	32.1	115,235	32.6	59,021	27.5	308,687	55.8
Asia	157,789	37.1	195,085	42.1	146,510	41.5	99,748	46.6	48,520	8.8
North America	91,747	21.6	97,039	21.0	69,848	19.8	41,219	19.2	180,569	32.6
Others (Note)	10,472	2.4	20,691	4.5	19,475	5.5	12,592	5.9	14,220	2.6
Sub-total	424,543	99.8	461,541	99.7	351,068	99.4	212,580	99.2	551,996	99.8
Import Shipments	871	0.2	1,509	0.3	2,273	0.6	1,738	0.8	1,371	0.2
Total	<u>425,414</u>	<u>100.0</u>	<u>463,050</u>	<u>100.0</u>	<u>353,341</u>	<u>100.0</u>	<u>214,318</u>	<u>100.0</u>	<u>553,367</u>	<u>100.0</u>

Note: Others include South America, Oceania and Africa

Gross Profit and Gross Profit Margin by Destination

The following table sets forth a breakdown of gross profit and gross profit margin by destination for the periods indicated:

	Year ended 31 December						Eight months ended 31 August			
	2017		2018		2019		2019		2020	
	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %
Export Shipments										
Europe	20,324	12.4	11,490	7.7	7,602	6.6	3,627	6.1	37,536	12.2
Asia	18,677	11.8	24,173	12.4	19,502	13.3	12,425	12.5	6,247	12.9
North America	6,390	7.0	8,357	8.6	5,680	8.1	3,732	9.1	15,110	8.4
Others (Note)	942	9.0	1,789	8.7	825	4.2	948	7.5	653	4.6
Sub-total	46,333	10.9	45,809	9.9	33,609	9.6	20,732	9.8	59,546	10.8
Import Shipments	134	15.4	215	14.3	319	14.0	365	21.0	106	7.7
Total	<u>46,467</u>	<u>10.9</u>	<u>46,024</u>	<u>9.9</u>	<u>33,928</u>	<u>9.6</u>	<u>21,097</u>	<u>9.8</u>	<u>59,652</u>	<u>10.8</u>

Note: Others include South America, Oceania and Africa

SUMMARY

Average Selling Price and Shipment Volume by Destination

The following table sets forth the average selling price and shipment volume by destination from our revenue generated from export of air freight segment:

	Year ended 31 December						Eight months ended 31 August			
	2017		2018		2019		2019		2020	
	Average Price	Volume	Average Price	Volume	Average Price	Volume	Average Price	Volume	Average Price	Volume
	HK\$ (per kg)	000' kg	HK\$ (per kg)	000' kg	HK\$ (per kg)	000' kg	HK\$ (per kg)	000' kg	HK\$ (per kg)	000' kg
Europe	21.3	7,648	23.1	6,273	21.0	5,080	19.9	2,612	41.8	7,316
Asia	9.1	17,140	10.5	18,482	10.8	13,329	10.6	9,354	13.4	3,566
North America	29.5	2,608	36.7	2,515	19.8	3,090	23.2	1,672	46.2	3,810
Others (Note)	25.9	219	22.1	736	20.5	341	20.0	270	54.5	130
Total	14.5	27,615	16.0	28,006	14.6	21,840	14.0	13,908	36.2	14,822

Note: Others include South America, Oceania and Africa

For FY2018, our overall shipment volume remained relatively stable from 27.6 million kilogram for FY2017 to 28.0 million kilogram for FY2018, while our average selling price of North America increased from HK\$29.5/kg for FY2017 to HK\$36.7/kg for FY2018. The increase in average selling price of North America was mainly attributable to the continuous improvement of North America's economic condition.

For FY2019, our overall shipment volume decreased from 28.0 million kilogram for FY2018 to 21.8 million kilogram for FY2019. In particular, the shipment volume in Asia decreased by 5.2 million kilogram to 13.3 million kilogram in FY2019, such decrease was mainly attributable to the global impact on export volume in the face of the difficult external environment under the further escalation of U.S.-China trade war. In addition, our average selling price decreased from HK\$16.0/kg for FY2018 to HK\$14.6/kg for FY2019. In particular, the average selling price of North America decreased from HK\$36.7/kg in FY2018 to HK\$19.8/kg for FY2019 which was mainly attributable to (i) decrease in average cost per kilogram; and (ii) our competitors reduced their freight charges in order to meet the committed cargo tonnage under their respective block space agreements. Please refer to the section headed "Financial Information — Description of selected items in combined statements of profit or loss and other comprehensive income — Revenue" in this prospectus.

For 8M2020, our average selling price for export of air freight segment increased from HK\$14.0/kg in 8M2019 to HK\$36.2/kg in 8M2020. In particular, the average selling price of export to Europe and North America increased from HK\$19.9/kg to HK\$41.8/kg and HK\$23.2/kg to HK\$46.2/kg respectively, mainly because of the increase in freight charges that was transferred to our customers, and was caused by the shortage of air cargo space supply during 8M2020 as most of the airlines had partially or fully suspended their passenger flight services under the COVID-19 outbreak. Our overall shipment volume increased from 13.9 million kilogram for 8M2019 to 14.8 million kilogram for 8M2020. The increase is mainly because we had more shipments to Europe and North America, which included but not limited to, 49 charter flights to the U.S. and Europe due to the back-to-back charters from our customers, including customer F, the effect of which was partially offset by the decrease in shipments to Asia for the same period due to the outbreak of COVID-19.

SUMMARY

The shipment volume to North America (i) for FY2018 has decreased by 0.1 million kilogram compared to FY2017, (ii) for FY2019 has increased by 0.6 million kilogram compared to FY2018, primarily due to the increase in demand for cargo spaces from Customer F, one of China's top e-commerce cross-border solution provider, which commenced business with our Group in 2018, and contributed to an increase in shipment volume from approximately 117,000 kilogram for FY2018 to approximately 684,000 kilogram for FY2019 and (iii) for 8M2020 has increased by 2.1 million kilogram compared to 8M2019 primarily because we had more shipments to North America, which included but not limited to, eight charter flights to the U.S. due to the back-to-back charters from our customers.

COMPETITIVE STRENGTHS

We believe that we have a number of key strengths that distinguish us from our competitors:

- We are well positioned to take advantage of favourable growth area.
- We have comprehensive business network with airlines and other freight forwarders providing a wide range of choices of routes and capacities.
- We have established track record of over 18 years in serving the freight forwarding industry with recognised quality.
- We have a loyal and experienced management team responsive to changing market conditions.

Please see the section headed "Business — Competitive Strengths" in this prospectus for details.

STRATEGIES ON FUTURE BUSINESS DEVELOPMENT

Our key strategies are to:

- Strengthen our market position in Hong Kong and the PRC by purchasing more cargo space in order to cater for our customers' demand.
- Expand our reach to potential customers in the PRC by establishing new offices in the PRC.
- Improve our ability to obtain cargo spaces through closer collaboration with airlines.

Please see the section headed "Business — Strategies on Future Business Development" in this prospectus for details.

SALES, CUSTOMERS AND MARKETING

Our revenue was mainly derived from our freight forwarder customers and amounted to approximately HK\$400.4 million, HK\$447.2 million, HK\$318.9 million and HK\$536.6 million, representing 94.1%, 96.6%, 90.3% and 97.0% of our total revenue for FY2017, FY2018, FY2019 and 8M2020, respectively.

SUMMARY

According to the CIC Report, smaller market players tend to develop their flight network regionally. For destinations out of their usual network, they will purchase the services from other freight forwarders which specialised in the operation of the required routes. As such, while we provide air freight forwarding service to other freight forwarders (as our customers), we would require the expertise and connection of these freight forwarders (as our suppliers) to provide cargo space to us, which is driven by the need of our customers. During the Track Record Period, some of our major customers were also our suppliers and vice versa. Please see the section headed “Business — Customers — Entities who are our customers and suppliers” in this prospectus for details.

We have been accredited with membership of IATA which is a well-recognised association within the industry. Our Directors believe that by being part of such wide network of freight forwarders and other industry participants, we are able to reach out to an extensive network of suppliers and customers, thereby potentially diversifying and enhancing our supplier and customer base. Since a majority of our clients are freight forwarders, we mainly rely on referral by our customers and by word of mouth for new customers.

PRICING STRATEGY

Our Directors are responsible for determining the selling price of air cargo space. We adopt a cost-plus pricing approach, and the selling price is generally based on the rate lists provided by our suppliers plus a target profit margin.

We take into account the following factors in determining our final freight rates we charge our customers:

- type and value of consignment shipped;
- volume of cargo space ordered;
- business relationship with the customer;
- cost of services, including the cost of cargo spaces, security charge, terminal charge, fuel surcharge mainly;
- rates offered by our competitors;
- level of acceptance of the current market rates for similar services;
- seasonality;
- availability of cargo space; and
- any ancillary logistics services required.

SUMMARY

CONTROLLING SHAREHOLDERS

Immediately following completion of the Share Offer and Capitalisation Issue (without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme), the issued share capital of our Company will be owned as to 37.5% by Peak Connect and 37.5% by Profit Virtue respectively. Peak Connect is owned as to 92.32% and 7.68% by Mr. Chiu and Ms. Wong, respectively, while Profit Virtue is wholly owned by Mr. Chiu. For the purpose of the GEM Listing Rules, Mr. Chiu is regarded as a Controlling Shareholder. Further, Mr. Chiu and Ms. Wong are regarded as a group of Controlling Shareholders due to their relationship as spouses. Accordingly, for the purpose of the GEM Listing Rules, Peak Connect, Profit Virtue, Mr. Chiu and Ms. Wong will be regarded as Controlling Shareholders of our Company upon Listing. Please see the section headed “Relationship with Controlling Shareholders” in this prospectus for details.

PRIVATISATION AND DELISTING OF GRAND POWER LOGISTICS GROUP INC.

In order to raise additional capital for the expansion plan of Grand Power Express International Limited, Grand Power Logistics Group Inc., the then holding company of Grand Power Express International Limited, proceeded with its initial public offer and listing on the TSX Venture Exchange in Canada in 2004. On 28 October 2004, Grand Power Logistics Group Inc. closed its initial public offer of 2,500 units, each unit comprising 750 common shares and one convertible unsecured debenture. The offering raised a total of CA\$375,000 in share capital and CA\$2,125,000 in debentures.

After considering that the share price of Grand Power Logistics Group Inc. was undervalued and it was difficult to raise capital in the stock markets in Canada in the recent years, Mr. Chiu and Ms. Wong privatised and delisted Grand Power Logistics Group Inc. from the TSX Venture Exchange. In October 2016, Grand Power Logistics Group Inc. entered into an amalgamation agreement with 2001123 Alberta Ltd. pursuant to which Grand Power Logistics Group Inc. was taken private by way of an amalgamation between these two companies. The amalgamation was completed on 3 January 2017 and the common shares of Grand Power Logistics Group Inc. were delisted from the TSX Venture Exchange at the close of business on 6 January 2017. Immediately preceding the completion of the amalgamation and based on the closing trading price of CA\$0.085 on 6 January 2017 and 81,662,278 issued and outstanding common shares, the then market capitalisation of Grand Power Logistics Group Inc. was approximately CA\$6.9 million (approximately HK\$41.6 million). Please see the section headed “History, Reorganisation and Corporate Structure — History and Development — Listing and delisting on the TSX Venture Exchange in Canada” in this prospectus for details.

SUMMARY

SUMMARY OF OUR FINANCIAL INFORMATION AND OPERATION DATA

Key Income Statement Information

The following table summarises the combined statement of profit or loss from the financial statements during the Track Record Period, details of which are set out in the section headed “Appendix I — Accountants’ Report” in this prospectus.

	FY2017 <i>HK\$'000</i>	FY2018 <i>HK\$'000</i>	FY2019 <i>HK\$'000</i>	8M2019 <i>HK\$'000</i>	8M2020 <i>HK\$'000</i>
Revenue	425,414	463,050	353,341	214,318	553,367
Gross profit	46,467	46,024	33,928	21,097	59,652
Profit (Loss) before income tax	17,133	6,693	(7,133)	915	32,620
Profit (Loss) for the year/period	12,614	4,238	(7,439)	194	26,320
Total comprehensive income (loss) for the year/period	<u>13,786</u>	<u>4,401</u>	<u>(7,980)</u>	<u>(630)</u>	<u>25,873</u>
 Non-HKFRS Financial Measure (unaudited)					
Profit (Loss) for the year/period	12,614	4,238	(7,439)	194	26,320
<i>Add:</i> Listing expenses	5,201	11,304	7,058	4,418	3,191
Adjusted profit (loss) for the year/period <i>(Note)</i>	17,815	15,542	(381)	4,612	29,511

Note:

We define adjusted profit (loss) as profit (loss) for the year/period adjusted for the Listing expenses which is considered non-recurring and not related to our ordinary course of business. In addition to the HKFRSs measures in our combined financial statements, we also use the non-HKFRSs financial measures of adjusted net profit to evaluate our operating performance. Our Directors believe that this non-HKFRSs measure provides useful information to investors in understanding and evaluating our combined results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies.

Revenue

Our revenue increased by HK\$37.7 million or 8.9%, from HK\$425.4 million for FY2017 to HK\$463.1 million for FY2018. The increase was mainly due to (i) the increase in revenue contribution by HK\$11.7 million from Customer D; and (ii) our expansion of customer base with sales to a new customer, Customer F, one of China’s top e-commerce cross-border solution provider, of HK\$40.2 million.

Our revenue decreased by HK\$109.8 million or 23.7% to HK\$353.3 million for FY2019. The decrease was attributable by the decrease in sales volume under the intensified U.S.-China trade war and its negative impact to the overall international trading activities globally which caused a decrease in export value and export volume of Hong Kong in 2019 and the price-cutting strategy taken by our competitors. Please refer to the section headed “Financial Information — Description of selected items in combined statements of profit or loss and other comprehensive income — Revenue” in this prospectus.

SUMMARY

Our revenue increased by HK\$339.1 million or 158.2%, from HK\$214.3 million for 8M2019 to HK\$553.4 million for 8M2020. The increase is primarily because our average selling price for export of air freight segment increased from HK\$14.0/kg in 8M2019 to HK\$36.2/kg in 8M2020. In particular, the average selling price of export to Europe and North America increased from HK\$19.9/kg to HK\$41.8/kg and HK\$23.2/kg to HK\$46.2/kg respectively, mainly because of the increase in freight charges that was transferred to our customers, and was caused by the shortage of air cargo space supply during 8M2020 as most of the airlines had partially or fully suspended their passenger flight services under the COVID-19 outbreak. In addition, we had more shipments to Europe and North America, which included but not limited to, 49 charter flights to the U.S. and Europe due to the back-to-back charters from our customers, including Customer F, in 8M2020. The above effect on the increase in revenue for 8M2020 was partially offset by the decrease in shipments to Asia for the same period.

Gross Profit

The following table sets forth a breakdown of gross profit and gross profit margin by segment for the periods indicated:

	Year ended 31 December						Eight months ended 31 August			
	2017	2018		2019		2019		2020		
	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit	
	margin	margin	margin	margin	margin	margin	margin	margin	margin	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	%	%	%	%	%	%	%	%	%	
Air freight	45,077	11.2	44,646	10.0	31,505	9.9	19,677	10.1	59,499	11.1
Ocean freight	1,390	5.6	1,378	8.9	2,423	7.1	1,420	7.4	153	0.9
Total	46,467	10.9	46,024	9.9	33,928	9.6	21,097	9.8	59,652	10.8

Our gross profit was HK\$46.5 million, HK\$46.0 million, HK\$33.9 million, HK\$21.1 million and HK\$59.7 million for FY2017, FY2018, FY2019, 8M2019 and 8M2020, respectively.

Our gross profit decreased by HK\$0.5 million from HK\$46.5 million for FY2017 to HK\$46.0 million for FY2018, which was primarily reflected by the decrease in gross profit by HK\$8.8 million from export shipments to Europe, partially offset by increase in gross profit by HK\$5.5 million from export shipments to Asia.

Our gross profit decreased by HK\$12.1 million or 26.3%, from HK\$46.0 million for FY2018 to HK\$33.9 million for FY2019, which was primarily reflected by the decrease in gross profit by HK\$4.7 million, HK\$3.9 million and HK\$2.7 million from export shipments to Asia, Europe and North America. The decrease in gross profits for shipments to Asia and Europe was in line with the decrease in revenue caused by (i) the impact on export volume in the face of the difficult external environment and the further escalation of U.S.-China trade war; and (ii) our competitors reduced their freight charges to secure cargo tonnage under their respective block space agreements, while the decrease in gross profits for shipments to North America was primarily attributable to the lower average selling price in the same period due to (i) decrease in average cost per kilogram; and (ii) our competitors reduced their freight charges in order to meet the committed cargo tonnage under their respective block space agreements.

SUMMARY

Our gross profit increased by HK\$38.6 million or 182.9% from HK\$21.1 million for 8M2019 to HK\$59.7 million for 8M2020, which was primarily reflected by the increase in gross profit by HK\$33.9 million or 941.7% and HK\$11.4 million or 308.1% from export shipments to Europe and North America, respectively. During 8M2020, the outbreak of COVID-19 had caused full or partial suspension of passenger flights and resulted a shortage of the overall air cargo space supply and increase of freight charges across the industry. With the continuous demand from our customers, our export tonnage had increased and we were able to transfer the increased freight charges to our customers with additional price mark-up. Accordingly, both of our gross profit and gross profit margin increased.

Our overall gross profit margin was 10.9%, 9.9%, 9.6% for FY2017, FY2018 and FY2019, respectively, which slightly decreased for the respective years, while our gross profit margin increased from 9.8% for 8M2019 to 10.8% for 8M2020.

Our gross profit margin decreased from 10.9% for FY2017 to 9.9% for FY2018, which was mainly attributable to decrease in our price mark-up for our export shipments to Europe to remain competitive after the levy of fuel surcharge in April 2017. Our gross profit margin slightly decreased from 9.9% for FY2018 to 9.6% for FY2019. Our gross profit margin increased from 9.8% for FY2019 to 10.8% for 8M2020, which was mainly driven by the overall increase in our price mark-up of air-cargo spaces for export shipments, in particular to North America and Europe, as a result of the increase of our customers' demand.

Our gross profit margin for ocean freight segment increased from 5.6% for FY2017 to 8.9% for FY2018, mainly because one of our major ocean freight customers, whom we have ceased business relationship with in FY2018, has a non-recurring low gross profit margin in FY2018. Our gross profit margin for ocean freight decreased from 8.9% for FY2018 to 7.1% for FY2019, which was mainly attributable to the lower gross profit margin contributed by our major ocean freight customers from both Hong Kong and Shanghai offices. Our gross profit margin for ocean freight decreased significantly from 7.4% for 8M2019 to 0.9% for 8M2020. The outbreak of COVID-19 caused temporary suspension of the operation of factories in the PRC from January to May 2020, which reduced the production of goods as well as the sale and transport of goods overseas, and this significantly drove down the demand for ocean freight and in turn the ocean freight rates. Our average selling price for ocean freight and the gross profit margin were then adversely affected.

Net Profit

Our net profit decreased from HK\$12.6 million for FY2017 to HK\$4.2 million for FY2018, which was mainly attributable to (i) the increase of non-recurring Listing expenses by HK\$6.1 million; and (ii) the increase of administrative expenses by HK\$2.4 million which was mainly due to the increase in net fair value loss on mutual fund units of HK\$1.9 million and the increase in rent and rates of HK\$0.5 million.

Our net profit decreased from HK\$4.2 million in FY2018 to net loss of HK\$7.4 million in FY2019, which was mainly attributable to (i) the increase in provision for impairment loss on trade receivables by HK\$7.9 million; (ii) the decrease of gross profit by HK\$12.1 million and (iii) the increase in finance cost by HK\$0.3 million, which was partially offset by (i) the decrease in administrative and other operating expenses by HK\$3.1 million and (ii) the decrease in non-recurring Listing expenses by HK\$4.2 million.

SUMMARY

Our net profit increased from HK\$194,000 for 8M2019 to HK\$26.3 million for 8M2020, which was mainly attributable to (i) the increase of gross profit by HK\$38.6 million; and (ii) decrease of non-recurring Listing expenses by HK\$1.2 million, which was partially offset by the increase of administrative expenses by HK\$8.8 million. Our adjusted profit (non-HKFRS measure) for 8M2020 would be HK\$29.5 million for the year.

Adjusted Profit (non-HKFRS measure)

Our adjusted profit for the year remained relatively stable from HK\$17.8 million for FY2017 to HK\$15.5 million for FY2018, while the adjusted profit decreased by HK\$15.8 million and turned to adjusted net loss of HK\$0.3 million in FY2019. The decrease in adjusted profit for the year in FY2019 was mainly attributable to the combined effect of the decrease in gross profit by HK\$12.1 million, and increase in provision for impairment loss on trade receivables by HK\$7.9 million; which partially offset by the decrease in administrative expenses by HK\$3.1 million during FY2019. Our adjusted profit of HK\$4.6 million for 8M2019 increased by HK\$24.9 million to HK\$29.5 million for 8M2020, which was mainly attributable to the increase in gross profit by HK\$38.6 million, which was partially offset by increase in administrative expenses by HK\$8.8 million.

Key Balance Sheet Information

The following table sets out our combined statements of financial position as at the dates indicated:

	As at 31 December			As at
	2017	2018	2019	31 August
	HK\$'000	HK\$'000	HK\$'000	2020
				HK\$'000
Non-current assets	59,779	37,215	35,910	34,368
Current assets	155,890	193,979	154,142	182,452
Non-current liabilities	440	63	527	154
Current liabilities	132,524	143,430	109,804	111,072
Net current assets	23,366	50,549	44,338	71,380
Total equity	82,705	87,701	79,721	105,594

Current assets

Our Group's current assets increased to HK\$194.0 million as at 31 December 2018, which was primarily due to (i) the increase in pledged bank deposits by HK\$23.0 million which were pledged as securities for a bank facility of HK\$40.8 million; and (ii) financial assets at fair value through profit or loss that was reclassified as current assets of HK\$17.8 million as at 31 December 2018.

Our Group's current assets decreased to HK\$154.1 million as at 31 December 2019, which was primarily due to (i) the decrease in trade and other receivables by HK\$26.5 million due to decreased revenue in the fourth quarter of FY2019 compared to FY2018 as the intensified U.S.-China trade war cast a negative impact to the overall international trading activities globally throughout the year; and (ii) the decrease in financial assets at fair value through profit or loss by HK\$17.8 million as all mutual fund units were released from the security of banking facilities and redeemed by our Group during FY2019.

SUMMARY

Our Group's current assets increased to HK\$182.5 million as at 31 August 2020, which was primarily due to (i) the increase in trade and other receivables by HK\$18.5 million which was mainly attributable to the increase in our revenue; and (ii) the increase in bank balances and cash by HK\$9.8 million.

Total equity

Our Group's total equity slightly increased from HK\$82.7 million as at 31 December 2017 to HK\$87.7 million as at 31 December 2018, which was mainly because our Group has recorded a net profit of approximately HK\$4.2 million for FY2018.

Our Group's total equity decreased from HK\$87.7 million as at 31 December 2018 to HK\$79.7 million as at 31 December 2019, which was mainly because our Group has recorded a net loss of approximately HK\$7.4 million.

Our Group's total equity increased from HK\$79.7 million as at 31 December 2019 to HK\$105.6 million as at 31 August 2020, which was mainly because our Group has recorded a net profit of approximately HK\$26.3 million.

The following table summarises, for the periods indicated, our statements of cash flows:

	For the year ended 31 December			Eight months ended 31 August	
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2019 HK\$'000	2020 HK\$'000
Operating cash inflows before movements in working capital	23,345	15,424	7,456	5,073	35,802
Changes in working capital	(19,043)	6,453	7,328	31,895	1,728
Cash generated from operations	4,302	21,877	14,784	36,968	37,530
Income tax paid	(1,769)	(5,645)	(668)	(665)	(3,353)
Interest paid	(2,724)	(2,773)	(3,096)	(2,231)	(1,958)
Net cash (used in)/from operating activities	(191)	13,459	11,020	34,072	32,219
Net cash from/(used in) investing activities	1,419	(21,701)	12,315	12,300	32
Net cash from/(used in) financing activities	14,273	4,834	(12,747)	(19,378)	(22,232)
Cash and cash equivalents at end of year/period (netting-off bank overdrafts)	20,496	16,094	26,141	42,112	35,901

Our Group had net cash used in operating activities amounting to HK\$0.2 million in FY2017, which was primarily a combined result of operating cash inflow before movements in working capital of HK\$23.3 million, interest paid of HK\$2.7 million, income tax paid of HK\$1.8 million and change in working capital of HK\$19.0 million. The changes of working capital mainly resulted from the increase in trade and other receivables and trade and other payables of HK\$27.8 million and HK\$8.9 million, respectively.

SUMMARY

Our Group had net cash from operating activities amounting to HK\$13.5 million in FY2018, which was primarily a combined result of operating cash inflow before movements in working capital of HK\$15.4 million, interest paid of HK\$2.8 million, income tax paid of HK\$5.6 million and change in working capital of HK\$6.4 million.

Our Group had net cash from operating activities amounting to HK\$11.0 million in FY2019, which was primarily a combined result of operating cash inflow before movements in working capital of HK\$7.5 million, interest paid of HK\$3.1 million, income tax paid of HK\$0.7 million and change in working capital of HK\$7.3 million.

Our Group had net cash from operating activities amounting to HK\$32.2 million in 8M2020, which was primarily a combined result of operating cash inflow before movements in working capital of HK\$35.8 million, interest paid of HK\$2.0 million, income tax paid of HK\$3.3 million and change in working capital of HK\$1.7 million.

Provision for impairment loss on trade receivables

For FY2017, FY2018, FY2019, 8M2019 and 8M2020, our provision for impairment loss on trade receivables amounted to HK\$0.3 million, HK\$0.7 million, HK\$8.6 million, nil and HK\$80,000, respectively. For FY2019, our provision for impairment loss of HK\$8.6 million was primarily related to a debtor with trade receivables amounting to HK\$8.1 million overdue.

In April 2019, our Group started to conduct business with this customer, which engaged in the business of freight forwarding in Hong Kong. During April to August 2019, this customer placed purchase orders to us for procurement of cargo space amounting to a total of approximately HK\$8.7 million, and failed to settle payment for purchase orders amounting to approximately HK\$8.1 million within the prescribed credit period. We ceased to trade with this customer since August 2019 after it has failed to settle our trade receivables within the credit period. On 7 November 2019, our Group (as creditor) entered into a deed of settlement (the “**Deed**”) with this customer (as the debtor) and its sole shareholder pursuant to which they agreed to make the overdue payment to our Group by three instalments in December 2019, January 2020 and February 2020 respectively and three post-dated cheques were delivered to us upon signing of the Deed accordingly. The first cheque for HK\$2.0 million was dishonoured and our Group received a sum of HK\$50,000 from this customer instead. As such, in January 2020, we lodged a claim to the Court of First Instance of Hong Kong against the customer and its sole shareholder for the repayment of a trade receivable of HK\$8.1 million with overdue interest in accordance to the relevant clause stipulated in the Deed.

In May 2020, a bankruptcy petition was made by the sole shareholder of the customer against himself, and a bankruptcy order was made subsequently against the sole shareholder on 23 June 2020. On 13 July 2020, our Group instructed its lawyer to lodge a winding up petition to the Court of First Instance against the customer. As such, the trade receivables due from this customer as at 31 December 2019 was fully impaired.

For further details, please refer to the sections headed “Financial Information — Description of selected items in combined statements of profit or loss and other comprehensive income — Provision for impairment loss on trade receivables” and “Business — Legal proceedings and compliance” in this prospectus.

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Enhanced internal control measures

In the light of the above impairment loss on trade receivables, in order to minimise the credit risk brought by a customer which may result in a loss and reduction in net equity in the future, our Group has adopted the following measures:

- Enhanced the Company's sale and collection policy and procedures regarding customer credit management and credit control

We established the following procedures in the existing sales and collection management policy and implemented them in September 2020:

- (i) granting of temporary credit to customer during peak season — according to the policy, we should assess the needs to extend customer credit limit temporarily during peak season, and indicate the reasons of such extension in the credit limit extension application form. The form will be approved by the authorised person according to the approval matrix;
 - (ii) assessment of bad debt provision/expected credit loss (“ECL”) and write-off — according to the policy, our financial controller should review the weekly accounts receivable aging analysis with evidence retained including the assessment on bad debt provision/ECL and write off. Bad debt provision/ECL should be made on a collective assessment if the outstanding accounts receivable balance is overdue for 90 days after the credit period; and
 - (iii) annual customer credit review — according to the policy, the original and the new proposed customer credit limit should be presented in the customer credit review form with the reason documented for the review of our executive Director.
- Established formal mechanism to suspend customer account when customer credit limit is exceeded

We updated the existing sales and collection management policy and implemented the procedures of suspending customer account when its customer credit limit is exceeded in August 2020. The written procedures require that upon the receipt of the email notification of exceeded credit limit sent out from the freight operations and accounting system, the financial controller should manually deactivate the customer account and document the reasons when customer accounts are not suspended.

- Retained documentation and review evidence over (i) granting of credit limit and payment terms to new customers and (ii) accounts receivable aging analysis

We updated the existing sales and collection management policy and implemented the procedures of documenting the final credit limit and payment terms into the freight operations and accounting system and the requirement of retaining the review evidence of the weekly accounts receivable aging analysis by the financial controller in August 2020.

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- Segregated duties over the maintenance of customer master files

The access right to approve customer credit limits was re-assigned from the financial controller to the executive Director.

- Appointed a non-executive Director and three independent non-executive Directors with accounting qualification, experience and/or expertise

Our Group appointed a non-executive Director and three independent non-executive Directors with professional accounting qualifications or related financial management expertise, namely Mr. Heung Wai Keung, Mr. Tam Ka Hei Raymond, Mr. Yu Tak Chi Michael and Mr. Yeung Kwong Wai respectively. Mr. Heung supervises our Group's financial reporting matters, such as preparation of financial statements, interim, quarterly and annual reports and accounts, and is designated to approve those financial statements and reports, as well as give accounting advice with appropriate professional judgment to the Board on financial reporting matters of our Company. The three independent non-executive Directors supervise our Group's compliance and corporate governance matters, give independent advice with appropriate judgment to the Board on financial matters and corporate governance of our Company.

Please refer to the section headed "Directors and Senior Management" in this prospectus for details of their biographical information.

- Established the Financial Reporting Committee of the Board

The Financial Reporting Committee was established to focus on the supervision of the accounting and financial reporting function of our Group. It comprises the aforementioned three independent non-executive Directors and one non-executive Director, who can bring professional accounting advice and judgment in the preparation of financial statements, interim, quarterly and annual reports and accounts.

The primary duties of the Financial Reporting Committee are (i) to oversee our Group's financial reporting system, risk management and internal control systems; and (ii) to review our Group's financial information and application of accounting policies. Please refer to the section headed "Directors and Senior Management — Financial Reporting Committee" for further details.

In addition, to prevent reoccurrence of any major accounting issues in the future such as ECL valuations, our Directors and our Company will implement the following measures upon Listing:

1. to engage an international reputable and professional valuation firm approved by our independent non-executive Directors to conduct ECL valuation for at least two full financial years after Listing;
2. to engage an international reputable audit firm (one of the big-4 audit firms) approved by our independent non-executive Directors to review on our Company's internal control for at least two full financial years after Listing;

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3. any changes in our Company's accounting policies would be implemented after being reviewed and agreed by our Company's independent external auditor; and
4. on best endeavours basis, to appoint an international reputable audit firm (one of the big-4 audit firms) as the auditor of our Company to audit the financial statements of our Company published subsequent to the Listing.

Key Financial Ratios

The following table sets out our key financial ratios as at each of the dates indicated:

	FY2017	FY2018	FY2019	8M2020
Gross Profit Margin (%)	10.9	9.9	9.6	10.8
Net Profit (Loss) Margin (%)	3.0	0.9	(2.1)	4.8
Return on equity (%)	16.8	5.0	(8.9)	28.4
Return on total assets (%)	6.0	1.9	(3.5)	12.9

	As at 31 December			As at
	2017	2018	2019	31 August
				2020
Current ratio	1.2	1.4	1.4	1.6
Gearing ratio (%) ⁽¹⁾	88.2	93.8	75.1	35.8
Net debt to equity ratio (%)	63.5	75.4	42.3	1.8

Note:

- (1) Gearing ratio as at 31 December 2017, 2018, 2019 and 31 August 2020 were calculated based on the total debts as at the respective dates divided by total equity as at the respective dates and multiplied by 100%.

Return on equity

Our return on equity was 16.8% and 5.0% in FY2017 and FY2018, respectively. The decrease in FY2018 was mainly attributable to the increase in Listing expenses by HK\$6.1 million incurred in FY2018. We recorded negative return on equity of 8.9% in FY2019, which was mainly attributable to the decrease in profit for the year by HK\$11.6 million as compared to the previous year, and our total equity decreased from HK\$87.7 million in FY2018 to HK\$79.7 million in FY2019. Our return on equity increased to 28.4% in 8M2020, mainly attributable to the profit-making position of our Group for the period.

Return on total assets

Our return on total assets was 6.0% and 1.9% in FY2017 and FY2018, respectively. The decrease in FY2018 was mainly attributable to the increase in Listing expenses by HK\$6.1 million in FY2018. We recorded negative return on total assets of 3.5% in FY2019, which was mainly attributable to the decrease in profit for the year by HK\$11.6 million as compared to the previous year, while our total assets reduced by HK\$41.2 million largely derived from decreased current assets by HK\$39.9 million as at 31 December 2019. Our return on total assets increased to 12.9% in 8M2020, mainly attributable to the increase in our profit for the period.

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Current ratio

Our current ratio increased slightly during the Track Record Period, which was 1.2, 1.4, 1.4 and 1.6 as at 31 December 2017, 2018, 2019 and 31 August 2020, respectively.

Gearing ratio

Our gearing ratio was 88.2% and 93.8% as at 31 December 2017 and 2018, respectively. The increase was mainly due to the increase in our total debts to HK\$82.2 million as at 31 December 2018. Our gearing ratio decreased to 75.1% as at 31 December 2019. The decrease was mainly due to the decrease in our total debts to HK\$59.9 million as at 31 December 2019. Our total debt decreased to HK\$59.9 million as at 31 December 2019 primarily because of (i) the repayment of interest-bearing borrowings according to repayment schedule during the year; and (ii) the decrease in the use of bank overdrafts and interest-bearing borrowings, as we received proceeds of approximately HK\$18.2 million upon redemption of mutual funds units held by us in January 2019 and retained more excess cash generated from operations to better manage our working capital needs. Our gearing ratio decreased to 35.8% as at 31 August 2020, mainly due to (i) the increase in equity attributable to the comprehensive income generated in 8M2020 and (ii) the decrease in our total debts to HK\$37.8 million as at 31 August 2020. The decrease in our total debts to HK\$37.8 million as at 31 August 2020 was in turn attributable to (a) the repayment of interest-bearing borrowings during the period, as we continued to retain excess cash generated from operations and required full or partial payment in advance from our customers for charter flights during the period in order to better manage our working capital needs; and (b) the decrease in lease liabilities due to amortisation annually during the term. In addition, due to the impact of seasonality and credit mismatch of our business, our interest-bearing borrowings are generally higher in December than in August.

Net debt to equity ratio

Our net debt to equity ratio was 63.5% and 75.4% as at 31 December 2017 and 2018 respectively. The increase was mainly due to the increase in our net debts to HK\$66.1 million. Our net debt to equity ratio decreased to 42.3% as at 31 December 2019, which was mainly due to the decrease in our net debts to HK\$33.7 million. Our net debt to equity ratio decreased to 1.8% as at 31 August 2020, which was mainly due to (i) the significant increase of our equity as our Group was in a profit-making position for the period; and (ii) significant decrease in our net debts to HK\$1.9 million.

COMPETITIVE LANDSCAPE

We compete with freight forwarders of all sizes, ranging from global and Chinese leading participants having their own global network of offices and transportation fleet or long-term relationship with international major carriers (which account for around half of the total revenue in the industry), to small- and medium-scaled freight forwarders like ourselves, which have a deeper understanding of the customers' business nature and long-term relationship with customers based in Hong Kong and the Pearl River Delta. We believe that our competitive strengths, details of which set out in the paragraph headed "Business — Competitive Strengths" in this prospectus, distinguish us from our competitors. To the best of the knowledge of our Directors, none of our Directors, their respective associates or any Shareholders who owned more than 5% of our issued share capital had any interest in any of our competitors during the Track Record Period and as at the Latest Practicable Date.

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OFFERING STATISTICS

	Based on an Offer Price of HK\$0.67 per Offer Shares, after a Downward Offer Price Adjustment of 10%	Based on the Offer Price of HK\$0.74 per Share	Based on the Offer Price of HK\$0.94 per Share
Market capitalisation of Shares ⁽¹⁾	HK\$201.0 million	HK\$222.0 million	HK\$282.0 million
Pro forma adjusted combined net tangible assets per Share ⁽²⁾	HK\$0.45	HK\$0.47	HK\$0.52

Notes:

1. The calculation of the market capitalisation of Shares is based on 300,000,000 Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue. It does not take into account of any Share which may be allotted and issued upon the exercise of any option that may be granted under the Share Option Scheme, or any Share which may be issued or repurchased pursuant to our Company's general mandate.
2. The unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company per Share have been prepared with reference to certain estimation and adjustment. Please refer to the section headed "Appendix II — Unaudited Pro Forma Financial Information" in this prospectus for further details.

SUMMARY OF KEY RISK FACTORS

There are certain risks and uncertainties involved in our Group's business and operations, many of which are beyond our Group's control. These risks can be categorised into (i) risks relating to our business; (ii) risks relating to our industry; and (iii) risks relating to the Share Offer. Material risks we face include:

- (a) our international freight forwarding business is significantly affected by changes in global economic and social conditions;
- (b) we experienced a fluctuation in revenue during the Track Record Period as our revenue is susceptible to the fluctuations in the demand and supply of cargo spaces from our customers and suppliers;
- (c) our cash flow may deteriorate due to potential mismatch in time between receipt of payments from our customers and payments to our suppliers, and we may take a long time to collect our trade receivables;
- (d) the credit risk of the slow settlement by our customers or, failure to collect the trade receivables from our customers, may result in a material adverse impact on our Group's business, results of operations and financial condition;

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- (e) a majority of the cargo spaces we source are non-committed purchases and therefore we may not be able to meet our customers' demand;
- (f) we are dependent on our customers' business performance and their continuing demand for international freight forwarding services;
- (g) trade war or restrictions, whether in form of embargo, tariff, or otherwise, effected between two or more states, including the risks arising from recent events between the PRC and the U.S., could materially and adversely affect our business, financial condition and results of operations;
- (h) we may not be able to obtain future funding including equity financing or banking facilities on terms acceptable to us from time to time to fund our operations and maintain our growth;
- (i) we may not be able to terminate the employment relationship with our employees in the PRC in our desired manner;
- (j) there may be disintermediation in the logistics industry in the future; and
- (k) the outbreak of the contagious COVID-19 in the PRC, Hong Kong and worldwide may have a material adverse effect on our business, results of operations and financial condition.

For details of the various risks and uncertainties we face, please see the section headed "Risk Factors" in this prospectus.

DIVIDENDS

During the Track Record Period, no dividend has been paid or declared by our Company. The declaration of dividends is subject to the discretion of our Board and the approval of our Shareholders. Our Company does not have a specific dividend policy with any pre-determined dividend distribution ratio. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents and the Companies Act, including the approval of our Shareholders. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors.

USE OF PROCEEDS

Our Directors believe that the Listing will enhance our Group's profile and the net proceeds from the Share Offer will strengthen our capital base and will provide funding to our Group for achieving our business strategies and future plans as set out in the sections headed "Business — Strategies on Future Business Development" and "Future Plans and Use of Proceeds" in this prospectus.

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The net proceeds of the Share Offer, after deducting the underwriting fees and estimated expenses payable in connection thereto, are estimated to be approximately HK\$16.8 million (without taking into account any option(s) which may be granted under the Share Option Scheme and assuming an Offer Price of HK\$0.84 per Share, being the mid-point of the indicative Offer Price range).

We intend to apply such net proceeds as follows:

- approximately 78.6% of the net proceeds, or approximately HK\$13.2 million will be applied to finance our additional payment obligation and for provision of bank guarantee to airlines for a larger volume of cargo spaces;
- approximately 10.1% of the net proceeds, or approximately HK\$1.7 million will be applied to a charter cargo flight to secure cargo spaces during the peak season of freight forwarding industry;
- approximately 10.7% of the net proceeds, or approximately HK\$1.8 million will be applied to open one new regional office located in the PRC and to employ three staff for the new PRC office in order to access untapped region that we do not have a geographical presence in; and
- approximately 0.6% of the net proceeds, or approximately HK\$0.1 million will be applied for general working capital.

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. Assuming an Offer Price of HK\$0.84 per Offer Share (being the mid-point of the indicative Offer Price range), our total Listing expenses is estimated to be approximately HK\$46.2 million, which are estimated to be approximately 73.3% to the gross proceeds from the Share Offer, of which HK\$17.1 million is directly attributable to the issue of new Shares and to be accounted for as a deduction from the equity, and the remaining amount of HK\$29.1 million has been or will be reflected in our combined statements of profit or loss. Listing expenses, of HK\$5.2 million, HK\$11.3 million, HK\$7.1 million and HK\$3.2 million, in relation to services already performed by relevant parties, were reflected in our combined statements of profit or loss for FY2017, FY2018, FY2019 and 8M2020, respectively, and an additional of HK\$2.3 million is expected to be recognised in our combined statements of profit or loss subsequent to the Track Record Period and upon Listing.

The Listing expenses above are the latest practicable estimate and are for reference only. The actual amount may differ from this estimate. Our Directors confirm that such expenses will not have any material adverse change in our Group's financial or trading position or prospects since 31 August 2020 and up to the date of the Prospectus.

REASONS FOR THE LISTING AND THE SHARE OFFER

Our Directors believe that the growing prevalence of cross-border e-commerce activities will drive the air freight forwarding market to achieve a continuous growth. In order to increase our market share and further expand our freight forwarding business, we believe it is vital to increase

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our capital and funding base. We consider that the Listing does not only provide net proceeds for our expansion plans, but also provide access to a convenient fund raising platform on which our Group can obtain both equity and debt financing in the future.

As stated in the section headed “Business — Strategies on Future Business Development” in this prospectus, we intend to increase our market share and further develop our freight forwarding business by expanding our reach to potential customers and improving our ability to provide cargo spaces through closer collaboration with suppliers. The procurement of cargo spaces from airlines requires bank guarantees and a relatively short credit period of 15 to 30 days. This results in a credit mismatch considering the credit term of up to 90 days we provide to our customers. During the peak season, we are exposed to additional credit mismatch in our business arrangement and will be required to provide extra bank guarantee when we take on new orders from our customers. Therefore, the net proceeds from the Share Offer will allow us to take on more orders. We may have the necessity of further funding if we intend to grow beyond the scale permitted by the net proceeds from the Share Offer. Please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus for a detailed explanation.

The maximum aggregate facility limit granted to us has been significantly reduced from approximately HK\$170.6 million as at 31 December 2016 to approximately HK\$93.6 million as at 31 August 2020. Please see the sections headed “Business — Customers — Banking Facilities” and “Financial Information — Indebtedness” in this prospectus for details. To maintain our current scale of operations, and capture the business opportunities, we would have a stronger funding need from 2021 onward. While we have explored debt financing from our two principal banks for working capital purposes, we were rejected by: (i) one bank because we did not have sufficient amount of security or pledge to secure further banking facilities; and (ii) another bank because they would only consider granting further banking facilities to us if we are listed. Our Controlling Shareholders are unable to provide further personal guarantee to obtain debt financing. In 8M2020, given the freight charges have substantially increased, we therefore negotiated with the banks which had provided banking facilities to us for additional loans but were only able to obtain two temporary loans of HK\$6.0 million each for a term of two and three months from two banks in May and June 2020 respectively. Based on our Directors’ best understanding, the banks granted the temporary loans to us after they took into account our Group’s increased revenue and cost of services for the first quarter of 2020 as compared to the corresponding period in 2019. Given the two loans were temporary, there was no indication that the banks would grant another loan to our Group. In light of the said limitation on additional debt financing we faced in FY2018 and FY2019, without such additional temporary loans in May 2020, we would not have been able to seize the business opportunities to cater for our customers’ demand, in particular back to back orders for the procurement of charter flights. There is risk that we may not be able to obtain future debt financing on commercially acceptable terms or at all, our Directors consider that our Group has strong and genuine funding needs, and the Listing could provide our Group immediate and necessary resources for its business activities and development.

We believe that banks and financial institutions are more willing to establish business relationship with listed companies as a listing status and enhanced transparency can reassure lenders. The regular financial reporting requirement under GEM Listing Rules allows the bank to evaluate and monitor our Group’s financial position more effectively and therefore is expected to smoothen the approval process for any future bank borrowings. The better accessibility to banking facilities allows us more flexibility in managing cashflow of our business which may be affected by factors including those set out in the section headed “Risk Factors” in this prospectus.

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RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

Our business model has remained unchanged since 31 August 2020. Our Directors confirm that there had been no material adverse change in our financial or trading position or prospects since 31 August 2020 and up to the date of this prospectus, and that there has been no event since 31 August 2020 which would materially affect the information shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

Our Directors expect that (i) there will be a substantial decrease in the monthly average profit of the four months ending 31 December 2020 compared to that of the 8M2020 because while the air freight charges have been driven up due to the limited supply of air cargo space as a result of the suspension of passenger flights since the outbreak of COVID-19, the air freight charges during 8M2020 are expected to be generally higher than those during the four months ending 31 December 2020 because there had been heavy demand for medical protective equipment that was in short supply particularly across Europe as the COVID-19 outbreak firstly intensified in Europe in April 2020; and (ii) our Group may experience a decline in forecast net profit for FY2021 as it is expected that the COVID-19 pandemic will become stable, the passenger flights and supply of cargo space will gradually resume to normal, the average freight charges will go down to a similar level as in FY2019, and in turn our average selling price will decrease.

U.S.-China Relations

During the Track Record Period and up to the Latest Practicable Date, there has been political tensions between the U.S. and China, which has adversely affected the global economy.

U.S.-China Trade War

Hong Kong, as a re-export hub with advantages of its geographical location and vast selection of international flights, is an important gateway between the U.S. and China. Many Chinese goods, such as telecommunication products, electronic device, electrical machinery, apparatus and appliances, are re-exported to the U.S. through Hong Kong by air. The U.S.-China trade war commenced in July 2018, in which the U.S. implemented three rounds of import tariffs on Chinese goods. Please see details set in the section headed "Industry Overview — Potential Effect on Trading Activities from U.S. Tariffs Against China" in this prospectus for further details.

On 15 January 2020, the U.S. and China entered into a phase one trade agreement aimed at easing the U.S.-China trade war. According to the CIC Report, the phase one agreement, both countries agreed on, inter alia, expanding trade in the future through cutting U.S. tariffs and boosting China's purchases of U.S. products. On 6 February 2020, the Chinese government announced that it would halve its tariff on US\$75 billion worth of goods effective from 14 February 2020, to reciprocate the fulfillment of commitment by the U.S. to slash its tariffs from 15.0% to 7.5% on US\$120 billion worth of Chinese goods on the same date. On 17 February 2020, China has granted tariff exemptions on about 700 U.S. items to support purchase effective from 2 March 2020. Further, on 21 February 2020, China has unveiled two new tariff exemption lists for U.S. imports from 28 February 2020. On 12 May 2020, China announced a new list of 79 U.S. products eligible to be excluded from retaliatory tariffs. In July 2020, China booked its biggest single-day U.S. corn purchase, buying 1.762 million metric tons of American corn.

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With the easing of the U.S.-China trade relation after China and the U.S. entered into the phase one trade agreement on 15 January 2020, China's import and export value with the U.S. reached approximately RMB2.8 trillion in the first three quarters of 2020, with an increase of 2% compared to the import and export value in the same period of the previous year.

Termination of Hong Kong's Special Trading Status

In July 2020, the U.S. government ended Hong Kong's special trading status. After the removal of special trading status of Hong Kong, there will no longer be special economic treatment to Hong Kong, tariffs are imposed and targeted on goods that are manufactured in Hong Kong. In addition, the U.S. ended exports of U.S.-origin defence equipment and suspended export license exceptions for sensitive U.S. technology and terminated the export of defense equipment (such as military equipment and electronic chips) to Hong Kong. According to CIC, the total amount of exports figures for such products accounted for a very small portion (less than 3.5%) of the Hong Kong's re-export value in 2019. Nonetheless, CIC and our Directors are of the view that the removal of the special trading status of Hong Kong by the U.S. in July 2020 has limited impact on the freight forwarding industry in Hong Kong and our Group based on the following:

- (i) our customers include direct customers and freight forwarders, and in line with the fact that the re-exports from China dominate the exports to the U.S. from Hong Kong, most of the cargoes are products that are manufactured in China instead of Hong Kong. In addition, restrictive trade measures imposed by the U.S. are mainly targeted on imported steel and aluminium, whereas the products most commonly manufactured in Hong Kong for export consist of jewellery and precious metals, and plastics;
- (ii) the competitive advantage of Hong Kong as a re-export hub is not purely based on its special trading status, but also due to its geographic location and the vast selection of international flights compared to the PRC. For example, as some products purchased through cross-border e-commerce channels are electronic devices, which cannot be shipped by air in China, many cross-border companies choose to ship their parcels through Hong Kong International Airport. There is a strong synergy between cross-border e-commerce industry and Hong Kong International Airport, which will continue to benefit the air freight forwarders, such as our Group, in Hong Kong, irrespective of whether Hong Kong's special trading status is removed; and
- (iii) the growing prevalence of cross-border e-commerce activities have led to and will keep on driving a continuous growth in the air freight forwarding market. The e-commerce market is growing in presence as a result of change in consumers' shopping habits, as they are gradually switching from traditional physical shopping to online shopping with the aid of advances in information technology. The gain in prominence and the growth in diversity of online shopping activities regionally and globally are expected to stimulate the demand for freight forwarding services. In addition, the PRC government fully affirms and strongly supports the new foreign trade format of cross-border e-commerce. The cross-border e-commerce industry has been pinpointed as a new pillar for China's foreign trade, which will help to stabilise the fundamental landscape of foreign trade and subsequently stimulate the freight forwarding logistics industry in the long run. According to CIC, between 2015

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and 2019, the revenue of China's cross-border e-commerce market size in terms of export value grew from RMB4.6 trillion to RMB8.0 trillion, representing a CAGR of 15.3%. In particular, approximately 80% of the total trading value was export value and approximately RMB1 trillion to RMB1.5 trillion of the export value was through Hong Kong. It is expected that China's exports value will continue to grow in the future, reaching RMB13.2 trillion in 2024. Driven by the advancement of e-commerce platforms, and strong support from the government, China's total import and export value of cross-border e-commerce increased by 26.2% in the first half of 2020, as compared to the import and export value in the same period of the previous year, of which export value increased by 28.7% and import value increased by 24.4%. Small and medium enterprises obtained a large number of overseas orders through cross-border e-commerce platforms during this process. As our Group focuses on expanding its customer base to e-commerce cross-border freight forwarders, the Group can benefit from the positive growth in the cross-border e-commerce market going forward.

Termination of the U.S.-Hong Kong International Shipping Agreement

In June 2020, the National People's Congress of China enacted the Hong Kong National Security Law. In response, the U.S., amongst other sanctions aimed to eliminate certain preferential treatment of Hong Kong compared to China, announced the suspension or termination of three bilateral agreements signed between Hong Kong and the U.S. in August 2020, including the U.S.-Hong Kong international shipping agreement, which provided reciprocal tax exemption on income derived from the international operation of ships by the U.S. and Hong Kong residents ("**the U.S.-Hong Kong International Shipping Agreement**"). As a result of the termination of the U.S.-Hong Kong International Shipping Agreement, the U.S. and Hong Kong tax exemptions are no longer generally available to Hong Kong and U.S. shipping companies trading to each other's territories. Hong Kong companies whose vessels transport goods to or from the U.S. (irrespective of the country of origin or destination of the cargo and irrespective of the country of flag of the vessels), will derive taxable transportation income from U.S. sources in the amount of 50% of the income from such transportation. As such, U.S. or other shipping companies trading to China or Asia may choose other port options other than Hong Kong as the new tax exposure may create financial pressures to avoid trading to Hong Kong in the future.

The termination of the U.S.-Hong Kong International Shipping Agreement may increase the costs of ocean freight rates when the Hong Kong shipping companies pass the new U.S. tax costs to their customers such as our Group. If we cannot pass the same to our customers, our costs would increase and our business, financial condition and results of operations would be adversely affected. In addition, if our ocean freight rates are higher, our customers' demand for ocean freight forwarding services may decrease, and thus adversely affect our ocean freight forwarding business and results of operations.

Nonetheless, our Directors are of the view that the termination of the U.S.-Hong Kong International Shipping Agreement does not have any significant impact on our Group up to the Latest Practicable Date because our revenue attributable to the provision of ocean freight forwarding services only amounted to approximately HK\$24.6 million, HK\$15.4 million, HK\$34.1 million and HK\$16.8 million, representing approximately 5.8%, 3.3%, 9.7% and 3.0% of our total revenue for FY2017, FY2018, FY2019 and 8M2020, respectively.

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Social Unrest in Hong Kong

The social unrest in Hong Kong started in June 2019 and substantially scaled down in December 2019, therefore disturbance to supply chain and logistics services was minimal. Notwithstanding the obstructions of road traffic caused by the social unrest, our business operation is unaffected as the blocked roads were mainly pedestrian routes in the city instead of routes to airport cargo terminal for cargo trucks. Also, according to the CIC Report, although the protest caused several days of interruption to the passenger flight operation, cargo flights were not affected and operation remained normal during the said period. Therefore, the impact of social unrest on our business and operation was very limited.

COVID-19 Outbreak

Since late December 2019, there has been an outbreak of COVID-19 in the PRC, Hong Kong and other countries. As a result of this outbreak, all PRC business entities and factories were required by the relevant PRC authority to suspend their operations and services following the Chinese New Year holidays, with resumption postponed to 10 February 2020.

According to the CIC Report, between 45% and 50% of air cargo are typically carried in the belly holds of passenger aircraft, both in the PRC and Hong Kong. Due to the COVID-19 pandemic, most airlines have suspended partly or all services, especially services for passengers flights, which has led to short supply of air cargo space and increase in the air freight price. However, with the resumption of business in major cities and countries of the U.S. and Europe, demand for air cargo space will recover accordingly. In the situation with unbalanced supply-demand relationship for air cargo space, the air freight forwarders that have close and stable relationships with airlines have the opportunity to purchase corresponding amount of air cargo space, thus achieving greater growth of revenue.

As our major business operation is in Hong Kong, and all our employees in Hong Kong and the PRC are able to continue our communication and cooperation with our cargo space suppliers, logistics services providers and customers through electronic media, telephone and remote access to our information technology system, there is no interruption to our business, daily operations, employees and payment settlement from our customers.

Despite there is an impact to the global economic market due to COVID-19 outbreak, our Directors are of the view that the COVID-19 outbreak does not have any significant impact on our Group up to the Latest Practicable Date due to the following:

- (i) although some countries have prohibited or restricted travellers coming from the PRC and Hong Kong as a result of the COVID-19 outbreak, such prohibition or restrictions would only lead to a cancellation of passenger flights but not cargo flights from Hong Kong;
- (ii) many cargos exported to Southeast Asian countries are carried by international passenger flights. Notwithstanding certain flights from the PRC and Southeast Asian passenger flights have resumed service, there is still a significant portion being cancelled. On the contrary, Hong Kong cargo flights have continued to operate. Hong Kong's air and ocean freight forwarding services, local transportation and logistics services have remained in operation substantially. These cargos have been re-exported through Hong Kong to their destinations. Our Group being a Hong Kong based company, has benefited from such an increase in demand for our services;

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- (iii) being an active agent with various international airlines, including the leading airline in Hong Kong, we have the priority to obtain cargo spaces at better price than other industry players who are not active agents. This is particularly important since there is a shortage of supply of cargo space from airlines due to cancellation of flights in the PRC, resulting in a surge in demand for cargo re-export through Hong Kong and in turn a strong demand for cargo space in Hong Kong;
- (iv) we have an extensive flight destination network of over 120 countries in the world as opposed to mainly specialising in certain fixed routes. This enables us to shift our focus flexibly to areas which are less affected by the COVID-19 outbreak and to accommodate the changing market demand, which can mitigate the impact of the COVID-19 outbreak to us; and
- (v) the first two quarters for each financial year have been historically a slack season for the freight forwarding industry, demand for cargo spaces was relatively low traditionally.

We have strictly complied with the requirements of the Hong Kong and PRC government and implemented various measures to combat the COVID-19 outbreak, including: (i) allowing our Hong Kong office staff to work from home by rotation via access to our information technology system; (ii) measuring temperature for all employees each day before entering our offices; (iii) prohibiting individuals who do not wear masks and/or have any symptoms of COVID-19 from entering our offices; (iv) arranging frequent sterilisation within our office premises; and (v) suspending all physical client meetings and visits.

Despite the COVID-19 outbreak has caused a negative impact to the overall market demand, given (i) the majority of our cargos are either exported from Hong Kong directly or re-exported from the PRC via Hong Kong, and (ii) most of the airlines were suspended partially or wholly in the PRC from January to May 2020, the customers' demand from the PRC has shifted to Hong Kong to a certain extent. As such, customer demand in Hong Kong has increased and our Group maintains active business transactions with our customers. Our Group provided services to over 950 customers during the Track Record Period. Given the large customer base and variety of goods which can be broadly categorised into e-commerce items (which are of a wide range of general consumer goods) and non e-commerce goods (which are general cargos, such as electronic products, garments, and daily accessories etc.), the demand for our services does not correlate with the demand for any particular type of goods. We did not maintain a database on the proportion of e-commerce and non e-commerce products handled by our Group for our customers during the Track Record Period. Nevertheless, based on the Directors' best understanding and belief, our revenue contributed by freight forwarders who focuses on e-commerce logistics (comprising Customer F, Customer J and other customers of our Group) amounted to approximately HK\$46.2 million, HK\$99.6 million, HK\$98.3 million and HK\$375.5 million, representing 10.9%, 21.5%, 27.8% and 67.9% of our total revenue for FY2017, FY2018, FY2019 and 8M2020, respectively. Up to the Latest Practicable Date, there has been no cancellation of cargo spaces by our suppliers due to the COVID-19 pandemic and none of our customers have cancelled their orders as a result of the COVID-19 outbreak. Our Group recorded an increase in revenue, gross profit and net profits for 8M2020 when compared to 8M2019. Our Directors considered that the increase in revenue was primarily as a result of the sustainable business model of our Group and, in particular, due to:

- (i) our Group's ability to identify the demand of its customers by leveraging its broad client base comprising other freight forwarders and direct customers, and riding on the growing prevalence of cross-border e-commerce activities, which have led to and will

SUMMARY

keep on driving a continuous growth in the air freight forwarding market. Our Group started to commence business relationship with Customer F and Customer J in FY2017 and FY2019 respectively, both of which engage in the business of freight forwarding focusing on cross-border e-commerce. Customer F was our Group's second and first largest customer in FY2018 and FY2019, respectively, which contributed a revenue of approximately HK\$40.2 million and HK\$47.6 million for the respective years, while Customer J was our Group's fifth largest customer in FY2019, and contributed a revenue of approximately HK\$15.6 million for the year. For 8M2020, our Group has generated revenue of approximately HK\$207.3 million from Customer F, representing an increase of 753.1% when compared to the revenue of approximately HK\$24.3 million for 8M2019, and revenue of approximately HK\$62.9 million from Customer J, which is far more than the revenue of approximately HK\$4.0 million for 8M2019; and

- (ii) our Group's ability to source the routes in demand from our Group's suppliers competitively, which is exemplified by our ability in entering into charter flight agreements with airlines for full flights to the U.S. and Europe. Our Group has entered into charter flight agreements with (i) three airlines, namely Supplier A, Supplier B and Supplier E, who are our top five suppliers during the Track Record Period, for a total of five, 33 and seven charter flights to the U.S. and Europe in April, May and June 2020, respectively; and (ii) supplier J, one of our top five suppliers in 8M2020, for a total of three and one charter flights to the U.S. in April and May 2020, respectively in response to the back-to-back charters of our Group's customers, in particular, Customer F.

Based on the current situation of the COVID-19 outbreak and up to the Latest Practicable Date, according to the best knowledge and belief of the Directors, there is no material adverse change in the business and business operation of our Group.

Based on our Group's cash and cash equivalents on hand as of 31 August 2020 and 0.6% of the expected net proceeds received from the Share Offer for general working capital, we can remain financially viable up to 31 December 2022 assuming (i) our operation is affected to an extreme circumstance that our revenue becomes minimal; (ii) our trade receivables as at 31 August 2020 will be settled with similar pattern as during the Track Record Period and (iii) our repayment of indebtedness and interests, including our trade payables, capital expenditure and other operating cash outflows remain on the same schedules as currently contemplated, since our net current asset will remain positive after repayment of all outstanding bank loan due and payment of overhead costs.

DEFINITIONS

In this prospectus, the following expressions and terms shall have the meanings set out below unless the context otherwise requires.

“8M2019”	the eight months ended 31 August 2019
“8M2020”	the eight months ended 31 August 2020
“Accountants’ Report”	the accountants’ report of our Group prepared by reporting accountants, the full text of which is set out in the section headed “Appendix I — Accountants’ Report” in this prospectus
“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Application Form(s)”	WHITE application form(s), YELLOW application form(s) and GREEN application form(s) or, where the context so requires, any of them
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company, conditionally adopted on 11 December 2020 to become effective upon the Listing Date, and as amended from time to time, a summary of which is set out in the section headed “Appendix IV — Summary of the Constitution of the Company and Cayman Islands Company Law” in this prospectus
“associate(s)” or “close associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Audit Committee”	the audit committee of our Board
“Board” or “our Board”	our board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday in Hong Kong) on which licensed banks in Hong Kong are generally open for normal business to the public
“BVI”	British Virgin Islands
“Canadian dollars” or “CA\$” or “CAD”	Canadian dollars, the lawful currency of Canada
“Capitalisation Issue”	the issue of 224,990,000 Shares to be made upon the capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the section headed “Appendix V — Statutory and General Information — A. Further information about our Company — 3. Written resolutions of our Shareholders passed on 11 December 2020” in this prospectus

DEFINITIONS

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CIC”	China Insights Consultancy Limited, a market research and analysis service provider engaged by our Company to prepare the CIC Report and an Independent Third Party
“CIC Report”	the industry report prepared by CIC, which was commissioned by us in relation to, amongst other things, the freight forwarding industry in Hong Kong
“Companies Act”	the Companies Act of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies Registry”	the Companies Registry of Hong Kong
“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
“Company” or “our Company”	Grand Power Logistics Group Limited, a company incorporated in the Cayman Islands as an exempted company with limited liability on 29 March 2018
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules and, in the context of this prospectus, means the controlling shareholders of our Company, namely Mr. Chiu, Ms. Wong, Peak Connect and Profit Virtue. Further details are set out in the section headed “Relationship with Controlling Shareholders” in this prospectus

DEFINITIONS

“core connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules
“COVID-19”	the disease caused by a new coronavirus identified as the cause of a cluster of cases of respiratory illness that was reported in Wuhan, China
“Deed of Indemnity”	the deed of indemnity dated 11 December 2020 and executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries) containing the indemnities more particularly referred to in the section headed “Appendix V — Statutory and General Information — E. Other information — 1. Tax and other indemnities” in this prospectus
“Director(s)”	director(s) of our Company
“Downward Offer Price Adjustment”	an adjustment that has the effect of setting the final Offer Price up to 10% below the bottom end of the indicative Offer Price range
“Financial Reporting Committee”	the financial reporting committee of our Board
“FY2016”	the financial year ended 31 December 2016
“FY2017”	the financial year ended 31 December 2017
“FY2018”	the financial year ended 31 December 2018
“FY2019”	the financial year ended 31 December 2019
“FY2020”	the financial year ended 31 December 2020
“FY2021”	the financial year ended 31 December 2021
“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, supplemented or otherwise modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“GREEN Application Form(s)”	the application form(s) to be completed by HK eIPO White Form Service Provider designated by our Company

DEFINITIONS

“Group”, “our Group”, “we”, “us” or “our”	our Company and its subsidiaries or any of them, or where the context so requires, in respect of the period before our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time or the businesses which have since been acquired or carried on by them or as the case may be their predecessors
“HK eIPO White Form”	the application for issue of Public Offer Shares in the applicant’s own name by submitting applications online through the designated website at www.hkeipo.hk or the IPO App
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at www.hkeipo.hk or the IPO App
“HKFRSs”	Hong Kong Financial Reporting Standards (including Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA
“HKICPA”	The Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Hong Kong dollars” or “HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Legal Counsel”	Mr. Chan Chung, barrister-at-law in Hong Kong, our legal adviser as to Hong Kong laws in relation to third party payments
“Independent Third Party(ies)”	a person(s) or company(ies) who or which is/are independent of and not connected (within the meaning of the GEM Listing Rules) with any of the directors, chief executive or substantial shareholders of our Company or our subsidiaries or any of their respective associates
“IPO App”	the mobile application for HK eIPO White Form service which can be downloaded by searching “ IPO APP ” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp
“Joint Bookrunners” or “Joint Lead Managers”	VBG Capital Limited and Wealth Link Securities Limited

DEFINITIONS

“Latest Practicable Date”	20 December 2020, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	the listing of our Shares on GEM
“Listing Date”	the date, expected to be on or about Wednesday, 13 January 2021, on which our Shares are listed on GEM and from which date dealings in our Shares are permitted to commence on GEM
“Listing Division”	the listing department of the Stock Exchange
“Macau”	the Macao Special Administrative Region of the PRC
“Macau Legal Advisers”	WICH Law Firm, our legal advisers as to Macau laws
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company adopted on 11 December 2020 with immediate effect and as supplemented, amended or otherwise modified from time to time
“MOP”	Macau Pataca, the lawful currency of Macau
“Mr. Chiu”	Mr. CHIU Ricky Tong (趙彤), an executive Director, the chairman of the Board, the chief executive officer of our Company, a Controlling Shareholder and the spouse of Ms. Wong
“Ms. Wong”	Ms. WONG Sheng Ning Candace (王晟寧), a non-executive Director, a Controlling Shareholder and the spouse of Mr. Chiu
“Nomination Committee”	the nomination committee of our Board
“Offer Price”	the final price per Offer Share in Hong Kong dollar (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be offered for subscription pursuant to the Share Offer, to be determined in the manner further described in the section headed “Structure and Conditions of the Share Offer — Determining the Offer Price” in this prospectus, subject to any Downward Offer Price Adjustment
“Offer Shares”	collectively, the Placing Shares and Public Offer Shares
“Peak Connect”	Peak Connect International Limited, a company incorporated in the BVI on 3 January 2017 with limited liability which is beneficially owned as to 92.32% by Mr. Chiu and 7.68% by Ms. Wong respectively, and a Controlling Shareholder
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters on behalf of our Company for cash at the Offer Price with professional, institutional and other investors in Hong Kong as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus

DEFINITIONS

“Placing Shares”	the 135,000,000 new Shares initially being offered for subscription by our Company at the Offer Price under the Placing (subject to reallocation as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus)
“Placing Underwriters”	the underwriters of the Placing Shares who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares
“Placing Underwriting Agreement”	the conditional underwriting agreement relating to the Placing expected to be entered into, amongst others, our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriters on or about the Price Determination Date
“PRC” or “China”	the People’s Republic of China, excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
“PRC Legal Advisers”	Jingtian & Gongcheng, our legal advisers as to PRC laws in relation to the Share Offer
“Price Determination Date”	the date on which the Offer Price is to be determined, is expected to be on or about Wednesday, 6 January 2021 and in any event, no later than Monday, 11 January 2021
“Profit Virtue”	Profit Virtue Worldwide Limited, a company incorporated in the BVI on 20 January 2017 with limited liability wholly-owned by Mr. Chiu, and a Controlling Shareholder
“Public Offer”	the offer of the Public Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price on and subject to the terms and conditions stated in this prospectus and in the Application Forms as further described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Public Offer Shares”	the 7,500,000 new Shares (subject to reallocation) initially being offered by our Company for subscription in the Public Offer, as described under the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer Shares whose names are set out in the section headed “Underwriting” in this prospectus
“Public Offer Underwriting Agreement”	the conditional underwriting agreement relating to the Public Offer entered into by our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters on 29 December 2020, as further described under the section headed “Underwriting” in this prospectus
“Regulation S”	Regulation S under the U.S. Securities Act

DEFINITIONS

“Remuneration Committee”	the remuneration committee of our Board
“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” in this prospectus
“RMB”	Renminbi, the lawful currency of the PRC
“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) of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of our Share(s)
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 11 December 2020, a summary of the principal terms of which is set forth in the section headed “Appendix V — Statutory and General Information — D. Share Option Scheme” in this prospectus
“Sole Sponsor”	VBG Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the period comprising FY2017, FY2018, FY2019 and 8M2020

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“TSX Venture Exchange”	a securities exchange primarily targeted at emerging companies headquartered in Toronto, Ontario, Canada, which is a subsidiary of the Toronto Stock Exchange
“UGS (NY)”	United Global Services (NY) Corp, an international freight forwarder headquartered in New York, U.S.
“Ultimate Controlling Party”	Mr. Chiu and Ms. Wong, who have been acting in concert over the course of our Group’s business history
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“U.S.” or “United States”	United States of America
“USD” or “US\$”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act of 1933 and the rules and regulations as promulgated thereunder, 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)
“Withdrawal Mechanism”	a mechanism which requires the Company, among other things, to (a) issue a supplemental prospectus as a result of material changes in the information (eg. the Offer Price) in the prospectus; (b) extend the offer period and allow potential investors, if they so desire, to confirm their applications using an opt-in approach (ie. requiring investors to proactively confirm their applications for shares despite the changes)
“ 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 in this prospectus refer to Hong Kong time unless otherwise stated.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments and, accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

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

GLOSSARY OF TECHNICAL TERMS

To facilitate a better understanding of our business, the following glossary provides explanations of some of the technical terms and abbreviations commonly found in our industry. The terms and their meanings may not correspond to standard industry or common meanings, as the case may be, or usage of these terms:

“airway bill”	a non-negotiable document that applies to shipment by air freight, serving as a contract between the shipper and the air freight carrier, a receipt by the carrier for goods shipped, and a non-negotiable document of title to the goods which evidences the contract between the shipper and carrier(s) for carriage of goods over routes of the carrier(s)
“block space agreement”	a continuous reservation (allotment) for space at one or more flight/date combinations with a counterparty such as an airline or a freight forwarder
“CAGR”	compound annual growth rate
“carrier”	the individual or organisation who transports passengers or goods for a profit
“charter flight”	an unscheduled flight that is not part of a regular airline routing, with which the freight forwarder rent the entire aircraft and can determine departure/arrival locations and times
“co-load” or “co-loading”	a freight forwarding practice whereby a freight forwarder combines its consignments with other freight forwarders’ consignments to the same destination at the same estimate departure time as one load or pallet
“co-loader”	a freight forwarder who co-loads its consignments with other freight forwarders
“consignee”	one to whom a consignment is made i.e. the person named on a bill of lading to whom or to whose order the bill promises delivery
“consignment”	goods or property sent by the aid of a common carrier from one person in one place to another person in another place
“consignor” or “shipper”	person or firm (usually the sellers of goods to be transported) named in the shipping documents as the party responsible for initiating a shipment to a consignee (usually the buyer of goods to be transported) named in the shipping documents

GLOSSARY OF TECHNICAL TERMS

“consolidation”	a process or technique of grouping or packaging together a number of different consignments of goods, often of different weight, volume, shapes, etc., onto a single pallet or into a single container for carriage in order to optimise the utilisation of a given cargo space
“express delivery services”	a kind of delivery services whereby the parcel will leave the warehouse or pick-up site as soon as possible and be on its way to its destination through the fastest courier route
“freight forwarder”	one who assembles and consolidates shipment and performs or provides for break-bulk and distribution operations of shipments. A freight forwarder may act as a principal who assumes responsibility for the transportation from the place of receipt to the place of delivery by issuing his own house bill of lading to individual shippers whose goods he is consolidating, or as an agent, who is entrusted by shippers and consignees to handle transportation of goods or related business in the names of the shippers and consignees
“GDP”	gross domestic product
“IATA”	The International Air Transport Association, the trade association for the world’s airlines, supporting aviation activity and assist to formulate aviation industry policies
“pallet”	a platform with a flat under-surface, to standard aircraft requirements on which goods are assembled and secured by nets/straps/igloos, and subsequently such platform can be loaded and locked into the aircraft, to achieve rapid loading/unloading on compatible aircraft conveying and restraint systems
“palletising”	preparing and loading cargo on to the pallet according to the load plan
“sq.ft.”	square feet
“sq.m.”	square meters
“TEU”	“Twenty-foot Equivalent Unit”, a standard of measurement used in container transport for describing the volume of trade and the capacity of container ships, and for other statistical purposes, as well as for freight quotations
“tonnes”	metric tons, where one metric ton equals 1,000 kilograms
“WCA”	an entity in the business of networking freight forwarders

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in the sections headed “Summary”, “Risk Factors”, “Industry Overview”, “Business”, “Financial Information” and “Future Plans and Use of Proceeds” in this prospectus. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under “Risk Factors” in this prospectus, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and operating plans;
- our capital expenditure and expansion plans;
- our ability to identify and successfully take advantage of new business development opportunities;
- our declaration of dividends;
- our profit or loss estimate and other prospective financial information; and
- the regulatory environment and industry outlook for the industry and markets in which our Group operates.

The words “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “project”, “seek”, “will”, “would” and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- any changes in the laws, rules and regulations of the government relating to any aspect of our business or operations;
- general global economic, market and business conditions;
- inflationary pressures or changes or volatility in interest rates, foreign exchange rates or other rates or prices;
- various business opportunities that we may pursue; and
- the risk factors discussed in this prospectus as well as other factors beyond our control.

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 forth in this section as well as the risks and uncertainties discussed in the section headed “Risk Factors” in this prospectus.

RISK FACTORS

Prospective investors should consider carefully all the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the Share Offer. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospects of our Group. Additional risks not currently known to us or that we now deem immaterial may also harm us and affect your investment.

This prospectus contains certain forward-looking statements regarding our plans, objectives, expectations and intentions which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this prospectus. The trading price of the Offer Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

Our international freight forwarding business is significantly affected by changes in global economic and social conditions

We focus on air freight export from Hong Kong, China and Macau, and organise shipments primarily to Europe, Asia and North America. Our current focus on air freight export is in response to the increasing prevalence of cross border e-commerce across the globe, particularly transactions with customers in China. Accordingly, any adverse economic or social developments in Asia, in particular China, as a result of a global economic slowdown or otherwise, could lead to a general decline in consumption and a slowdown in international trade, which could have a significant impact on our businesses. In addition, an economic slowdown around the world and the shifting of outsourced manufacturing activities away from China could have a significant impact on our international freight forwarding business. For example, the global financial crisis in 2008, the European sovereign debt crisis and the trade war between China and the U.S. resulted in a slowdown and instability of the global economy, which in turn led to weaker exports from China. There are also signs among U.S. and other multinational companies of shifting outsourced manufacturing activities from China to other regions or countries with even lower production costs, such as South Asia and South America. These factors could have a negative impact on the outbound activities of international freight forwarding from China; and consequently, the results of our freight forwarding business might be adversely and materially affected. During the Track Record Period, we recorded a total revenue of approximately HK\$425.4 million, HK\$463.1 million, HK\$353.3 million and HK\$553.4 million in each of FY2017, FY2018, FY2019 and 8M2020, respectively, which was largely attributable to our export air freight of consignments arising from China. If China experiences slower growth or a decline in exports, our business, financial condition and results of operations could be materially and adversely affected.

We experienced a fluctuation in revenue during the Track Record Period as our revenue is susceptible to fluctuations in the demand and supply of cargo spaces from our customers and suppliers

From FY2017 to FY2018 and 8M2020, we experienced growth in our revenue due to the increase in revenue in our air freight segment. Our total revenue increased by approximately 8.9% to approximately HK\$463.1 million for FY2018 from HK\$425.4 million for FY2017. However, our revenue decreased by approximately 23.7% to HK\$353.3 million for FY2019 as compared to

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HK\$463.1 million for FY2018, primarily due to an overall decrease in international trade activities escalated by the intensified U.S.-China trade war during FY2019 and our competitors reducing their freight charges to secure cargo tonnage. Our revenue increased by approximately 158.2% to HK\$553.4 million for 8M2020 as compared to HK\$214.3 million for 8M2019. The significant increase in revenue was resulted from the increase of our average selling price from HK\$14.0/kg to HK\$36.2/kg. The increase in average selling price was mainly due to shortage of air cargo space supply during 8M2020 as most of the airlines had partially or fully suspended their passenger flight services under the COVID-19 outbreak. Please see the section headed “Financial Information — Revenue” in this prospectus for details.

Our customers generally make bookings with us for cargo space on an as-needed basis. Our revenue is therefore susceptible to fluctuations in the demand for cargo space from our customers, which could be affected by regional and global political and economic conditions. We rely on our customers to make continuous purchases of cargo space from us to maintain a stable source of revenue. The number of bookings from our customers may fluctuate from time to time, depending on, *inter alia*, seasonality. Furthermore, prices of cargo space we source are subject to fluctuations as determined by the open market. If the actual bookings from our customers are inconsistent with our management anticipation or if there is any substantial increase in prices of cargo space we source, our profitability may be adversely impacted and we may not be able to maintain our revenue and net profit growth during the Track Record Period.

Our Directors have, and will continue to focus on expanding our sales network in China and explore cooperation with airlines and freight forwarders. We may need to enhance financial and operational controls, as well as recruit and train additional staff to keep pace with our expansion and assist our strategies for future developments, to oversee and manage the expanded office network and to implement further planned expansion. If we are unable to effectively manage our expanding operations and costs, our business, financial condition and results of operations could be adversely affected. Therefore, we cannot assure you that we will be able to manage our future expansion and thus maintain our overall growth in revenue and net profit in the future.

Our cash flow may deteriorate due to potential mismatch in time between receipt of payments from our customers and payments to our suppliers, and we may take a long time to collect our trade receivables

While our major suppliers generally grant us a credit period of approximately 15 to 30 days, we generally give credit terms of up to 90 days to our customers. As a result, there are often time lags between receiving payments from our customers and making payments to our suppliers, resulting in potential cash flow mismatch. The extent of such cash flow mismatch is illustrated by the differences between our trade payables turnover days and trade receivables turnover days. In FY2017, FY2018, FY2019 and 8M2020, our trade payables turnover days were approximately 48.5 days, 48.6 days, 59.3 days and 27.8 days, respectively, while our trade receivables turnover days were approximately 94.0 days, 95.7 days, 107.7 days and 43.0 days, respectively. Our average turnover days of trade payables increased to 59.3 days in FY2019 was primarily due to (i) the increased revenue of ocean freight segment resulted from more purchases from shipping liners, and the credit period offered by shipping liners and freight forwarders, which ranged from 30 to 60 days, are generally longer than that offered by our airline suppliers, which ranged from 15 to 30 days; and (ii) a slightly increased portion of cargo space purchases from freight forwarders. Our average turnover days of trade receivables increased to 107.7 days in FY2019, mainly due to the late payment of a customer. Please see the section headed “Financial Information — Provision

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for impairment loss on trade receivables” in this prospectus for further details on that customer. Our average turnover days of trade payables decreased to 27.8 days in 8M2020 primarily because we procured more charter flights for customers and were required to pay the suppliers in advance. Our average turnover days of trade receivables decreased to 43.0 days in 8M2020, mainly because we procured more charter flights for our customers, from whom we usually required full or partial payment in advance. Given such disparity between our trade receivables turnover days and trade payables turnover days during the Track Record Period, in the event that we fail to receive payments from our customers on a timely basis, our cash flows and financial performance could be affected adversely and materially.

The credit risk of the slow settlement by our customers or, failure to collect the trade receivables from our customers, may result in a material adverse impact on our Group’s business, results of operations and financial condition

There is no assurance that we will be able to fully recover our trade receivables from our customers or that they will settle our trade receivables in a timely manner, which in turn may result in provision for impairment loss on trade receivables. For FY2017, FY2018, FY2019 and 8M2020, our trade receivables turnover days amounted to approximately 94.0 days, 95.7 days, 107.7 days and 43.0 days, respectively. Further, should the credit-worthiness of our customers deteriorate or should a significant number of our customers fail to settle their trade receivables in full for any reason, we may incur impairment losses and our results of operations and financial position could be materially and adversely affected. During April to August 2019, we had a customer which had placed 178 purchase orders to us for procurement of cargo space amounting to a total of approximately HK\$8.7 million. Among these 178 purchases, this customer failed to settle the outstanding amount of approximately HK\$8.1 million to our Group arising from the above mentioned transactions within the prescribed credit period. Despite our Group had negotiated with the customer in November 2019 regarding the settlement of the receivables, the customer failed to settle the entire sum. As such, our Group lodged a claim in January 2020 to the Court of First Instance of Hong Kong against the customer and its sole shareholder for the repayment of trade receivables of HK\$8.1 million with overdue interest. Pursuant to a letter dated 7 May 2020 from the lawyer representing the debtor and its sole shareholder, a bankruptcy petition was made by the sole shareholder against himself. The official receiver’s office informed that a bankruptcy order was made against the sole shareholder on 23 June 2020. On 13 July 2020, our Group instructed its lawyer to lodge a winding up petition to the Court of First Instance against the customer as it was insolvent and unable to pay its outstanding debts to our Group. On 14 October 2020, the Court of First Instance issued an order that the customer is wound up by the court under the provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance. For further details, please refer to the sections headed “Financial Information — Description of selected items in combined statements of profit or loss and other comprehensive income — Provision for impairment loss on trade receivables” and “Business — Legal proceedings and compliance” in this prospectus. We have made an impairment loss on trade receivables of approximately HK\$0.3 million, HK\$0.7 million, HK\$8.6 million and HK\$80,000 for FY2017, FY2018, FY2019 and 8M2020, respectively.

A majority of the cargo space we source are non-committed purchases and therefore we may not be able to meet our customers’ demand

During the Track Record Period, save for the cargo space that we procured from airlines or other freight forwarders which were under block space agreements or chartered flight agreements, a majority of the cargo space we source are non-committed purchases from airlines

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and freight forwarders and are subject to the availability of their aircrafts or vessels. There can be no assurance that we will be able to source sufficient cargo space on specific routes upon our customers' request. If we cannot obtain sufficient cargo space from our suppliers to meet our customers' demand, in particular during peak seasons, our reputation within the network of industry players and our results of operations could be adversely affected.

We are dependent on our customers' business performance and their continuing demand for international freight forwarding services

Since our customers are mainly smaller-scale freight forwarders in Hong Kong and the PRC, any material adverse change to the social and economic condition in Hong Kong and the PRC may affect their business and financial performance, which may in turn affect our business and financial condition.

Our revenue generated from our provision of freight forwarding services to freight forwarders accounted for approximately 94.1%, 96.6%, 90.3% and 97.0% of our total revenue in FY2017, FY2018, FY2019 and 8M2020. We are therefore dependent on other freight forwarders' business performance and developments in their markets and industries. If the financial and business performance of other freight forwarders' deteriorate, it will likely cause a corresponding decrease in demand for our international freight forwarding services. Adverse changes in their demand could materially and adversely affect our business, financial condition and results of operations. If other freight forwarders alter their business strategy or reduce their logistics operations, there is a direct negative impact on our business and future outlook. Furthermore, when a customer ceases to demand for our services, the customer may find it less compelling or attractive to engage us as a stand-alone provider of freight forwarding services as a result of which our international freight forwarding business may also be negatively affected.

We are dependent on our suppliers, and any disruption, non-performance and delayed performance in the business activities of these suppliers may adversely affect our Group's reputation and results of business

Our suppliers include airlines, freight forwarders and shipping liners for cargo space and other suppliers for logistics related services such as transportation and warehousing related services. Disruptions in the business activities of our suppliers may have negative impacts on our business. There are operational risks inherent to the business activities of our suppliers, such as labour strikes due to disagreements between labour and management, and there may also be suspension or cancellation of flight lines due to technical failures, severe outbreaks of contagious diseases or epidemics, such as the recent outbreak of COVID-19, or financial difficulties which airlines may face. In the event of occurrence of the above, we may have to source cargo space from other suppliers for our customers within a tight time constraint. If our suppliers are unable to meet our customers' delivery requirement, or if we are unable to find suitable alternatives promptly in the event of disruptions in the business activities of our suppliers, our reputation and therefore our business, sales performance and results of operations could be adversely affected.

Our Group may also encounter the risks associated with non-performance or delayed performance by our suppliers. Our suppliers may fail to deliver cargoes on time or cargoes may be damaged during transportation. We cannot assure that the service provided by our suppliers will always meet our customers' delivery requirement.

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Uncertainties relating to the growth and profitability of the e-commerce industry in China could adversely affect our revenues and business prospects

During the Track Record Period up to the Latest Practicable Date, our Group has identified the demand for air freight forwarding services related to cross-border e-commerce activities, and increased focus in providing services to freight forwarders who are focusing on e-commerce logistics services. Based on the Directors' best understanding and belief, our revenue contributed by freight forwarders who focuses on e-commerce logistics (comprising Customer F, Customer J and other customers of our Group) amounted to approximately HK\$46.2 million, HK\$99.6 million, HK\$98.3 million and HK\$375.5 million, representing 10.9%, 21.5%, 27.8% and 67.9% of our total revenue for FY2017, FY2018, FY2019 and 8M2020, respectively.

The long-term viability and prospects of various e-commerce business models in China remain relatively untested. The future results of operations of the e-commerce platforms will depend on numerous factors affecting the development of the e-commerce industry in China, which may be beyond our control, such as (i) the trust and confidence level of e-commerce consumers in China, as well as changes in customer demographics and consumer tastes and preferences; (ii) the selection, price and popularity of products as well as promotions that the e-commerce platforms offer online; (iii) whether alternative retail channels or business models that better address the needs of consumers; and (iv) the development of fulfillment, payment and other ancillary services associated with online purchases.

A decline in the popularity of e-commerce may adversely affect the business prospects of e-commerce platforms, which may in turn adversely affect the business of our customers, which are freight forwarders focusing on e-commerce logistics services, and thus ultimately our revenue and business prospects may be adversely affected.

Trade war or restrictions, whether in form of embargo, tariff, or otherwise, effected between two or more states, including the risks arising from recent events between the PRC and the U.S., could materially and adversely affect our business, financial condition and results of operations

We are affected by changes in trade policies, tariff regulations, embargoes or other trade restrictions adverse to our customers' business. Please see the section headed "Industry Overview — Potential Effect on Trading Activities from U.S. Tariffs Against China" in this prospectus for details on the U.S. tariffs imposed on China exports.

Hong Kong is well regarded as a gateway between China and overseas countries. Efficient and prompt delivery is essential to air cargo transportation. Hong Kong International Airport is one of the most efficient airports in the world based on factors such as flight frequencies, punctualities, handling charges, etc. According to the statistical highlight ISSH07/19-20 released by The Research Office of the Information Services Division of the Legislative Council Secretariat in November 2019 regarding the air cargo industry in Hong Kong, content of which was concurred by CIC, "*compared with other major airports in the Guangdong-Hong Kong-Macao Greater Bay Area ("the Greater Bay Area"), Hong Kong International Airport is the only airport with more than 100 international flight routes, making it an effective cargo transshipment hub for the Mainland*". It is therefore common for China manufacturers and freight forwarders to ship their products/consignments overseas by exporting their parcels to Hong Kong from China, then re-exporting to their final destinations by air from the Hong Kong International Airport.

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Tariffs restrictions imposed by the U.S. on China exports intensified during 2019 which resulted in a negative impact to the international trading activities globally and have attributed to, among other things, the overall decrease in our shipment volume for FY2019. For FY2019, our total revenue experienced a decrease of HK\$109.8 million or 23.7% as compared to FY2018. For details, please refer to the section headed “Business — Our services” in this prospectus for our revenue breakdown by destinations.

Despite agreement has been entered into between the U.S. and China on 15 January 2020 to suspend certain planned tariff (please see the section headed “Summary — Recent Development and Material Adverse Change — U.S.-China Trade War” in this prospectus for details), our results of operation may be adversely affected if the trade war or restrictions further intensify, whether in the form of embargo, tariff, or otherwise, and may further affect the relationship between the U.S. and China or more countries in the future.

Termination of the U.S.-Hong Kong International Shipping Agreement may have an adverse effect on our ocean freight forwarding services and results of operations

Changes to trade policies and treaties, or the perception that these changes could occur, could adversely affect the financial and economic conditions in the jurisdictions in which we operate, as well as our financial condition and results of operations.

In June 2020, the National People’s Congress of China enacted the Hong Kong National Security Law. In response, the U.S., amongst other sanctions aimed to eliminate certain preferential treatment of Hong Kong compared to China, announced the suspension or termination of three bilateral agreements signed between Hong Kong and the U.S. in August 2020, including the U.S.-Hong Kong International Shipping Agreement, which provided reciprocal tax exemption on income derived from the international operation of ships by the U.S. and Hong Kong residents. As a result of the termination of the U.S.-Hong Kong International Shipping Agreement, the U.S. and Hong Kong tax exemptions are no longer generally available to Hong Kong and U.S. shipping companies trading to each other’s territories. Hong Kong companies whose vessels transport goods to or from the U.S. (irrespective of the country of origin or destination of the cargo and irrespective of the country of flag of the vessels), will derive taxable transportation income from U.S. sources in the amount of 50% of the income from such transportation. As such, U.S. or other shipping companies trading to China or Asia may choose other port options other than Hong Kong as the new tax exposure may create financial pressures to avoid trading to Hong Kong in the future.

Our revenue attributable to the provision of ocean freight forwarding services amounted to approximately HK\$24.6 million, HK\$15.4 million, HK\$34.1 million and HK\$16.8 million, representing approximately 5.8%, 3.3%, 9.7% and 3.0% of our total revenue for FY2017, FY2018, FY2019 and 8M2020, respectively. The termination of the U.S.-Hong Kong International Shipping Agreement may increase the costs of ocean freight rates when the Hong Kong shipping companies pass the new U.S. tax costs to their customers such as our Group. If we cannot pass the same to our customers, our costs would increase and our business, financial condition and results of operations would be adversely affected. In addition, if our ocean freight rates are higher, our customers’ demand for ocean freight forwarding services may decrease, and thus adversely affect our ocean freight forwarding business and results of operations.

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Reliance on key management personnel may impose risks on our operations

We believe that our performance and success is, to a certain extent, attributable to the extensive industry knowledge and experience of our key personnels. Our executive Directors, Mr. Chiu and Mr. Tse, both have over 18 years of experience in the logistics industry. For further details regarding the experience of our management team, please refer to the section headed “Directors and Senior Management” in this prospectus.

Our continued success is dependent, to a large extent, on the ability to attract and retain the services of the key management team. However, competition for key personnel in our industry is intense. We may not be able to retain the services of our Directors or other key personnel, or attract and retain high-quality personnel in the future. If any of our key personnel departs from us, and we are not able to recruit a suitable replacement with comparable experience to join us on a timely basis, our business, operations and financial condition may be materially and adversely affected.

Our revenue is subject to seasonal fluctuations and therefore our results for different periods in any given financial year may not be relied upon as indicators of our performance

There is generally a higher demand for our services in the fourth quarter of every year, which is driven by a higher demand for shipment of goods before the Single’s Day on 11th November of every year in the PRC, Thanksgiving Day of the U.S. and Christmas. Our sales may therefore change in seasonal demand for cargo space due to the impact of holidays. Our results for different periods in any given financial year may therefore not be relied upon as indicators of our performance.

We may not be able to obtain future funding including equity financing or banking facilities on terms acceptable to us from time to time to fund our operations and maintain our growth

Our long-term business objective is to become a leading freight forwarder in Hong Kong, while our ultimate business objective is to become a major market player in the global freight forwarding and logistics industries.

In order to fund our operations and maintain our growth to achieve such business objective or expand our business beyond the scale permitted by the net proceeds from the Share Offer, we may need to obtain future funding including equity financing or banking facilities from our banks from time to time. However, we may face the limitation of not having sufficient amount of security or pledge to secure additional debt financing. Further, there may be occasions where we are unable to obtain financing at commercial terms favourable or acceptable to us or at all. If these circumstances arise, our business, results of operations and growth could be compromised.

Our operations may be subject to transfer pricing adjustment

During the Track Record Period, related party transactions were conducted between Grand Power Express International Limited, Redcap Logistics Limited, Grand Power Express International (Shenzhen) Limited and 裕程國際貨運有限公司 (Grand Power Express International (China) Limited*). Please see the section headed “Business — Customers — Transfer pricing” in this prospectus for further details. According to regulations concerning transfer pricing between associated enterprises, related party transactions should comply with the arm’s length principle. If the related party transactions fail to comply with the arm’s length principle, the relevant tax

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authority has the power to make an adjustment following certain procedures. Please see the sections headed “Regulatory Overview — Hong Kong Laws and Regulations — Regulations concerning transfer pricing” and “Regulatory Overview — PRC Laws and Regulations — 8. Laws and regulations on transfer pricing” in this prospectus for details.

There is no assurance that the competent tax authorities would not subsequently challenge the appropriateness of our transfer pricing arrangement or that the relevant regulations or standards governing such arrangement will not be subject to future changes. If a competent tax authority later determines that the transfer prices and terms that we have applied are not in compliance with the applicable transfer pricing rules and regulations, such authority may require us to re-assess the transfer prices, re-allocate the income, and/or adjust the taxable income. Any such reallocation or adjustment may result in a higher overall tax liability for us and may adversely affect our business, operation and financial results.

If we cannot utilise the air cargo space allocated to us under the block space agreements with our airline partner, we may not be able to fully recover the costs of the relevant cargo space, and our results of operations may suffer

Although a majority of the cargo space we sourced during the Track Record Period were non-committed purchases from airlines and freight forwarders, we entered into block space agreements with airlines in order to ensure we obtained an assured level of cargo space at a fixed price. For details, please see the section headed “Business — Business Model — Procurement of cargo space — (ii) Block space arrangements” in this prospectus. The downside of the block space agreements is that we would have to be bound by the terms of such agreements to source from the counterparty even if it would be more cost-effective for us to source from third parties and even when we are not able to fully utilise the allocated air cargo space. If we cannot utilise the air cargo space allocated to us under the block space agreements with our airline partners, we may not be able to fully recover the costs of the relevant cargo space, and our results of operations may suffer. Our block space agreements with our airline partners require us to achieve target utilisation of the allocated cargo space. In the event we fail to utilise the allocated cargo space, we may have to pay for the unutilised cargo space, and our financial performance and results of operations may be materially and adversely affected.

Our finance costs are affected by changes in interest rates

As at 31 August 2020, we had total outstanding interest-bearing borrowings and bank overdrafts and lease liabilities of approximately HK\$37.8 million, including a current amount of HK\$37.6 million and a non-current amount of HK\$0.2 million. Our finance costs consist principally of interest expenses on interest-bearing borrowings, bank overdrafts, finance charges on obligations under finance leases/lease liabilities amounted to approximately HK\$2.7 million, HK\$2.8 million, HK\$3.1 million and HK\$2.0 million for FY2017, FY2018, FY2019 and 8M2020, respectively. The weighted average effective annual interest rates of our interest bearing borrowings were 4.32%, 4.72%, 4.51% and 4.27% as at 31 December 2017, 2018, 2019 and 31 August 2020, respectively, while the weighted average effective interest rates of our obligations under finance leases/lease liabilities were 4.8% per annum for FY2017, 4.64% per annum for FY2018 and 5.01% per annum for FY2019 and 8M2020, respectively. Majority of our obligations under finance leases/lease liabilities and interest-bearing borrowings bear floating interest rates determined with reference to an applicable benchmark interest rate, such as the Hong Kong Interbank Offer Rate or the People’s Bank of China benchmark lending rate, which is subject to market movements. As at the end of FY2017, FY2018, FY2019 and 8M2020, if interest rate

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has been 0.8% higher or lower and all other variables were held constant, our Group's pre-tax results would decrease or increase by approximately HK\$577,100, HK\$654,000, HK\$351,200 and HK\$127,900 for the respective periods. Please see the section headed "Appendix I — Note 27 — Financial Risk Management Objectives and Policies — Interest rate risk" in this prospectus for details. We cannot assure you that these benchmark interest rates will not be raised in the future. Any significant increase in interest rates could therefore increase our finance costs and materially and adversely affect our profitability.

We cannot assure that the insurance policies we have taken out are always able to cover all losses we sustain during the course of our business operations

We maintain cargo transportation liability insurance policies against cargo transportation losses and freight forwarder errors and omissions. We also maintain insurance coverage of employee's compensation, medical, and social securities and public liability insurance. However, we cannot assure that the insurance policies we have taken out are always able to cover all losses we sustain during the course of our business operations as it is not always possible to accurately predict and quantify how much loss we will suffer from potential claims. In the case of an uninsured loss or a loss in excess of insured limited, we may be required to pay for losses, damages and liabilities out of our own funds. If we face legal claims from parties that may not be adequately covered by our insurance policies, our business, operations and financial condition could be adversely impacted.

Our growth prospects may be limited if we do not successfully implement our future plans

We devise our future plans as set out in the sections headed "Business — Strategies on Future Business Development" and "Future Plans and Use of Proceeds" in this prospectus based on circumstances currently prevailing and bases and assumptions that certain circumstances will or will not occur, as well as the risks and uncertainties inherent in various stages of implementation. Our growth is based on assumptions of future events which include (a) the continuous growing prevalence of e-commerce; (b) our ability to develop our industry network with airlines and other freight forwarders for and co-loading activities; (c) the effectiveness of our management effort in overseeing our expansion. Our prospects must be considered in light of the risks and challenges which we may encounter in various stages of development of our business. If the assumptions which underpin our future plans prove to be incorrect, our future plans may not be effective in enhancing our growth, in which case our business, financial condition and results of operations may be adversely affected.

We may not be able to terminate the employment relationship with our employees in the PRC in our desired manner

According to our business development strategies, we intend to expand our reach to potential customers in the PRC by establishing new offices in the PRC. The details are set out under the section headed "Business — Strategies on Future Business Development — Expand our reach to potential customers in the PRC" in this prospectus. If we expand well beyond the scale as planned under the said business development strategies and thereafter decide to terminate the employment relationships of our employees in the PRC and downsize our operation due to any substantial decline in our business performance or economic environment, we, pursuant to the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), have to go through certain regulatory procedures stipulated by the law and may face hindrance in the timing of downsizing our operation. As such, we would continue to incur unnecessary staff cost which may adversely affect our financial performance. For more details, please refer to the section headed "Regulatory Overview — PRC Laws and Regulations — 6. Labour laws" in this prospectus.

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We are subject to various risks relating to third party payment

During the Track Record Period, 33 customers settled some or all of their payments due to us through third parties. These invoices amounted to approximately HK\$18.2 million, HK\$0.7 million, nil and nil for FY2017, FY2018, FY2019 and 8M2020 respectively, representing approximately 4.3%, 0.2%, nil and nil of the total revenue of our Group for the corresponding periods. Given there is no contractual relationship between the third party payors and us, the third party payors may claim against us for return of payments. There may also be possible claims from liquidators of the third party payors if the third party payors became insolvent and were presented a winding up petition or a bankruptcy petition. If the third party payors claims us for return of funds, or if we receive claims from liquidators of the third party payors, our business, operations and financial condition may be materially and adversely affected. Please see the section headed “Business — Customers — Third Party Payments” in this prospectus for further details.

RISKS RELATING TO OUR INDUSTRY

The freight forwarding and logistics industry in which we operate are highly fragmented and competitive and there can be no assurance that we can compete successfully for customers in the future

According to the CIC Report, the freight forwarding and logistics industry in which we operate is highly fragmented and competitive. We compete with other freight forwarders locally on pricing, network of routes offered and range of services offered. Major airlines and shipping liners have also set up subsidiaries to offer freight forwarding services and logistics services. Keen competition from other freight forwarders within the market may adversely affect our customer base and market share. If we cannot maintain or gain sufficient market presence or are unable to differentiate ourselves from our competitors, we may not be able to compete effectively with our competitors. Our ability to compete effectively may be constrained by the following factors:

- We may lose key members of our management team and experienced employees (in particular those from our sales force who have established relationships with our key customers) to our competitors;
- Our competitors may deploy more advanced technology platforms; and
- Our competitors may enter into alliances with international transportation or logistics service providers and have access to an extensive distribution network as well as resources and technologies that may not be available to us.

As a result, we may not be able to compete effectively with our existing or potential competitors. We may have to adopt a more competitive pricing strategy by lowering our profit margin in order to maintain our customer base and market share, in the event that we fail to source cargo space from our suppliers. There can be no assurance that we can compete successfully over other industry players for customers in the future. If we are unable to maintain our customer base, our business, financial condition and results of operations could be adversely affected.

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There may be disintermediation in the logistics industry in the future

In light of the trend of digitisation, huge amount of product information is available on the internet and as a result of information transparency and other innovative technologies (such as online marketplaces, electronic payments, algorithmic order-matching), manufacturers and retailers are working on reducing the number of intermediaries in the supply chain by shipping directly to end customers in order to reduce costs in the process. The trend of eliminating intermediaries creates disintermediation in our industry. Any significant decrease in demand for our freight forwarding and related logistics services due to disintermediation in our industry could adversely affect our business, financial condition and results of operations. Please see the section headed “Industry Overview — Market Trends — Higher Efficiencies created by Paperless Custom Procedures” in this prospectus for details.

There can be no assurance that Hong Kong will continue to maintain its position as a significant air cargo hub in Asia

Our Group’s operations are located in Hong Kong. As a significant air cargo hub in Asia, Hong Kong is well-positioned to foster a high demand for cargo space on outbound routes from Hong Kong to other destinations in Asia. There can be no assurance that Hong Kong will continue to maintain such position. According to the CIC Report, Shanghai shares the same cargo catchment area in the Pearl River Delta region while Singapore shares the same positioning as a regional hub for intra-Asia trade and as a logistics centre. In the event that Hong Kong loses its position as a transportation hub in Asia, the demand for freight forwarding services and ancillary logistics services and the overall business activities of the industries and thus our business, financial condition and results of operations, may be adversely affected.

There can be no assurance that fuel price will not rise significantly in the future thereby affecting demand for air and ocean cargo space

The global economy has seen a significant drop in oil price as a result of the increasing production of oil from oil-exporting countries such as Saudi Arabia and Russia. The excess supply of oil has caused oil price and therefore, fuel price, to drop over the past months. In spite of this, we are unable to predict accurately when oil-exporting countries will reduce oil production and there can be no assurance that fuel price will not rise significantly in the future leading to the increase in prices of air and ocean cargo space we source. If oil price soars, our direct customers may divert their domestic and inter-continental deliveries to other alternatives such as rail and road transportation and our profitability could be adversely affected.

Frequent terrorist attacks may increase the costs of our operations and reduce demand for our services

The world continues to be threatened by frequent series of terrorist attacks such as massive shootings and suicide bombings. Frequent terrorist attacks in major cities have called for tightened security procedures at major airports and ports. Frequent terrorist attacks have negative impacts on the freight forwarding and logistics industries such as loss of traffic and revenues, increased security and insurance costs and port delays due to tightened security. Any future terrorists attack, or the threat of such attack, may increase the cost of our operations due to delays, tightened security or cancellations associated with new government decrees and reduce demand for our services. Our business, financial condition and results of operations may therefore be adversely affected.

RISK FACTORS

Natural disasters, epidemics, acts of war and other events could materially and adversely affect our business

Natural disasters (such as typhoons, flooding and earthquakes), epidemics, acts of war and other events, many of which are beyond our control, may lead to global or regional economic instability, which may in turn materially and adversely affect our business, financial condition and results of operations. An outbreak or epidemic and/or pandemic infectious disease, such as the severe acute respiratory syndrome (“SARS”), H1N1, H5N1 and coronavirus, including COVID-19, could cause general consumption or the demand for specific products to decline, which could result in reduced demand for our services. Such an outbreak or epidemic may also cause significant interruption to our operations as health or governmental authorities may impose quarantine and inspection measures on our contract carriers or restrict the flow of cargo to and from areas affected by the epidemic.

Political tensions or conflicts and acts of war or the potential for war could also cause damage and disruption to our business, which could materially and adversely affect our business, financial condition and results of operations. The political tension relating to the anti-extradition bill protests in Hong Kong has impaired the transportation system in Hong Kong in 2019. If the political tension reoccurs in the future and lead to more serious impairment to the transportation system, the cargo flow to the Hong Kong airport would be adversely hindered, which may materially and adversely affect our business, financial condition and results of operation.

The outbreak of the COVID-19 in the PRC, Hong Kong and worldwide may have a material adverse effect on our business, results of operations and financial condition

In late December 2019, there has been an outbreak of COVID-19 in the PRC, Hong Kong and other countries.

Given that the spread of COVID-19 has become a global concern and a number of governments globally have issued entry restrictions for foreign travellers, in the event that COVID-19 continues to broaden and intensify, travel bans on flights may be increased and lead to a material reduction of supply of cargo space by passenger aircrafts, and thus a significant reduction of cargo spaces supply. Our cost of sales may be increased significantly and we may not be able to fully transfer the extra flight cost to our customers. Furthermore, if the demand from our customers drops significantly due to the suspension of business and manufacturing activities of their customers, our business, financial condition and results of operations could be adversely affected.

If any of our employees, in particular our senior management staff and sales personnel is contracted with any severe communicable diseases, our operations may be adversely affected or disrupted, we may be required to temporarily close down our offices 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 take extra hygiene precautions for our operations, which may result in higher costs. For further details regarding potential impact of COVID-19 on us, please refer to the section headed “Summary — Recent development and material adverse change — COVID-19 Outbreak” in this prospectus.

RISK FACTORS

RISKS RELATING TO THE SHARE OFFER

No public market currently exists for our Shares; the market price of our Shares may be volatile and an active trading market for our Shares may not develop

No public market currently exists for our Shares. The Offer Price for our Shares to the public will be the result of negotiations between our Company and the Underwriters, and the Offer Price may differ significantly from the market price for our Shares following the Share Offer.

We have applied to GEM for the listing of, and permission to deal in, our Shares. A listing on the Stock Exchange, however, does not guarantee that an active and liquid trading market for our Shares will develop, or if it does develop, that it will be sustained following the Share Offer, or that the market price of our Shares will not decline following the Share Offer.

Investors will experience immediate dilution

Since the Offer Price is higher than the combined net tangible assets per Share as at 31 August 2020, subscribers and purchasers of the Offer Shares in the Share Offer will experience an immediate dilution in the unaudited pro forma adjusted combined net tangible assets attributable to the owners of our Company to HK\$0.47 per Share, based on the minimum Offer Price of HK\$0.74 per Offer Share, or HK\$0.52 per Share, based on the maximum Offer Price of HK\$0.94 per Offer Share.

Since there will be a gap of several days between pricing and trading of our Offer Shares, holders of our Offer Shares are subject to the risk that the price of our Offer Shares could fall when the trading of our Offer Shares begins

The Offer Price 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 take place about five business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price or value of our Shares could fall when trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time when trading begins.

The liquidity trading volume and trading price of our Shares may be volatile

The trading price and the trading volume of our Shares may be highly volatile and may be affected by the following factors:

- actual or anticipated fluctuations in our results of operations;
- recruitment or loss of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;
- changes in investors' perception of our Group and the investment environment generally;

RISK FACTORS

- the liquidity of the market for our Shares;
- potential litigation or regulatory investigations;
- general market conditions or other developments affecting us or the freight forwarding industry in which we operate;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control;
- political, social and economic conditions in the PRC and Hong Kong;
- developments in information technology; and
- release of lock-up or other transfer restrictions on our Shareholders.

The sales or availability for sales of substantial amounts of our Shares in the future could materially and adversely affect the market price of the Shares and our Group’s ability to raise further capital

Future sales of substantial amounts of our Shares in the public market could adversely affect the prevailing market price of our Shares. Our Controlling Shareholders have given non-disposal undertakings during the lock-up period to our Company, the Stock Exchange, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) and the Public Offer Underwriters in respect of their Shares and our Company will not be allowed to issue Shares or securities convertible into equity securities of our Company within 6 months from the Listing Date. Please see the section headed “Underwriting” in this prospectus for a more detailed discussion of the restrictions that may apply to future issues and sales of our Shares. After these restrictions lapse, the market price of our Shares could materially decline as a result of future sales of substantial amounts of our Shares or other securities relating to our Shares in the public market, the issuance of new Shares or other securities relating to our Shares, or the perception that such sales or issuances may occur. This could also materially and adversely affect our Group’s ability to raise capital in the future at a time and at a price it deems appropriate.

Our Group may issue additional Shares upon the exercise of options that may be granted under the Share Option Scheme. Under the HKFRSs, the costs of share options to be granted under the Share Option Scheme will be charged to our Group’s statements of comprehensive income over the vesting period by reference to the fair value at the date of granting of the share options. Our financial results may be adversely affected during the vesting period over the life of any outstanding share options to be granted under the Share Option Scheme. Upon the exercise of the outstanding share options, our Company shall allot and issue further new Shares to the holders of such outstanding share options which will result in dilution of shareholders’ interests in our Company.

You may face difficulties in protecting your interests under Cayman Islands law

Our corporate affairs are governed by our Memorandum of Association and Articles of Association and by the Companies Act and common law of the Cayman Islands. The laws of the Cayman Islands relating to protection of interests of minority shareholders, in some respects, may

RISK FACTORS

differ from those established under statutes or judicial precedent in existence in Hong Kong. Such differences may mean that our minority shareholders may not enjoy the same protection under the laws of Hong Kong. The rights of shareholders to take action against the Directors, the rights of minority shareholders to institute actions 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. A summary of Cayman Islands company law is set out in the section headed “Appendix IV — Summary of the Constitution of the Company and Cayman Islands Company Law” in this prospectus.

We cannot assure you that we will declare and distribute any amount of dividends in the future

As a holding company, our ability to declare future dividends will depend on the availability of dividends, if any, received from our operating subsidiaries. The declaration, payment and amount of any future dividends are subject to the discretion of our Directors depending on, among other considerations, our operations, earnings, financial condition, cash requirements and availability, our constitutional documents and applicable law and will be subject to the approval of our Shareholders. There is no assurance that dividends of any amount will be declared or distributed in any year. For more details on our declaration of dividends, see the section headed “Financial Information — Dividend Policy” in this prospectus.

We may make a Downward Offer Price Adjustment, and thereby reduce the amount of estimated net proceeds that we will receive from the Share Offer

We have the flexibility to make a Downward Offer Price Adjustment to set the final Offer Price at up to 10% below the bottom end of the indicative Offer Price range per Offer Share. It is therefore possible that the final Offer Price will be set at HK\$0.67 per Offer Share upon the making of a full Downward Offer Price Adjustment. In such a situation, the Share Offer will proceed and the Withdrawal Mechanism will not apply. If the final Offer Price is set at HK\$0.67 per Offer Share, the estimated net proceeds that we will receive from the Share Offer will be reduced to HK\$5.9 million, assuming such reduced proceeds will be used as described in the section headed “Future Plans and Use of Proceeds — Use of Proceeds” in this prospectus.

Termination of the Underwriting Agreements

Prospective investors should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreements by the Joint Lead Managers (for themselves and on behalf of the Underwriters) by giving written notice to our Company upon occurrence of any of the events stated in the section headed “Underwriting — Underwriting Arrangements and Expenses — Public Offer — Grounds for termination” of this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such events include, without limitation, any act of God, war, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, pandemic and/or outbreak of infectious diseases including, inter alia, the coronavirus (including COVID-19) and any other related or mutated forms of infectious diseases (or the escalation and/or intensification of any outbreak, epidemic and/or pandemic of the foregoing), act of terrorism, earthquake, strike or lock-outs.

Should the Joint Lead Managers (for themselves and on behalf of the Underwriters) exercise their rights and terminate the Underwriting Agreements, the Share Offer will not proceed and will lapse.

RISK FACTORS

RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS

Prospective investors should not place undue reliance on industry and market overview and statistics derived from official government publications, third party market research reports or news sources contained in this prospectus

Statistics, projected industry data and information relating to the economy and the industry contained in this prospectus are derived from various publications and information provided by CIC. We cannot assure, or make any representation, as to the accuracy, completeness, quality or reliability of such information. Neither our Group nor any of our respective affiliates or advisers, nor the Sole Sponsor, the Joint Bookrunners and Joint Lead Managers or any of their respective directors, officers, employees, advisers or agents, has prepared or independently verified the accuracy or completeness of such information directly or indirectly derived from the third party market research reports. Due to possible flawed collection methods, discrepancies on published information, different market practices or other problems, the statistics, projected industry data and other information relating to the economy and the industry derived from the third party market research reports may be inaccurate or may not be comparable to or consistent with information available from other sources and should not be unduly relied upon. In all cases, prospective investors should give careful consideration as to how much weight or importance they should attach or place on such statistics, projected industry data and other information relating to the economy and the industry.

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

This prospectus contains certain statements that are “forward-looking” and uses forward looking terminology such as “anticipate”, “estimate”, “believe”, “expect”, “may”, “plan”, “consider”, “ought to”, “should”, “would” and “will”. Those statements include, amongst other things, the discussion of our growth strategy and the expectations of our future operation, liquidity and capital resources.

Prospective investors should be cautioned that reliance on any forward-looking statement involves risks and uncertainties and that, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could be incorrect. The uncertainties in this regard include those identified in the risk factors discussed above. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the GEM Listing Rules or other requirements of the Stock Exchange. Prospective investors should not place undue reliance on such forward-looking information. For more details, please refer to the section headed “Forward-looking Statements” in this prospectus.

Our Group’s future results could differ materially from those expressed in or implied by the forward-looking statements

This prospectus includes various forward-looking statements that are based on various assumptions. Our Group’s future results could differ materially from those expressed in or implied by such forward-looking statements. For details of these statements and the associated risks, please refer to the section headed “Forward-looking Statements” in this prospectus.

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 purpose of giving information to the public with regard to us. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material aspects and not misleading or deceptive, there are no other matters the omission of which would make any statement herein or this prospectus misleading, and all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

UNDERWRITING

This prospectus is published solely in connection with the Share Offer, comprising the Placing and the Public Offer. Details of the structure of the Share Offer, including conditions of the Share Offer, are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus. The Listing is sponsored by the Sole Sponsor. The Public Offer will be fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to the agreement on the Offer Price between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters). The Share Offer is managed by the Joint Bookrunners. The Placing will be fully underwritten by the Placing Underwriters under the terms of the Placing Underwriting Agreement. For further details about the Underwriters and the Underwriting Agreements, please refer to the section headed "Underwriting" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or about Wednesday, 6 January 2021 and in any event, no later than Monday, 11 January 2021. The Offer Price will not be more than HK\$0.94 per Offer Share and is expected to be not less than HK\$0.74 per Offer Share, subject to Downward Offer Price Adjustment. The Joint Bookrunners (for themselves and on behalf of the Underwriters) may reduce the indicative Offer Price range stated in this prospectus at any time on/before the morning of the last day for lodging applications under the Public Offer. In such case, a notice of the reduction of the indicative Offer Price range will be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.grandpowerexpress.com.

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 the Price Determination Date, the Share Offer will not proceed.

DOWNWARD OFFER PRICE ADJUSTMENT

We have reserved the right to make a Downward Offer Price Adjustment to provide flexibility in pricing the Offer Shares. The ability to make a Downward Offer Price Adjustment does not affect our obligation to issue a supplemental prospectus and to offer investors a right to withdraw their applications if there is a material change in circumstances not disclosed in the prospectus.

If it is intended to set the final Offer Price at more than 10% below the bottom end of the indicative Offer Price range, the Withdrawal Mechanism will be applied if the Share Offer is to proceed.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

SELLING RESTRICTIONS OF OFFER SHARES

No action has been taken to permit any public offer of the Offer Shares or the distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or the related Application Forms may not be used for the purpose of, and does not constitute, an offer or invitation nor is it calculated to invite or solicit offers in any jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and/or the related Application Forms 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/her acquisition of the Offer Shares be deemed to confirm, that he/she is aware of the restrictions on the offer of the Offer Shares described in this prospectus and/or the related Application Forms and that he/she is not acquiring, and has not been offered any such Offer 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. Prospective investors for the Offer Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

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

Details of the structure and conditions of the Share Offer are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus.

APPLICATION FOR LISTING ON GEM

Application has been made to the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue and our Shares which may be issued pursuant to the exercise of options that may be granted under the Share Option Scheme.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the permission for our Shares to be listed on GEM pursuant to this prospectus 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 for permission by or on behalf of the Stock Exchange, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of at least 25% of the total issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

No part of our Shares or loan capital of our Company is listed, traded or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek a listing of, or permission to deal in, any part of our Shares or loan capital on any other stock exchange.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus 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 on 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. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights and interests.

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.

DEALINGS AND SETTLEMENT

Dealings in our Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on or about Wednesday, 13 January 2021.

Shares will be traded in board lots of 5,000 Shares each and are freely transferable.

HONG KONG SHARE REGISTER AND STAMP DUTY

All of our Shares will be registered in our Company’s branch register of members to be maintained in Hong Kong by the branch share registrar and transfer office, Tricor Investor Services Limited. Only Shares registered on our Company’s branch register of members maintained in Hong Kong may be traded on GEM.

Our Company’s principal register of members will be maintained by the principal share registrar and transfer office, Conyers Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

Dealings in our Shares registered in the branch register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Share Offer are recommended to consult their professional advisers if they are in any doubt as to taxation implications of the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to, the Offer Shares. None of our Company, our Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, advisers, officers, employees, agents or representatives (where applicable) or any other persons 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, dealings in, or the exercise of any rights in relation to, the Offer Shares.

LANGUAGE

If there is any inconsistency between the English version of this prospectus and the Chinese version of this prospectus, the English version of 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.

EXCHANGE RATE CONVERSION

Unless otherwise specified and for illustration purpose only, conversion of certain currencies into HK\$ in this prospectus are based on the exchange rate set out below:

CAD1.00: HK\$5.67

RMB1.00: HK\$1.12

US\$1.00: HK\$7.88

Such conversion shall not be construed as representations that amount of such currency was or may have been converted into HK\$ and vice versa at such rates or any other exchange rates.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Any discrepancies in any table or chart between the totals and the sums of the amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential address	Nationality
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Executive Directors

CHIU Ricky Tong (趙彤)	Unit A, 7/F Mountain Lodge 44 Mount Kellett Road The Peak Hong Kong	Chinese
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TSE Chi Kwan Decky (謝志坤)	中國深圳市南山區 后海大道東側 海境界家園 一期一棟 34E (34E, Building I Haijingjie Garden Phase I East side of Houhai Avenue Nanshan District Shenzhen PRC*)	Chinese
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Non-executive Directors

WONG Sheng Ning Candace (王晟寧)	Unit A, 7/F Mountain Lodge 44 Mount Kellett Road The Peak Hong Kong	Canadian
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HEUNG Wai Keung (香偉強)	Flat C, 16/F, Block 8 K. City 7 Muk Ning Street Kowloon Bay Hong Kong	Chinese
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Independent non-executive Directors

TAM Ka Hei Raymond (譚家熙)	Flat E, 24/F The Royal Court 9M Kennedy Road Wanchai Hong Kong	Chinese
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NG Hung Fai Myron (吳鴻揮)	Flat F, 28/F, Tower 6 Sorrento No. 1 Austin Road West Tsim Sha Tsui Kowloon Hong Kong	Canadian
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DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

YU Tak Chi Michael (余德智)	Flat E, 21/F, Block 2 Residence Oasis 15 Pui Shing Road Tseung Kwan O Hong Kong	Chinese
YEUNG Kwong Wai (楊光偉)	Flat F, 52/F, Tower 6 Ocean Shores 88 O King Road Tseung Kwan O New Territories Hong Kong	Chinese

Further information of our Directors are disclosed in the section headed “Directors and Senior Management” in this prospectus.

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor

VBG Capital Limited
A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
18/F, Prosperity Tower
39 Queen’s Road Central
Hong Kong

Joint Bookrunners and Joint Lead Managers

VBG Capital Limited
A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
18/F, Prosperity Tower
39 Queen’s Road Central
Hong Kong

Wealth Link Securities Limited
A corporation licensed 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

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Legal advisers to our Company

As to Hong Kong Law:
CFN Lawyers in association with Broad & Bright
27/F, Neich Tower
128 Gloucester Road
Wan Chai
Hong Kong

As to Hong Kong Law:
Mr. Chan Chung
Barrister-at-law, Hong Kong
10/F, Grand Building
15-18 Connaught Road Central
Central
Hong Kong

As to PRC Law:
Jingtian & Gongcheng
34/F, Tower 3 China Central Place
77 Jianguo Road
Chaoyang District
Beijing
The PRC

As to Cayman Islands Law:
Conyers Dill & Pearman
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

As to Macau Law:
WICH Law Firm
Av. da Praia Grande, n.º 371
Edifício Commercial Keng Ou, 22.º andar A
Macau

Legal advisers to the Sole Sponsor and the Underwriters

As to Hong Kong Law:
Deacons
5/F, Alexandra House
18 Chater Road
Central
Hong Kong

As to PRC Law:
Beijing Tian Yuan Law Firm
10/F, China Pacific Insurance Plaza
28 Fengsheng Hutong
Xicheng District
Beijing
The PRC

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Auditor and reporting accountants	Mazars CPA Limited <i>Certified Public Accountants</i> 42/F, Central Plaza 18 Harbour Road Wanchai Hong Kong
Internal control adviser	BT Corporate Governance Limited (formerly known as Baker Tilly Hong Kong Risk Assurance Limited and subsequently known as Corporate Governance Professionals Limited) 2/F, 625 King's Road North Point Hong Kong
Industry consultant	China Insights Consultancy Limited 10F, Block B, Jing'an International Center 88 Puji Road Jing'an District Shanghai The PRC
Property valuer	Jones Lang LaSalle Corporate Appraisal and Advisory Limited 7/F, One Taikoo Place 979 King's Road Hong Kong
Tax adviser	RSM Tax Advisory (Hong Kong) Limited 29/F, Lee Garden Two 28 Yun Ping Road Causeway Bay Hong Kong
Compliance adviser	VBG Capital Limited 18/F, Prosperity Tower 39 Queen's Road Central Hong Kong
Receiving bank	Standard Chartered Bank (Hong Kong) Limited 18/F Standard Chartered Tower 388 Kwun Tong Road Kwun Tong Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Principal place of business in Hong Kong	Unit 817, 8/F, Tower B Mandarin Plaza 14 Science Museum Road Kowloon Hong Kong
Company's website	www.grandpowerexpress.com <i>(Note: The contents in the website of our Company do not form part of this prospectus)</i>
Company secretary	Li Chun Fung <i>Certified Public Accountant</i> Flat C, 7/F, Block 2 Scenic Heights 58A-58B Conduit Road Mid-levels Hong Kong
Authorised representatives	Chiu Ricky Tong Unit A, 7/F Mountain Lodge 44 Mount Kellett Road The Peak Hong Kong Tse Chi Kwan Decky 中國深圳市南山區 后海大道東側 海境界家園 一期一棟 34E (34E, Building 1 Haijingjie Garden Phase I East side of Houhai Avenue Nanshan District Shenzhen PRC*)
Compliance officer	Chiu Ricky Tong Unit A, 7/F Mountain Lodge 44 Mount Kellett Road The Peak Hong Kong

CORPORATE INFORMATION

Audit Committee	Yu Tak Chi Michael (<i>Chairman</i>) Tam Ka Hei Raymond Yeung Kwong Wai
Remuneration Committee	Tam Ka Hei Raymond (<i>Chairman</i>) Ng Hung Fai Myron Yu Tak Chi Michael
Nomination Committee	Ng Hung Fai Myron (<i>Chairman</i>) Tam Ka Hei Raymond Yu Tak Chi Michael
Financial Reporting Committee	Yeung Kwong Wai (<i>Chairman</i>) Heung Wai Keung Yu Tak Chi Michael Tam Ka Hei Raymond
Principal share registrar and transfer office in the Cayman Islands	Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Principal banks	Standard Chartered Bank (Hong Kong) Limited 4-4A Des Voeux Road Central Hong Kong China CITIC Bank International Limited 61-65 Des Voeux Road Central Central Hong Kong The Hongkong and Shanghai Banking Corporation Limited Level 9, HSBC Main Building 1 Queens Road Central Hong Kong

INDUSTRY OVERVIEW

The information presented in this section is derived from the CIC Report as prepared by CIC, which was commissioned by us and prepared primarily as a market research tool intended to reflect estimates of market conditions based on publicly available sources of information. Our Directors believe that the sources of information and statistics herein are appropriate sources of information and statistics. Our Directors have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading in any material respect. The information prepared by CIC and set out in this Industry Overview has not been independently verified by our Group, our Controlling Shareholders, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, or any other party involved in the Share Offer or their respective directors, officers, employees, advisers, and agents, except CIC, and no representation is given as to its accuracy and completeness. Accordingly, such information should not be unduly relied upon.

MACROECONOMIC ENVIRONMENT IN HONG KONG

Hong Kong Airport and Port

Located at the centre of Asia-Pacific region, Hong Kong is considered as an international transshipment port for import and export activities. With its geographic advantage, Hong Kong has been benefiting from being a free port with mature logistics industry and well-developed legislative system. Furthermore, Hong Kong is well regarded as a gateway between China and oversea countries. Efficient and prompt delivery is essential to air cargo transportation. According to a survey conducted by World Economic Forum in 2019, Hong Kong international Airport is one of the two most efficient airports in the world based on factors such as flight frequencies, punctualities and handling charges. It was ranked the world's busiest cargo airport by Airports Council International in 2019, occupying the top spot for ten consecutive years, with an international freight traffic volume of 4.7 million tonnes in 2019. Also, Hong Kong Port ranked 8th among all ports in the world with a throughput volume of 18.3 million TEUs in 2019. However, the economic performance of Hong Kong deteriorated in 2019 due to the unstable political environment and the on-going trade war between China and the U.S.. Major economic indicators showed slight decrease compared to the same period in 2018. For example, (i) Hong Kong's real GDP growth rate in 2019 was negative 1.2%, compared to the annual growth rate of 2.9% in 2018; (ii) overall export value and export volume through Hong Kong decreased by approximately 4.1% and 6.7%, respectively, in 2019 compared to the same period in 2018. Further, due to the U.S.-China trade war and weak performance of global economy, Hong Kong's import value from China dropped by 5.9% in 2019, compared to the same period in 2018. Nevertheless, the throughput volume in Hong Kong increased by 1.1% from 285.2 million tonnes in 2018 to 288.2 million tonnes in 2019, which was mainly due to the establishment of the Greater Bay Area.

Hong Kong Re-export Activities

Re-export value, which is the value of goods imported to Hong Kong then exported to other countries, accounted for approximately 99% of the total export value in 2019. The major commodity for re-export include electrical machinery and parts, telecommunications, sound equipment, office machines and automatic data processing machines, which in aggregate accounted for more than 60% of the total re-export value in 2019. Furthermore, due to the strict policies in China, some of these electrical products, such as lithium batteries, some electronic products and certain metal parts, are not allowed to be transported by airplanes in China whereas only major multinational companies with shipping approval issued by the government can ship

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products with batteries by air and only in bulk. However, these kind of products usually require timely delivery from manufacturers to customers. In order to transport them in the shortest time possible, manufacturers usually export these products to Hong Kong from China, then re-export to their final destinations by air, taking advantages of the relatively flexible policies in Hong Kong. The growing trend of external merchandise trade by air in Hong Kong was considered relatively stable from 2015 to 2018. In 2019, the external merchandise trade by air in Hong Kong decreased by 4.3% as compared with 2018, mainly due to the intensified trade war between China and the U.S. along with weak performance of global economy.

Due to years of experience in cargo operation, Hong Kong International Airport's cargo operation efficiency and cargo storage capacity are relatively high, which provides ground for the growth of external merchandise trade. Hong Kong is a free port which pursues a free trade policy and does not maintain barriers on trade nor charges tariff on import or export of goods. Connectivity of an airport is a critical factor for prompt delivery of air cargo, as direct flight can effectively shorten delivery time. Compared with other major airports in the Guangdong-Hong Kong-Macau Greater Bay Area, the Hong Kong International Airport is the only airport with more than 100 international flight routes, making it an effective cargo transshipment hub for China. Most recently, the opening of Hong Kong-Zhuhai-Macau Bridge should boost the transshipment hub status of the Hong Kong International Airport, as the bridge shortens the transportation time between the Hong Kong International Airport and Zhuhai from four hours to 45 minutes. Based on the above, and given Hong Kong's relatively flexible requirements for cargo shipment, favourable trading policies and mature logistics system, Hong Kong has been holding a larger share of international flights in terms of total flights than China and Hong Kong will continue to attract exporters from China to re-export their shipments through Hong Kong.

Trade Activities Downturn and Recovery

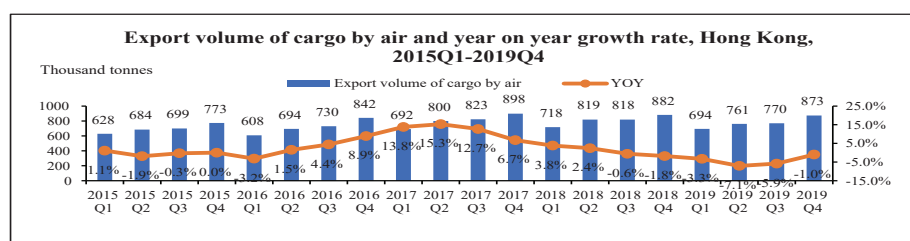
The overall global and regional import/export activities are relatively unstable in terms of import/export value and volume as they are subject to various factors including international politics, regulations, tariffs, exchange rates, domestic and foreign supply of products, domestic and foreign demand, seasonality, etc. Each of these factors can affect global trading and hence the import/export activities in a certain region in either ways.

Hong Kong's trading activities recovered from the 2008 financial crisis and remained relatively stable from 2011 to 2014, however, affected by the economy slowdown and various events during 2014 to 2016, such as global terrorism, anti-globalization movements, U.S. presidential elections, and Brexit, the import and export activities worldwide suffered downturn from 2014 onwards, and resulted in the freight transport and freight forwarding logistics industry developing issues of overcapacity, drop in shipping cost, lowering of average oil price, and low yield rate, etc. for the time period of 2014 to mid 2016. In early 2016, many organizations including airlines, industry associations, third-party consulting agencies and companies in air freight forwarding industry expressed concerns and pessimistic expectations for the rest of 2016. However, after a weak start to 2016, the export volume by air in Hong Kong started to increase from the third quarter since 2016. Export by air in Hong Kong recorded a strong growth from late 2016. The year-on-year growth rate of export volume by air was 4.4% in the third quarter of 2016 and 8.9% in the fourth quarter of 2016. The strong growth was mainly driven by global economic recovery, which was attributable to (i) the relatively stable international political environment; (ii) the periodical recovery of economy after a long period of underperformance; (iii) the increased confidence of the market due to the U.S. government's emphasis on developing the infrastructure construction and manufacturing industry in the U.S.; (iv) the increased import activity in China; as well as China's favorable policies, such as the 13th Five-Year Plan, which is to achieve growth

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in the import and export industry; (v) the increase in shipment of silicon materials and growth in new export orders which stimulated the global air freight volume; (vi) the early Chinese New Year in 2017 which contributed to the strong performance in trading activity in late 2016; and (vii) the global air freight volume recovery in late 2016. Furthermore, the fast growth of cross-border e-commerce industry in China strongly drove the export volume and export value by air in Hong Kong, especially in the fourth quarter of 2016. Some of the top e-commerce companies in China recorded approximately 50% year-on-year growth. The enhanced market efforts of e-commerce platforms such as Tmall.HK, g.suning.com, and JD.HK in 2016 stimulated the growth in export activities in Hong Kong.

Since the third quarter of 2018, several factors have resulted in the decrease of the freight forwarding logistics industry in Hong Kong: (i) the U.S.-China trade war which commenced in July 2018 and intensified in 2019 has resulted in the export volume of air cargo experiencing a continuous decline; (ii) the outbreak of COVID-19 pandemic worldwide in late December 2019 has resulted in the significant decrease in air cargo space of the freight forwarding logistics industry in Hong Kong, in which loss could not be entirely offset by the surge in the price of cargo space. Nevertheless, Hong Kong has been historically capable of recovering from economic downturn recessions caused by emergencies and crises within a short period of time. For example, Hong Kong's GDP growth rate in 2003 reached approximately 3.0% despite the outbreak of the Severe Acute Respiratory Syndrome that year. Therefore, despite the temporary negative impacts on Hong Kong's economy due to the intensified U.S.-China trade war and the COVID-19 pandemic, it is expected that Hong Kong's economic activities and the air and ocean freight forwards industrial will return to normal and still have growth potential, which is driven by the market drivers as mentioned in the paragraph headed "Freight Forwarding Logistics Industry in Hong Kong — Air Freight Forwarding — Market Drivers" in this section.



Source: Hong Kong Census and Statistics Department

FREIGHT FORWARDING LOGISTICS INDUSTRY IN HONG KONG

Ocean Freight Forwarding

In 2019, the revenue of the ocean freight forwarding logistics industry in Hong Kong was HK\$51.2 billion, representing a CAGR of -2.3% from 2015 to 2019. The unsatisfactory performance was mainly due to competition from ports in China and the global economic downturn. In 2019, approximately 74.8% of Hong Kong's exports were transported to other countries and regions in Asia in terms of trading value. The emerging and developing countries in Asia, including China, India, Indonesia, Malaysia, Thailand, etc., recorded a real GDP growth rate of 4.6% in 2019. Economic growth in emerging and developing countries in Asia remains robust and the bright prospect of intra-Asia trade underpins the development of Hong Kong's freight forwarding logistics industry. However, further growth in the ocean freight forwarding logistics segment is limited by the competition from ports in China. With the outbreak of COVID-19, the exported volume of goods by ocean is expected to further decline in 2020 due to the temporary suspensions of some factories. However, as it is generally expected that the global economy will

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be gradually recovered with the control of the COVID-19 and Hong Kong continues to serve as a free port, ocean freight forwarding logistics industry is expected to recover between 2021 and 2024. Thus, the ocean freight forwarding logistics industry in Hong Kong is expected to have a CAGR of 4.2% between 2020 and 2024 and reach HK\$55.4 billion by 2024.

Air Freight Forwarding

Market Overview

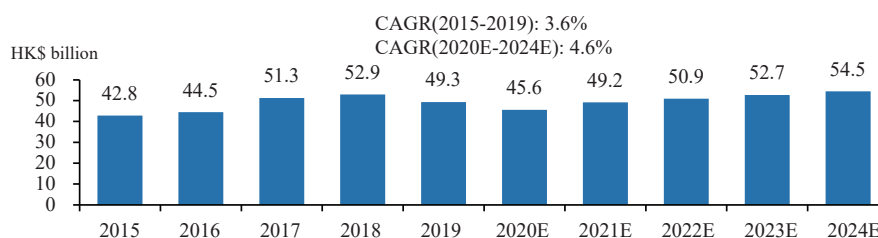
Between 2015 and 2018, the revenue of Hong Kong's air freight forwarding logistics industry grew from HK\$42.8 billion to HK\$52.9 billion. Such growth was mainly driven by the increasing air cargo re-export volume of products manufactured in China such as electrical machinery and parts, telecommunications, sound equipment, office machines and automatic data processing machines, etc.

In 2019, the revenue of Hong Kong's air freight forwarding logistics industry recorded a decline of HK\$3.6 billion, from HK\$52.9 billion in 2018 to HK\$49.3 billion in 2019, such decline was mainly due to the intensified trade war between China and the U.S.. As an important gateway between the U.S. and China, approximately 50% of Hong Kong's exports were of China origin and approximately 55% were destined for China in 2019. Many Chinese goods, such as telecommunication products, electronic device, electrical machinery, apparatus and appliances, are being imported into Hong Kong and then re-exported to the U.S. by air. The ongoing and intensified U.S.-China trade war in 2019 brings pressure to global trading activities and causes uncertainties for the global economy and the global trade landscape. Hong Kong's total air cargo export volume decreased approximately 4.3% in 2019 as compared to 2018. In addition, the protest activities against the extradition bill in Hong Kong, has caused damages to the supply chain. Notwithstanding the above, in December 2019, both the U.S. and China announced to eliminate the tariffs which are scheduled to be imposed on 15th December 2019. The U.S. and China entered into a phase one trade agreement on 15 January 2020 aimed at easing the U.S.-China trade war. According to the phase one agreement, both countries agreed on, inter alia, expanding trade in the future through cutting U.S. tariffs and boosting China's purchases of U.S. products. On 6 February 2020, the Chinese government announced that it will halve its tariff on US\$75 billion worth of U.S. goods effective from 14 February 2020, to reciprocate the fulfillment of commitment by the U.S. to slash its tariffs from 15.0% to 7.5% on US\$120 billion worth of Chinese goods on the same date. On 17 February 2020, China has granted tariff exemptions on about 700 U.S. items to support purchase effective from 2 March 2020. Further, on 21 February 2020, China has unveiled two new tariff exemption lists for U.S. imports from 28 February 2020. On 12 May 2020, China announced a new list of 79 U.S. products eligible to be excluded from retaliatory tariffs. In July, China made its biggest single day purchase of U.S. corn, purchasing 1.762 million metric tons of American corn. The favorable development between these two largest economies, with commitments on both sides, should bring positive effects and stabilise business sentiment on global trading activities. The trade war between the U.S. and China that commenced in July 2018, has upended trading activities worldwide and slowed down global trade growth. The phase one trade agreement is expected to benefit the freight forwarding logistics industry since it will restore the trading activities between the U.S. and China, as well as international trading activities, in the coming years.

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In the PRC and Hong Kong, typically between 45% and 50% of air cargo are carried in the bellies of passenger aircrafts. Due to the COVID-19 pandemic, most airlines has suspended partly or all services, especially services for passenger flights. Hong Kong passenger flights have less Asia shipment in the first four months of FY2020 as compared with the same period in FY2019 due to the outbreak of the COVID-19 pandemic. For example, Cathy Pacific and Cathy Dragon, the two native airlines in Hong Kong, had decreased over 20 Asia routes by April, which exceeded the reduced number of European and American routes. The significant decrease in passenger flight movements has led to a tremendous disruption in air transportation, short supply of cargo space and surge in the price of air cargo space. In the first six months in 2020, the exported air freight forwarding cargo volume in Hong Kong decreased by approximately 7% as compared to the same period in 2019. Meanwhile, the air freight price recorded significant increase, which partly offsets the decrease in air freight forwarding volume. It is currently expected that the market size of the air freight forwarding logistics industry in Hong Kong will decrease to approximately HK\$45.6 billion in 2020. After the COVID-19 pandemic is effectively controlled, it is expected that consumer confidence will be restored and existing factories will completely go back to normal, resulting in a recovery in the air freight forwarding logistics industry in Hong Kong accordingly. Driven by the closer economic connections between Hong Kong and China due to the development of the Greater Bay Area, which have descriptions in details in the paragraph headed “Market Drivers” below in this section, the revenue of the air freight forwarding logistics industry in Hong Kong is expect to rebound and reach approximately HK\$54.5 billion by 2024, representing a CAGR of around 4.6% between 2020 and 2024.

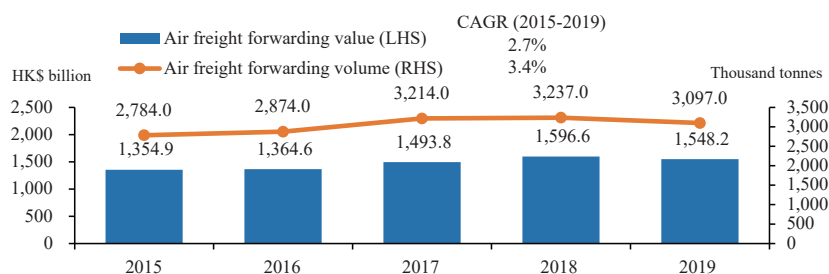
Market size of the air freight forwarding logistics industry in terms of revenue, Hong Kong, 2015-2024E



Note: Based on the assumption that foreign freight forwarders receive major portion of the revenue generated from import freight forwarding logistics services, and local freight forwarders receive major portion of the revenue generated from export freight forwarding logistics services in Hong Kong.

Source: China Insights Consultancy

Air freight in terms of cargo value and volume, Hong Kong, 2015-2019



Note: Data represent the export value and volume

Source: China Insights Consultancy

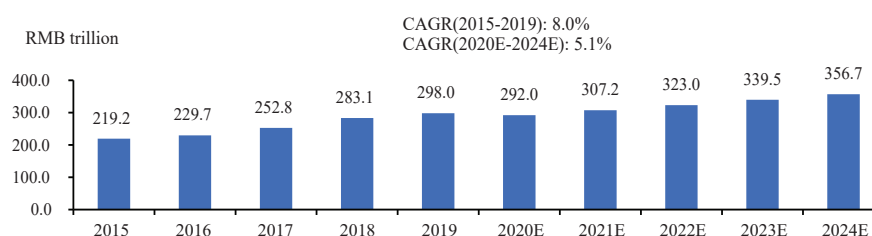
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Market Drivers

A. Increasing cross-border e-commerce sales in Hong Kong and China

From 2015 to 2019, China's total demand for logistics services maintained a strong growth momentum. The total value of logistics goods grew from RMB219.2 trillion in 2015 to RMB298.0 trillion in 2019, representing a CAGR of 8.0%, which was mainly due to the increasing domestic demand and the ongoing structural changes in China's economy. China's economy is reallocating resources from low-productivity to high-productivity sectors. Consumption such as cross-border e-commerce activities, products with higher brand recognition and better quality, is expected to rise following the growth of income level and population. Logistics services, as supporting services, are expected to enjoy steady growth in the future, particularly due to the growth of the e-commerce industry and consumption of consumer goods.

Total value of logistics goods, China, 2015-2024E



Source: National Bureau of Statistics of China, China Insights Consultancy

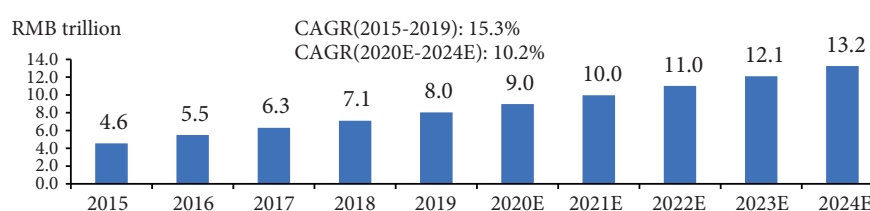
Cross-border e-commerce is a type of e-commerce service that transports products from one country to the customers in another country. Usually the service focuses on providing services to individual customers in a timely manner. As a result, the cargos from cross-border e-commerce industry are not in bulk. Due to the extra administration, packaging and sorting services required, separate parcels cost higher than bulk cargo, which leads to higher profit for freight forwarders.

Cross-border e-commerce industry in China mainly focuses on providing products manufactured in China directly to foreign consumers without foreign distributor and wholesaler's markup on the prices. In China, some products purchased through cross-border e-commerce channels are electronic devices which contain batteries. Due to the strict policies in China, some of these electrical products, such as lithium batteries and certain metal parts, are not allowed to be transported by airplane in China, whereas only major multinational companies with shipping approval issued by the government can ship products with batteries by air, and only in bulk. Cross-border e-commerce parcels which are individual parcels that contain batteries cannot be shipped by air in China. To cope with this problem, many cross-border e-commerce companies choose to ship their parcels through Hong Kong International Airport and then re-export to other countries. With the special characteristics of cross-border e-commerce parcels, which requires timely delivery and often contain batteries, Hong Kong International Airport becomes the first priority for shippers in the PRC. There has been a strong synergy between cross-border e-commerce industry and Hong Kong International Airport, which benefits the air freight forwarders in Hong Kong. In the past few years, an increasing number of foreign consumers shop online and look for products with relatively lower prices from China and other Asian countries, which in turn stimulate the growth of cross-border e-commerce export value and volume in China. Between 2015 and 2019, the revenue of China's cross-border e-commerce market size in terms of export value grew from RMB4.6 trillion to RMB8.0 trillion, representing a CAGR of 15.3%. In particular, approximately 80% of the total trading value was export value and approximately RMB1 trillion to RMB1.5 trillion of the export value was through Hong Kong. It is expected that China's exports value will continue to grow in the future, reaching RMB13.2 trillion in 2024. Driven by the advancement of e-commerce platforms, and strong support

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from the government, China's total import and export value of cross-border e-commerce increased by 26.2% in the first half of 2020, as compared to the import and export value in the same period of the previous year, of which export value increased by 28.7% and import value increased by 24.4%. Small and medium enterprises obtained a large number of overseas orders through cross-border e-commerce platforms during this process. With the fast growth and strong performance of cross-border e-commerce industry, particularly in the PRC, it is generally expected that Hong Kong, as a regional hub for import and export, will experience an increasing demand for air freight forwarding services. The real GDP growth rate in the PRC is expected to reach 1.0% in 2020 and 8.2% in 2021, according to the World Economic Outlook (WEO) Database updated in June 2020, and is expected to remain stable between 5.5% and 5.7% from 2022 to 2024 according to the WEO Database released in October 2019. The future growth of cross-border e-commerce in the PRC will be expected to outpace the growth of the real GDP growth rate.

Cross-border e-commerce export value, China, 2015-2024E



Source: China E-commerce Research Centre, China Insights Consultancy

In 2018, the major destinations for cross-border e-commerce export are the U.S., Europe, and 10 countries of the Association of Southeast Asian Nations (i.e. Thailand, Indonesia, Malaysia, Singapore, etc). To be more specific, in 2018, China's top 5 destination countries for cross-border e-commerce export are the U.S., France, Russia, the UK and Brazil, with 17.5%, 13.2%, 11.3%, 8.4% and 5.6% share respectively. The top 5 countries accounted for an aggregated 56.0% of the total cross-border e-commerce export value. In addition, the Association of Southeast Asian Nations (ASEAN), a regional intergovernmental organization comprising ten countries in Southeast Asia, namely Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam, is China's important trading partner, accounted for more than 10% in aggregate of the cross-border e-commerce export value in 2018. Increasing cross-border e-commerce export to these countries demonstrates emerging opportunities for freight forwarders in their strategic expansion.

Although COVID-19 has caused an unprecedented negative impact on the worldwide economy in 2020, it has favoured and speeded up the further growth of the e-commerce sector because lockdowns, quarantines and social distancing boost demand for online shopping and express delivery services. In the first six months of 2020, China's cross-border e-commerce retail import and export value registered an increase of 26.2% as compared with the same period in 2019. Further, the State Council Information Office of the Peoples' Republic of China published an announcement on 13 April 2020 that the PRC government fully affirms and strongly supports the new foreign trade format of cross-border e-commerce and announced to set up an additional 46 new cross-border e-commerce comprehensive pilot zones. Together with the 59 e-commerce comprehensive pilot zones approved in 2019, there will be a total of 105 cross-border e-commerce comprehensive pilot zones nationwide, covering 30 provinces (the number of total provinces in China is 31). The PRC government fully affirms and strongly supports the new foreign trade format of cross-border e-commerce. With the release of the State Council's circular on 6 May, 2020, confirming the approval to establish 46 additional new cross-border e-commerce

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comprehensive new pilot zones, the cross-border e-commerce industry has been pinpointed as a new pillar for China's foreign trade. This move will help to stabilise the fundamental landscape of foreign trade and subsequently stimulate the freight forwarding logistics industry in the long run.

B. Rising export value of electronics products in Hong Kong and China

As the production cycle for electronics products is relatively short, and fast delivery is of increasing importance for electronic products, manufacturers may opt for air-based logistics because it can provide timely deliveries. With the continued development of technology worldwide and economic improvements, the market for electronics is expected to continue expanding, which will drive increasing demand on the air freight forwarding logistics services.

C. Trusted legal system and a well-established logistics value chain

Hong Kong has a long history as a logistics hub in Asia. Hong Kong's legal and logistics systems are relatively mature compared with other countries. Moreover, the logistics value chain in Hong Kong is already well-established and includes a large group of logistics professionals operating in different domains. Therefore, companies can benefit from greater conveniences while saving time when transporting their goods from/to Hong Kong. Such advantages will boost development of the air freight forwarding logistics services in Hong Kong.

D. The expansion of Hong Kong International Airport

Connectivity of an airport is a critical factor for prompt delivery of air cargo, as direct flight can effectively shorten delivery time. Compared with other major airports in the Guangdong-Hong Kong-Macau Greater Bay Area, the Hong Kong International Airport is the only airport with more than 100 international flight routes, making it an effective cargo transshipment hub for China.

Hong Kong International Airport has been recognised as a five-star airport for many years in terms of its service quality, efficiency, and customer satisfaction. Currently, Hong Kong International Airport is constructing its third runway which is estimated to be completed by 2024, which will largely boost the capacity of cargo throughput in Hong Kong. According to the Construction and Mainland Affairs Bureau, land has been reserved in the South Cargo Precinct of the Hong Kong International Airport to support the growth in transshipment, cross-boundary e-commerce and high value-added air cargo business, and facilitate the development of air cargo industry. The expansion works will commence in the fourth quarter of 2019, and the handling capacity of the express air cargo terminal will increase by 50% in 2022. According to Hong Kong's 2020-2021 budget plan, the Hong Kong government set aside HK\$5 billion (US\$642 million) for redevelopment of the air mail centre at the Hong Kong International Airport, which aims to be completed as soon as 2024-2025. Additionally, the new plan also implements a US\$44 million subsidy pilot program, allowing third-party logistics providers to receive subsidies, thus further driving the development of air freight forwarding logistics industry in Hong Kong in the future. Furthermore, a joint venture led by Cainiao Network (the logistics arm of Alibaba Group) with shareholders including China National Aviation Corporation (Group) Limited and YTO Express, will develop a premium logistics centre at Kwo Lo Wan in the South Cargo Precinct of the Hong Kong International Airport, which is scheduled to be completed and put into operation in 2023, making the Hong Kong International Airport a more competitive air cargo terminal in the future.

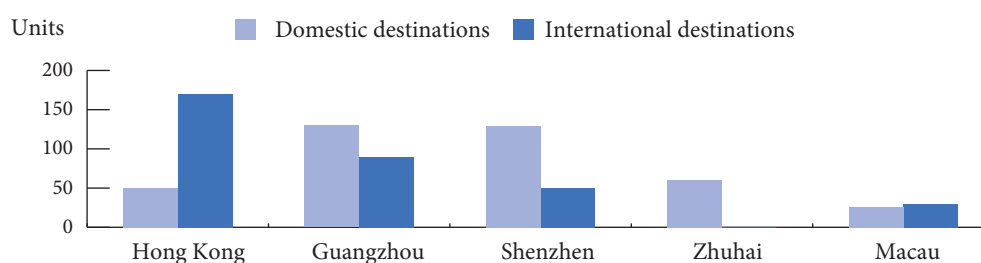
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E. *The establishment of the Greater Bay Area*

The concept of the Greater Bay Area, which consists of Hong Kong, Macau, and nine cities in South China, was first mentioned in China's 13th Five-Year Plan, aiming to reinforce the connection between Hong Kong, Macau and China. The Greater Bay Area project includes major infrastructure projects, such as the construction of airports and seaports in Hong Kong and Guangdong Province. The project can help realize the transregional coordination of multimodal transportation services connecting cities located in China, Hong Kong, and overseas. The project also includes the establishment of a global manufacturing centre, a trade centre, and a logistics hub in the Greater Bay Area, which can further strengthen Hong Kong's competitiveness as an international logistics hub as Hong Kong has established a proven track record of being a trusted logistics hub in Asia. As such, the future demand for Hong Kong's air freight forwarding logistics services is expected to continue expanding. The value of total merchandise traded in the Greater Bay Area reached approximately RMB15.7 trillion in 2019.

Connectivity of an airport is crucial for express delivery of air cargo, as direct flight can reduce delivery time. Compared with other major airports in the Greater Bay Area, Hong Kong International Airport is the only airport with more than 100 international flights routes, making it an effective cargo transshipment hub for China. As the Hong Kong-Zhuhai-Macao Bridge shortens the transportation time between Hong Kong International Airport and Zhuhai from four hours to about 45 minutes, the opening of Hong Kong-Zhuhai-Macao Bridge would further enhance the transshipment hub status of Hong Kong International Airport. The following chart represents the number of destinations of major airports in the Greater Bay Area in 2019.

Connectivity of major airports in the Greater Bay Area in 2019



Note: Domestic destinations for Hong Kong and Macau refer to cities in China.

Source: Legislative Council Secretariat, China Insights Consultancy

F. *Implementation of Belt and Road Initiative*

The economic growth in Asia is at a faster pace (GDP at 5.4% in 2019) than other locations in the world (GDP growth at 2.2% for the U.S. and 1.5% for Europe in 2019). The "Belt and Road" initiative sets up ground and ocean-related infrastructure in order to connect Central and South Asia, Europe, the Middle East and Africa. In addition, port investment under the Belt and Road Initiative is anticipated to boost the air and ocean logistics and shipping networks. Thus, increasing cooperation among countries is likely to benefit the growth of the international trades and freight forwarding logistics industries. An increase in demand for international logistics and freight forwarding logistics services is anticipated, especially for seaborne and airborne logistics.

Market Trends

A. *Faster responses to satisfy customer demands*

Clients demand quicker logistics and higher service quality at lower prices, especially for cross-border e-commerce industry. Logistics with faster response can improve clients' efficiency, productivity and profitability. This is a common demand from clients in the retail sector, which are currently under increasing pressure from massive multichannel challenges. Faster response requires investments in improving the logistics process in order to elevate service standards.

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B. Consolidating and co-loading between freight forwarders

Consignments of air freight forwarding industry are usually of relatively small volume. It is important for freight forwarders to consolidate their cargos to fully load the cargo space. In recent years, with the fast development of cross-border e-commerce industry, the consignments are becoming smaller. Small-and medium-scale freight forwarders usually bundle together small consignments to fill the cargo space, which is considered a common practice. It becomes a collaborative industry effort to address the increasing demand of cross-border e-commerce goods. Due to the need to fully load cargo spaces, it is also common for freight forwarders to take other freight forwarders as customers, sometimes as suppliers.

C. Higher efficiencies created by paperless customs procedures

The development of technology has simplified customs procedures. China implemented a paperless customs system in 2013, with individuals now being able to receive warehouse warrants, customs clearances, and release permits using an online platform. This online platform is accessible 24/7, leading to higher efficiencies compared with the processing of paperwork. A paperless customs system allows for faster customs clearance, while preventing shipments from being stored in warehouses for long periods of time. Thus, freight forwarding logistics companies are able to process a greater number of requests from consigners and hence shorten the warehousing turnover period.

With the development of information technology and internet, the information regarding cargo transportation is becoming more and more transparent. The transparency in information will benefit airlines and consigners in various aspects, including the pricing, space matching, electronic payment, etc. However, air freight forwarders will still be an important part of the process. Firstly, the airlines will not directly interact with individual consigners since they do not offer consolidation service, palletization service, etc. Certain manpower is still required to administrate, process, load, match and transport the cargo. With the trend of division of labour, it is unlikely the consigner will be expending effort in this area, and it is also unlikely for the airlines to take charge of these works. Secondly, certain bank guarantee is required in order to purchase cargo space from airlines, which will affect the liquidity of air freight forwarders if they want to buy air cargo space directly from airlines rather than through other freight forwarders. The payback period set by airlines is relatively short, which will also add to the pressure on liquidity for freight forwarders. Thirdly, the freight forwarding service is a supporting industry which facilitate the manufacturing, retailing and other functions of a company. By outsourcing the logistics to third parties, a company can focus its capital, manpower and administrative effort on their main business, which will significantly lower the operation risks. The advantages of outsourcing logistics to third parties include low capital commitment, cost savings, and flexibility. In conclusion, it is unlikely the development of information technology will diminish the value created by freight forwarders.

Competitive Landscape

The Hong Kong air freight forwarding logistics industry is considered to be a fragmented market. In 2019, more than 1,500 freight forwarding companies were registered in Hong Kong, and most of them were in both air freight forwarding logistics industry and ocean freight forwarding logistics industry. There are two tiers of freight forwarding companies in Hong Kong. Tier 1 players are the leading participants in the industry, who are mainly multinational enterprises. They usually possess global network of offices with own transportation fleets and have long-term relationships with international large carriers. The bulk shipment opportunities over the past years had been dominated by these participants. There are around 20 to 30 companies in this group and these multinational enterprises contributed about nearly half of the total revenue of air freight forwarding logistics industry in Hong Kong.

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Apart from tier 1 players, tier 2 players are small- and medium-scale Hong Kong-based local enterprises. These enterprises usually have a turnover of below HK\$1.5 billion per year, with deeper understanding of customers' business nature and have long-term relationships with customers based in Hong Kong and Pearl River Area. There were over 1,000 tier 2 players in Hong Kong in 2019. The table below shows the ranking and details of the top ten local tier 2 participants, which accounted for approximately 7.9% in total in 2019, while our Company accounted for about 0.6% market share of air freight forwarding logistics industry in 2019, and ranked 6th place among all tier 2 air freight forwarding companies.

Ranking of tier 2 air freight forwarding companies, Hong Kong, 2019

Ranking	Company	Specialised destinations	Approximate revenue from air freight forwarding services in Hong Kong in 2019 (HK\$ million)	Approximate market share in 2019
1	Company A	The U.S. and the Netherlands	1,053.0	2.1%
2	Company B	Africa, Central and South America, Europe, etc.	408.2	0.8%
3	Company C	Europe, North and South America	397.0	0.8%
4	Company I	North America, Europe, Asia, etc.	370.4	0.8%
5	Company D	Southeast Asia	341.2	0.7%
6	Our Company	The U.S., Europe and Asia	292.3	0.6%
7	Company E	The U.S. and Japan	285.4	0.6%
8	Company F	Europe, Africa, North America, etc.	260.8	0.5%
9	Company G	Europe, Japan, Scandinavia, etc.	240.8	0.5%
10	Company H	Europe, Southeast Asia, etc.	229.7	0.5%
		Subtotals of top 10 tier 2 players	3,878.8	7.9%
		Others (including tier 1 players and other tier 2 players)	45,447.6	92.1%
		Total	49,326.4	100.00%

**Note:* the ranking only considered tier 2 companies' revenue from air freight forwarding services in Hong Kong market, which is the major business section our Company operates in. Our Company also has operations in China and Macau, the revenue from these export origins is not considered. Comparable tier 2 companies' revenue listed above only include revenue generated from air freight forwarding services in Hong Kong market.

The air freight forwarding logistics industry is fragmented in China, and is in fast development. The top three companies took market share of approximately 5.3%, 4.3% and 4.1% of the total market respectively in 2019, and accounted for a total of 13.7% of the market. In 2019, our Company gained a market share of approximately 0.04% of China's air freight forwarding logistics industry.

Key Success Factors

A. Well-established partnerships with upstream carriers

Successful companies have benefitted from first-mover advantages in the market, having acquired stable and long-term partnerships with upstream carriers over the course of their long-term cooperation with these carriers, which include airlines, vessel companies, etc. By developing close partnerships with these upstream carriers, a logistics company better understands their clients' products and needs, while also gaining foreknowledge of upstream carriers' capacities, which makes it easier to provide accurate solutions at the best prices.

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B. Expert knowledge regarding different industries

Downstream industries, such as pharmaceuticals, chemicals, FMCGs, machinery, etc., each has different needs during international transportation. Many goods are temperature sensitive, time sensitive or fragile. Therefore, expert knowledge of downstream industries becomes a major success factor for market participants.

C. Provision of value-added services

The freight forwarding logistics service market is fragmented and characterised by a large number of small to medium-scale enterprises. Value-added services can help freight forwarding companies in attracting more customers. This is particularly true in recent years with the growing popularity of cross-border e-commerce, since end customers now usually demand faster, more reliable, and safer deliveries of products. Thus, a successful freight forwarding logistics company is able to cater to different demand by offering tailored value-added services.

D. Strong capability to consolidate cargos

As the customers entrust air freight forwarders with various amount of cargos, it is important for successful companies to have a strong ability to consolidate cargos from different customers in order to accommodate the cargo to the shipping standards of the airlines. Fast and accurate consolidation of the cargo is a key ability to provide better service to customers.

Entry Barriers

A. Access to capital

Access to capital is especially essential in the freight forwarding logistics industry. The payment period for carriers and freight forwarders is usually 15 days, while the collection period with consigners can range anywhere from 45 to more than 60 days, with the longest up to 120 days. In order to have sufficient cashflow for daily operations, freight forwarding logistics companies have to be well-managed and retain enough capital to continue operations. Furthermore, in order to operate in air freight forwarding logistics industry in China and Hong Kong, a certain amount of bank guarantee has to be provided to cooperate with airlines. A bank guarantee is a promise from a freight forwarding logistics company's bank that the bank will cover the airlines loss if the company is unable to pay the payment by default. Banks usually require mortgage value of at least 50% of the freight forwarding payment value.

B. Brand awareness

Usually downstream consigners prefer freight forwarding companies with a good reputation so as to ensure better services and relatively lower prices. A freight forwarding company with an established brand also indicates a degree of stability in terms of service quality and reliable deliveries. For new entrants, establishing a brand can be difficult as it takes time to prove that their business can meet the requirements of different clients.

C. Partnerships with clients and suppliers

The market remains highly fragmented and so each company offers similar shipping prices and services. The ability to attract potential clients therefore becomes an entry barrier to new entrants. A well-operated company is able to successfully engage potential clients and maintain long-term partnerships with them. Therefore, the need for a well-established sales network and a good sales team creates another entry barrier to new companies. Furthermore, more than 80% of the tier 2 companies in Hong Kong air freight forwarding industry cooperate directly with airlines to book cargo space. By establishing direct relationships with airlines, a well-operated company is able to response to clients' demand rapidly. Steady relationships with airlines are formed by long-term cooperation and trust, which is considered an entry barrier to new entrants.

INDUSTRY OVERVIEW

D. Licenses and certificates

The PRC government requires freight forwarding companies to have a “First Class Certificate of Freight Forwarding,” which is needed if companies are yet another directly booking shipping spaces with carriers. Organizations like FIATA, ICAO, and the Federal Maritime Commission, also provide different licenses and certificates for different purposes. These licenses and certificates therefore create additional entry barriers to new entrants.

Market Threats and Challenges

A. Insufficient labour forces

Labour shortage is a major threat to the air freight forwarding logistics industry in Hong Kong. Freight forwarders need professional talents to establish an efficient and reliable operating system to consolidate cargos for both air and ocean freight forwarding services. Furthermore, workers are needed to process and handle the cargos. The shortage of workforces will result in a higher labour cost.

B. Increasing competition due to industry consolidation and integration

Large transportation and logistics companies usually cooperate with freight forwarders to provide services to their customers. However, they are now pursuing a one-stop service strategy for the customers. In order to achieve that, they are acquiring small freight forwarders to achieve economies of scale, as well as to own the customer relationships. This will present a threat to the freight forwarders.

AIR FREIGHT FORWARDING MARKET IN CHINA

Nominal GDP in Jiangsu Province and Greater Bay Area

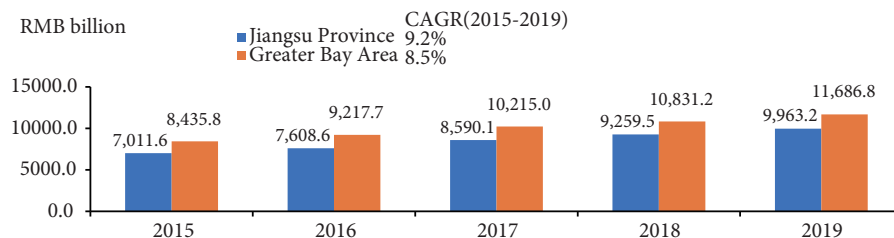
Nominal GDP in Jiangsu Province increased from RMB7,011.6 billion in 2015 to RMB9,963.2 billion in 2019, representing a CAGR of 9.2%. It ranked as no.2 province in Eastern China in terms of GDP in 2019, second only to Guangdong Province. There are over 30 industrial parks in Jiangsu Province. The output value of strategic emerging industries (which mainly include energy conservation and environmental protection, IT, biology, high-end equipment manufacturing, new energy, new materials, and new energy vehicles) increased by 7.6% in 2019, accounting for approximately 32.8% of the total industrial output value of industrial enterprises with revenues of over RMB20 million annually. The industrial development of Jiangsu Province would facilitate its freight forwarding market as these industrial products manufactured will be exported to overseas markets. Along with the completion of the industrial structure upgrade, which refers to businesses that realise rapid growth primarily through new technologies, new business forms or new business models, Jiangsu Province is expected to realize a new round of rapid economic development.

Greater Bay Area refers to the urban agglomerations consisting of two special administrative regions of Hong Kong and Macau and 9 cities in Guangdong province. The construction of Greater Bay Area is conducive to deepening cooperation between the mainland and Hong Kong and Macau. The development of Greater Bay Area has been written into the 19th National Congress report and enhanced as national development strategy. On 1 July 2017, *the Framework Agreement on Deepening Guangdong-Hong Kong-Macau Cooperation in the Development of the Greater Bay Area* was signed. This aims to elevate the Greater Bay Area’s position and role in the national economic development and opening up, as well as set out the key cooperation fields including promoting infrastructure connectivity, enhancing market integration, building a global technology and innovation hub, etc. The adoption of intelligent manufacturing and international cooperation in logistics, technology and innovation are encouraged, which will in turn stimulate the development of logistics industry in Hong Kong.

Nominal GDP in Greater Bay Area increased from RMB8,435.8 billion in 2015 to RMB11,686.8 billion in 2019, representing a CAGR of 8.5%.

INDUSTRY OVERVIEW

Nominal GDP, Jiangsu Province and Greater Bay Area, 2015-2019



Source: National Bureau of Statistics of China

Air Freight Forwarding

The air freight forwarding logistics industry in China is still in an early stage of development. Between 2015 and 2018, the size of China's air freight forwarding logistics industry grew from RMB39.6 billion to RMB57.8 billion, representing a CAGR of 13.4%. In 2019, the market size of the air freight forwarding logistics industry in China decreased by approximately 2.5% to RMB56.4 billion, attributing to the U.S.-China trade war. In the first five months of 2020, China's total air cargo throughput volume in major air ports decreased by approximately 12.7% under the effect of COVID-19 pandemic. At the same time, the cancellation of most air flights and gradual business resumption in China boosted a significant increase in air freight price. Considering the collective effects of decreasing cargo volume and increasing air freight price, the market size is estimated to reach approximately RMB55.4 billion in 2020. Nevertheless, it is estimated that the air freight forwarding logistics market will increase to RMB70.4 billion by 2024, based on the trading agreements achieved in phase one trade agreement by the U.S. and China and the assumption that economic activities will return to normal globally once the COVID-19 pandemic is under control.

The growth of China's air freight forwarding industry is highly correlated with export volumes. China has a large manufacturing industry, with many of the manufactured goods being produced for export to foreign countries. Similar to Hong Kong, Shanghai shares the same cargo catchment area in the Pearl River Delta region while Singapore shares the same positioning as a regional hub for intra-Asia trade and as a logistics centre.

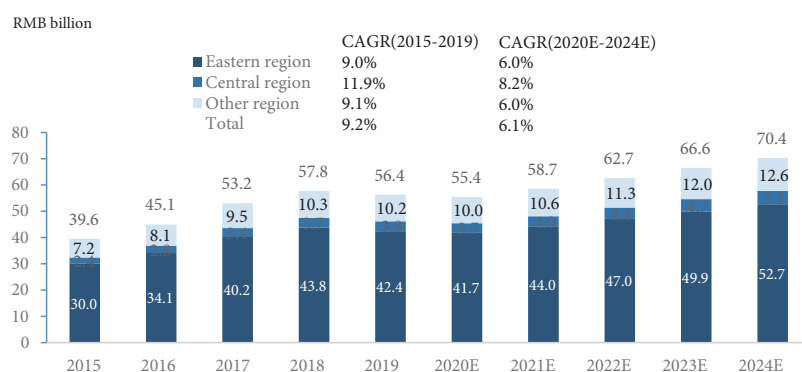
The most important competitive advantage of air freight forwarding is its short lead time. Faced with challenge from the U.S.-China trade war, China has strengthened cooperation with other countries. China's trading value with other partners witnessed stable growth, especially the European Union, Association of Southeast Asian Nations (ASEAN) and countries along the "One Belt, One Road" route, recording year-over-year growth rates of 8.0%, 14.1%, and 10.8%, respectively in 2017, 2018 and 2019. The continuously increasing volume of exports, especially considering the ongoing development of cross-border e-commerce, will boost the demand for air transport. In addition, the construction and expansion of airports in Beijing, Shanghai, Guangzhou, Shenzhen and Chengdu will further enhance the China's air cargo handling capacity. As at the end of 2019, there were 238 civil airports in China. According to the General Administration of Civil Aviation of China, the number of airports will be increased to 320 by 2025, in order to meet the growing amount of air cargo volume, improve air connectivity and address the problem of unevenly distributed of airports throughout the country. The establishment of China Pilot Free Trade Zone reduced taxes in these trade zones and improved custom clearance process, which will in turn elevate trade activities and improve the efficiency of the air freight forwarding in China.

Hong Kong International Airport, as the irreplaceable key link in China's supply chain, has improved its integration with China by establishing cargo depots at strategic locations in the Pearl River Delta, which enables easy access to consigners in China and facilitates the flow of Chinese goods via Hong Kong. Electronic products, which are under strict regulation when transported by air in China, can be transported by Hong Kong International Airport instead. Thus, Hong Kong will also benefit from the growth of China's air cargo transport.

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The eastern region in China, including Beijing, Shanghai, Shandong, Jiangsu, Tianjin, Zhejiang, Hainan, Hebei, Fujian and Guangdong, is its primary economic, trading and shipping centre, accounting for approximately 75% of China’s total air freight forwarding logistics market. The air freight forwarding logistics market in the eastern region is expected to grow from RMB41.7 billion in 2020 to RMB52.7 billion in 2024, representing a CAGR of approximately 6.0%. The air freight forwarding logistics industry in the central region has developed rapidly over the past five years, driven by the continuous expansion of air transportation capacity and improvement of air connectivity. The air freight forwarding logistics market in the central region reached RMB3.8 billion in 2019, and is projected to continue to increase to RMB5.1 billion by 2024. The booming of cross-border e-commerce is one of the key factors driving such growth.

Market size of the air freight forwarding logistics industry in terms of revenue, China, 2015-2024E



Note: Eastern region includes Beijing, Shanghai, Shandong, Jiangsu, Tianjin, Zhejiang, Hainan, Hebei, Fujian and Guangdong; Central region includes Jiangxi, Hubei, Hunan, Henan, Anhui and Shanxi.

The above table only includes freight forwarding revenue generated from cargo volume transported by domestic airlines.

Source: China Insights Consultancy

Market Drivers

A. Construction of new airports

In major cities and regions, the construction of new airports and the extension of existing airports is aimed at expanding cargo throughput volumes, which is expected to provide the industry with the essential infrastructure it needs to continue growing. Shanghai, Guangzhou, Shenzhen, Beijing, Chengdu, and Hong Kong all achieved their highest recorded throughput volumes in 2016, with these cities considered to be major air freight forwarding hubs within China. These cities are currently expanding their existing airports to further expand their throughput volumes. New airports in Beijing and Chengdu are also under construction, which is expected to encourage the further expansion of throughput volumes for the air freight forwarding industry in China.

B. Establishment of China Pilot Free Trade Zone (PFTZ)

The construction of China Pilot Free Trade Zone (PFTZ) aims at boosting international trade and logistics-related industry. The four different PFTZs in China have different advantages and strengths. As listed, these four PFTZs welcome logistics-related services and industries. The main purpose of China PFTZs is to boost China’s economy by elevating trade activities. For companies, they are anticipated to benefit from the establishment of PFTZs from various aspects, such as reduced taxes, convenient custom clearance process, etc., as well as more opportunities from both overseas markets and local market.

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C. Development of e-commerce in China

Between 2015 and 2019, the revenue of China's entire cross-border e-commerce market size in terms of trading value grew from RMB4.6 trillion to RMB8.0 trillion, representing a CAGR of 15.3%. More foreign consumers shop online and look for products at a relatively lower price from China and other Asian countries, which in turn stimulate the growth of cross-border e-commerce export value and volume in China, thus facilitating the development of the air freight forwarding logistics industry in China.

SHIPPING COSTS

Air Freight Price Index

The air freight price is influenced by different factors, including oil prices, freight capacities, the length of transportation, etc. For instance, as oil is the most used fuel for air freight forwarding services currently, the increase of oil prices will cost more for the freight carrier to transport the freight, and therefore the air freight forwarder is going to be charged more to make up for this. The freight capacity will also have effects on the air freight price, with the smaller capacity leading to higher prices due to the shortage of space. In addition, the air freight price is positively correlated with the length of transportation. The relatively longer length of transportation enhances the difficulty of transporting, thus resulting in higher air freight prices. In recent years, downstream consigners and end customers have started recognizing the advantages of air transport, including a guarantee of fast, timely, and reliable deliveries, which has consequently led to increasing quantities of cargo being transported by air. Generally, the air freight price is strongly correlated to the shipping quantity. During peak seasons, namely the fourth quarter in each year with western holidays such as Thanksgiving, Christmas and New Year's Eve, the price of air freight goes up with the increasing export activities. Between 2015 and 2018, air freight price index recorded annual growth rate of -5.5%, -8.8%, 5.1%, and 5.7% respectively. In 2017 and 2018, the recovery of economy and growth in global trading boosted the increase in air freight price. The air freight price index decreased 7.2% in 2019 due to the decrease in air transport volume caused by unstable global trading environment. Air freight price in March 2020 increased rapidly due to the short supply of cargo capacity. It is expected that the air freight price will remain at high level in 2020 considering the limited air cargo capacity.

The profit before tax of freight forwarders is primarily affected by the state between supply and demand rather than oil price. The increase in oil price can be passed to consigners when the demand for cargo space is high. In contrast, when the air cargo transportation volume decreases and cargo space is in sufficient supply, most freight forwarders will choose to decrease price to attract more customers, which will adversely affect the profitability.

POTENTIAL EFFECT ON TRADING ACTIVITIES FROM U.S. TARIFFS AGAINST CHINA

The U.S. has implemented three rounds of import tariffs on Chinese goods since July 2018. In the first round in 2018, the U.S. imposed a 25% tariff on US\$50 billion worth of Chinese goods, and the tariff was set to take effect in July and August 2018 respectively. In September 2018, the U.S. implemented a 10% tariff on US\$200 billion worth of Chinese goods, and this tariff was subsequently increased to 25% in May 2019. On 1 September 2019, the U.S. imposed new 15% tariffs on about US\$112 billion of Chinese imports and will impose additional tariffs on a further list of additional categories of products of Chinese origin in December 2019.

In October 2019, the U.S. and the Chinese governments achieved phase one trade agreement after the meeting in Washington. Pursuant to which, the U.S. has delayed a tariff increase scheduled to go into effect on 15 October 2019. The delay will apply to tariffs that were scheduled

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to increase from 25% to 30% on US\$250 billion of Chinese goods. China agreed to buy more agricultural products from the U.S.. The U.S. implemented a tariff ranging from 15% to 25% on approximately US\$362 billion worth of goods imported from China. China imposed 5% to 10% tariffs on one-third of the 5,078 goods it imports from the U.S., with tariffs on the remainder scheduled for 15 December 2019.

On 15 January 2020, the U.S. and China entered into a phase one trade agreement on 15 January 2020 aimed at easing the U.S.-China trade war. According to the phase one agreement, both countries agreed on, inter alia, expanding trade in the future through cutting U.S. tariffs and boosting China's purchases of U.S. products. On 6 February 2020, the Chinese government announced that it will halve its tariff on US\$75 billion worth of goods effective from 14 February 2020, to reciprocate the fulfillment of commitment by the U.S. to slash its tariffs from 15.0% to 7.5% on US\$120 billion worth of Chinese goods on the same date. On 17 February 2020, China has granted tariff exemptions on about 700 U.S. items to support purchase effective from 2 March 2020. Further, on 21 February 2020, China has unveiled two new tariff exemption lists for U.S. imports from 28 February 2020. On 12 May 2020, China announced a new list of 79 U.S. products eligible to be excluded from retaliatory tariffs. In July 2020, China made its biggest single day purchase of U.S. corn, buying 1.762 million metric tons of American corn. As the trade war is temporarily cooling off, Hong Kong's air freight forwarding logistics industry is expected to recover after 2019. In July 2020, the U.S. government ended Hong Kong's special trading status. The impact on Hong Kong is limited, as Hong Kong does not have a large amount of direct trade with the U.S.. After signing the phase one trade agreement and before the outbreak of COVID-19 worldwide, the International Monetary Fund expected that the phase one trade agreement would promote the China's GDP growth by 6% for 2020.

The U.S. is China's third largest trading partner, following the European Union and Association of Southeast Asian Nations (ASEAN). Approximately 19% of China's export was purchased by the U.S.. It is estimated that goods subject to the increased tariffs implemented by the U.S. account for approximately 10% of China's total export value. The trade war will increase trading costs with China and force U.S. companies to purchase goods from other regions, which will lead to decrease in China's export value. In 2019, China's export value to the U.S. decreased by 8.7%. The trade war has put pressure on China's external trade market and the freight forwarding logistics industry. However, Chinese goods are relatively competitive and China is the largest exporter in the world. For some commodities, such as motors, electrical machinery and parts, telecommunications, sound equipment, optical equipment, etc., it is difficult for the U.S. companies to find substitutes in a short time. Moreover, China's export to other regions is still prosperous and the export structure is getting more diversified. In 2019, China's export to the European Union and ASEAN increased by 9.6% and 17.8% respectively in terms of export value. China's trading value with countries along the "One Belt, One Road" route also witnessed a significant increase, recording a year-over-year growth rate of 10.8% in 2019. With the easing of the U.S.-China trade relation after China and the U.S. entered into the phase one trade agreement on 15 January 2020, China's import and export value with the U.S. reached approximately RMB2.8 trillion in the first three quarters of 2020, with an increase of 2% compared to the import and export value in the same period of the previous year. For further details, please refer to the section headed "Summary – Recent Development and Material Adverse Change – U.S.-China Trade War" in this prospectus.

As a re-export hub for trade between the U.S. and China, Hong Kong will also bear the pressure from the trade war. The Hong Kong government estimated that 1.4% and 2.2% of Hong Kong's total export are affected as a result of U.S. tariffs on US\$50 billion and US\$200 billion worth of Chinese goods respectively. The U.S. goods imported by China under the tariffs in effect are mainly agricultural products and auto vehicles. These products are primarily transported by ocean from the U.S. to China. Therefore, the Chinese tariffs on the U.S. products have slighter effects on Hong Kong's air freight forwarding industry.

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The U.S.-China trade war, which has reached a periodical agreement, mainly focused on adding tariffs on bulk products exported from China and the U.S. Cross-border e-commerce industry, with its individual parcels containing products by each individual customer from overseas countries, were not heavily affected by the trade war. On the contrary, due to the trade war, the price of some products in the U.S and in China raised. Cross-border e-commerce industry, which usually offer more affordable products shipped directly from the manufacture, can benefit from the price rise. As a result, the trade war has limited effect on cross-border e-commerce industry, as well as the air freight forwarding logistics industry in Hong Kong. The phase one trade agreement is expected to benefit the freight forwarding logistics industry since it will restore the trading activities between the U.S. and China, as well as international trading activities, in the coming years.

POTENTIAL EFFECT ON THE CARGO CAPACITY FROM THE OUTBREAK OF COVID-19

In the PRC and Hong Kong, between 45% and 50% of air cargo are typically carried in the bellies of passenger aircraft. Due to the COVID-19 pandemic, most airlines have suspended partly or all services, especially services for passengers. In February 2020, (i) the passenger flight movements in Hong Kong decreased by 50.7% due to the COVID-19 pandemic; (ii) the cargo flight movements increased by 3.6% due to the short supply of air cargo capacity caused by significant decrease in passenger flight movements; (iii) the total flight movements in the PRC decreased by approximately 60% to 70%, which was also mainly caused by cancellation of most passenger flights. The number of passenger flights carried in Hong Kong decreased from 28 thousand units in January 2020 to 14 thousand units in February 2020. The significant decrease in passenger flight movements led to short supply of air cargo space and increase in air freight price.

The PRC government has taken various drastic measures in February to curb the spread of COVID-19. In most provinces, factories are not required to resume operation before 10th February, which was 11 days later than scheduled. Therefore, some factories may not be able to deliver goods on time that have been ordered before the outbreak of COVID-19, facing risks of default. As a result, commercial goods that are usually transported by ocean would be transported by air instead, in order to make up for lost time. Those exporters may choose to bear the higher cost rather than facing default and damaging their relationship with customers. Additionally, medical supplies, like masks and protective clothing, need to be transported by air to countries in urgent needs, although these products were usually transported by sea before COVID-19 pandemic.

By the end of March 2020, COVID-19 in China is under control, and companies have almost resumed business operation except for companies in Hubei province. The resumption rate of business in Hubei province reached approximately 80% as of 22th March 2020. The resumption of business will boost the increase in air cargo demand. To ease the bottleneck of capacity supplied by passenger flights, some freight forwarders chose air cargo charter services.

In March 2020, one of the major airlines in Hong Kong announced that, in addition to the previously announced 40% capacity reduction between China and Hong Kong, it will further suspend flight routes between several cities in China, Kaohsiung, Taichung, New York, Washington, D.C., until 28 March 2020. In light of the deterioration of virus outbreak in Europe, it has further suspended flight routes between Rome, Milan, Tel Aviv, London and Barcelona at the end of March 2020. Flight routes between Seoul, Jeju, and Maldives will also be suspended at the same time. The suspension in flight routes will reduce the overall cargo capacity and affect the demand and supply balance of freight forwarding logistics industry.

In April 2020, Wuhan lifted the control measures of city lockdown, indicating China has effectively controlled the COVID-19 outbreak in China temporarily. Although there has been several new cases in regions such as Beijing, Hong Kong and Xinjiang since June 2020, the regional government sectors have taken quick action to prevent the pandemic from worsening, leading the whole country under steady operation.

INDUSTRY OVERVIEW

Due to the COVID-19 pandemic, most airlines have suspended partly or all services, especially services for passenger flights, which has led to short supply of air cargo space and increase in the air freight price. However, with the resumption of business in major cities and countries of the U.S. and Europe, demand for air cargo space will recover accordingly. In the situation with unbalanced supply-demand relationship for air cargo space, the air freight forwarders that have close and stable relationships with airlines have the opportunity to purchase corresponding amount of air cargo space, thus achieving greater growth of revenue.

SOURCE OF INFORMATION

CIC was commissioned to conduct research and analysis of, and to produce a report on industry development, market trend, and competitive landscape of Hong Kong and China's air and ocean freight forwarding logistics industry at a fee of HK\$1,050,000. This commissioned report has been prepared by CIC independent of the influence of our Company or any other interested parties. CIC's services include industry consulting, commercial due diligence, strategic consulting, etc. Its consulting team has been tracking the latest market trends in various industries, and has extensive experience in and insightful market knowledge of the abovementioned industries.

The methodology used by CIC involves conducting research and analysis based on both primary and secondary research in a two-step process: (i) conducting primary and secondary research to gather the necessary industry information and data; (ii) conducting quantitative and qualitative research analysis through the calculation and projection of relevant market data, with this data based on historical data, including macroeconomic data, import/export data, data from the freight forward industry, etc., which is sourced from the World Bank, the International Monetary Fund, the National Bureau of Statistics of China, the Hong Kong Census and Statistics Department, Hong Kong and China's logistics and freight forwarding industry associations, etc. Primary research involves interviewing key industry experts and leading industry participants.

The market projection were obtained based on analysis of historical market data and specific data and information associated with that market data, such as import/export volumes, shipping prices, macroeconomic statistics, etc. The market projections in the commissioned report are based on the following key assumptions:

- (i) Hong Kong, China, Asia, the United States, and Europe's economic and industrial development are likely to maintain a steady growth trend during the forecast period;
- (ii) Hong Kong, China and the world's social and political environment are likely to remain stable in the forecast period;
- (iii) related key industry drivers including implementation of China's favorable trade policies, the gradual recovery of the world economy, the growth of cross-border (from one country to another country) e-commerce activities and the continuous growth in trade volumes between China and other countries; and
- (iv) there is no extreme force majeure or industry regulations in which the Hong Kong air and sea freight forwarding markets may be affected dramatically or fundamentally.

REGULATORY OVERVIEW

A. HONG KONG LAWS AND REGULATIONS

1. Aviation Security Ordinance

The Aviation Security Ordinance (Chapter 494 of the Laws of Hong Kong) is an ordinance that makes provisions for the prevention and suppression of acts of violence against civil air transport and connected purposes, and constitute the comprehensive legislation for implementation of the conventions and agreements on aviation security promulgated by the International Civil Aviation Organisation (the “ICAO”). To safeguard aircraft against acts of unlawful interference, 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 incorporated the Regulated Agent Regime (the “RAR”) since March 2000. A cargo handling agent, a freight forwarder or a consignor of air cargo may apply for registration as a regulated agent (“RA”), who is required to comply with the requirements in respect of an RA in the Hong Kong Aviation Security Programme, in order to prevent the unauthorised carriage of explosives and incendiary devices in the consignments of cargo intended for carriage by air.

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

An RA shall also ensure that a consignment of cargo accepted from a known consignor or another RA is:

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

RAs shall also maintain an orderly documentation and record system. Documents such as airway bills, cargo manifests and relevant instructions from consignors should be kept for at least 31 days after the consignment is flown.

REGULATORY OVERVIEW

2. Dangerous Goods (Consignment by Air) (Safety) Ordinance and Dangerous Goods (Consignment by Air) (Safety) Regulations

The Dangerous Goods (Consignment by Air)(Safety) Ordinance (Chapter 384 of the Laws of Hong Kong) (“**DGO**”) serves to control, in the interest of safety, the preparation, packing, marking, labelling and offer of dangerous goods for carriage by air, and for matters connected therewith. Dangerous Goods (Consignment by Air) (Safety) Regulations (Chapter 384A of the Laws of Hong Kong) (“**DGR**”) was made under DGO and must be complied with by consignors, which includes shippers and freight forwarders. Consignors must ensure that all dangerous goods are properly marked, packed, labelled, classified and documented before they offered for transportation by air.

Further, under DGR, a consignor of dangerous goods by air is required to provide for each consignment a shipper’s declaration for dangerous goods, which must be signed by a person who completed appropriate dangerous good training within the past 24 months pursuant to Regulation 7 of the DGR.

3. Telecommunications Ordinance

Under the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong), companies possessing and dealing in the course of trade or business in apparatus or material for radio communications or in any component parts in Hong Kong, are required to obtain a Radio Dealers Licence (Unrestricted) from Office of the Communications Authority (“**OFCA**”).

Accordingly, the importing and exporting of the above apparatus of material for radio communications require the Radio Dealers Licence (Unrestricted).

A Radio Dealers Licence (Unrestricted) is generally valid for a period of 12 months, and is renewable on payment of the prescribed fee, at the discretion of OFCA.

4. The Montreal Convention

The Montreal Convention was designed to establish worldwide uniformity in liability rules governing air carriage of persons, baggage and cargo for compensation between two countries which are parties to it. Hong Kong became subject to the Convention on 15 December 2006. The Montreal Convention was brought into force in Hong Kong under the Carriage by Air Ordinance (Chapter 500 of The Laws of Hong Kong).

The provisions of the Montreal Convention, as set out in Schedule 1A of the Carriage 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.

REGULATORY OVERVIEW

Article 18 of the Montreal Convention determines the extent of the carriers' liability during carriage of cargos. Its extract is stated as follows:

- (1) The carrier is liable for damage sustained in the event of the destruction or loss of, or damage to, cargo upon condition only that the event which caused the damage so sustained took place during the carriage by air.
- (2) However, the carrier is not liable if and to the extent it proves that the destruction, or loss of, or damage to, the cargo resulted from one or more of the following:
 - (a) inherent defect, quality or vice of that cargo;
 - (b) defective packing of that cargo performed by a person other than the carrier or its servants or agents;
 - (c) an act of war or an armed conflict;
 - (d) an act of public authority carried out in connection with the entry, exit or transit of the cargo.

5. Regulations Concerning Transfer Pricing

Regulations concerning transfer pricing between associated enterprises can be found in the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (“IRO”) and the comprehensive double taxation agreements (the “DTAs”) between Hong Kong and other countries or territories, including the PRC. Pursuant to section 20(2) of the IRO, a non-Hong Kong resident shall be liable to Hong Kong profits tax where it carries on business with a closely connected resident and such business is so arranged that it produces to the resident person either no profits which arise in or derived from Hong Kong or less than the ordinary profits which might be expected to arise in or derived from Hong Kong. Under section 60 of the IRO, where it appears to an assessor that for any year of assessment any person chargeable with tax has not been assessed or has been assessed at less than the proper amount, the assessor may, within the year of assessment or within six years after the expiration thereof, assess such person at the amount or additional amount which according to his judgment such person ought to have been assessed, and, provided that where the non-assessment or under-assessment of any person for any year of assessment is due to fraud or wilful evasion, such assessment or additional assessment may be made at any time within 10 years after the expiration of that year of assessment.

The DTAs contain provisions mandating the adoption of arm's length principle for pricing transactions between associated enterprises. The arm's length principle uses the transactions of independent enterprises as a benchmark to determine how profits and expenses should be allocated for the transactions between associated enterprises. The basic rule in DTAs is that profits tax charged or payable should be adjusted, where necessary, to reflect the position which would have existed if the arm's length principle had been applied instead of the actual price transacted between the enterprises. The Departmental Interpretation and Practice Notes No. 45 – Relief from Double Taxation due to Transfer Pricing or Profit Reallocation Adjustments issued by the Inland Revenue Department in April 2009 makes it available that where double taxation arises as a result of transfer pricing

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adjustments made by the tax authorities of another country, a Hong Kong taxpayer may potentially claim relief under the tax treaty between Hong Kong and that country (countries entered into tax arrangements with Hong Kong includes the PRC). The Inland Revenue Department also issued a Departmental Interpretation and Practice Notes No. 46 in December 2009 which provides a comprehensive guideline on transfer pricing and further issued a Departmental Interpretation and Practice Notes No. 48 in March 2012 and revised the same in July 2020, which provides a mechanism for taxpayers to pre-agree their transfer pricing arrangements with the Inland Revenue Department.

Furthermore, the Inland Revenue (Amendment) (No. 6) Ordinance 2018 (the “**Amendment Ordinance**”), which primarily implements the minimum standards of the base erosion and profit shifting package promulgated by the Organisation for Economic Co-operation and Development and codifies the transfer pricing principles into the IRO, was gazetted on July 13 2018. The Amendment Ordinance codifies transfer pricing rules to require income or loss from provision between associated persons to be computed, on an arm’s length basis, and income or loss to be attributed to a non-resident’s permanent establishment in Hong Kong in accordance with the separate enterprises principle.

B. PRC LAWS AND REGULATIONS

1. The Distribution of the Dividends

The Rules of the Company Law of the PRC (Revised in 2018) (《中華人民共和國公司法》(2018年修訂)) provides that companies shall contribute 10% of the profits into their statutory accumulation reserve upon distribution of their post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory accumulation reserve is more than 50% of its registered capital. Where the balance of the statutory accumulation reserve of a company is insufficient to make good its losses in the previous year, the company shall make good such losses using its profits of the current year before making contribution to the statutory accumulation reserve. Upon contribution to the statutory accumulation reserve using its post-tax profits, a company may make further contribution to the discretionary accumulation using its post-tax profits in accordance with a resolution of the board of shareholders or a shareholders’ general meeting. The post-tax profits of the limited liability company after making good of losses and contribution of the accumulation reserve shall be distributed in accordance with the law.

The PRC and the Hong Kong government signed the Agreement 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 Taxes on Incomes (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) on 21 August 2006 (the “**Arrangement**”). According to the Arrangement, the 5% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident, provided that such Hong Kong resident directly holds at least 25% of the equity interests of the PRC company. The 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if such Hong Kong resident holds less than 25% of the equity interests of the PRC company.

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues Concerning the Implementation of Dividend Clauses in Tax Treaties (國家稅務總局關於執行稅收協定股息條款有關問題的通知), which was promulgated on and with effect from 20 February 2009, all of the following requirements should be satisfied where a fiscal resident of the other party to the tax agreement needs to be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a PRC resident company: (a) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (b) owner’s equity interests and voting shares

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of the PRC resident company directly owned by such a fiscal resident reaches a specified percentage; and (c) the equity interests of the PRC resident company directly owned by such a fiscal resident, at any time during the 12 months prior to the obtainment of the dividends, reaches a percentage specified in the tax agreement.

On 14 October 2019, the State Administration of Taxation of the PRC (“SAT”) promulgated the Announcement of the State Taxation Administration on Issuing the Administrative Measures for Entitlement to Treaty Benefits for Non-resident Taxpayers (國家稅務總局關於發佈《非居民納稅人享受協定稅收待遇管理辦法》的公告) (“**New Measures**”), which became effective as of 1 January 2020 in replacement for the “Administrative Measures for Non-resident Taxpayers’ Entitlement to Tax Treaty Benefits” (《非居民納稅人享受稅收協定待遇管理辦法》) promulgated by SAT in 2015 (“**Original Measures**”). Under the Announcement of the State Taxation Administration on Issuing the Administrative Measures for Entitlement to Treaty Benefits for Non-resident Taxpayers, entitlement to treaty benefits for non-resident taxpayers shall be handled by means of “self-judgment of eligibility, declaration of entitlement, and retention of relevant materials for future reference”. Where non-resident taxpayers judge by themselves that they meet the conditions for entitlement to treaty benefits, they may obtain such entitlement themselves at the time of making tax declarations, or at the time of making withholding declarations via withholding agents. At the same time, they shall collect, gather and retain relevant materials for future reference in accordance with the provisions of these measures, and shall accept the follow-up administration of tax authorities. Compared with the Original Measures, under the New Measures, a “non-resident taxpayer” is defined as a taxpayer who is a tax resident of the other contracting party in accordance with the provisions of the residents clauses of the relevant tax treaty. The relevant provisions under the PRC tax laws will no longer be used as the basis for determination purpose. Moreover, the tax declaration procedures for a non-resident taxpayer to enjoy the relevant tax treaty benefits is simplified. Only an Information Reporting Form needs to be completed and submitted and only basic information of the non-resident taxpayer and a statement of compliance with the New Measures are required in such Information Reporting Form. In addition, although supporting documents are no longer required to be submitted to the tax authority for filing in advance, a non-resident taxpayer is still required to properly collect and retain the supporting documents and provide the same to the tax authority for review, if so required. Non-resident taxpayers shall be responsible for the authenticity, accuracy and legality of the documents. Our Directors confirm that as none of our Group’s subsidiaries is subject to relevant tax treaty benefits, the New Measures does not have any implications on the Group.

2. Industry Regulations

The provision of international freight forwarding and other related services for import and export of goods, including warehousing, transportation, packaging services, container handling, loading and unloading services, customs clearance and other international freight forwarding services, in the PRC are subject to the administration by Ministry of Commerce of the PRC (the “**MOFCOM**”), the Ministry of Transport of the PRC (the “**PRC Ministry of Transport**”) and the General Administration of Customs of the PRC, etc.

Pursuant to Regulations on the Administration of Agency Business for International Freight Forwarding of the PRC (《國際貨物運輸代理業管理規定》) promulgated by the Ministry of Foreign Trade and Economic Cooperation of the PRC (the predecessor of MOFCOM) on 29 June 1995 and the implementations rules thereof (《國際貨物運輸代理業管理規定實施細則》) promulgated by the MOFCOM on 1 January 2004, an enterprise engaged in international freight forwarding businesses is required to satisfy certain requirements as to: (i) at least five professionals who have experiences in handling international freight forwarding operations for over three years and whose qualifications have been certified by their previous employers; or, have obtained the certificates of qualifications issued by the MOFCOM; (ii) a fixed place of business, either owned or leased; (iii) necessary operational facilities; and (iv) a stable supply of import and export cargo.

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According to the Provisional Measures for the Filing of International Freight Forwarding Agency Enterprises (《國際貨運代理企業備案(暫行)辦法》) which had become effective since 1 April 2005 and recently supplemented on 18 August 2016, all international freight forwarding enterprises and their branches duly registered in the PRC are required to complete the filing with the relevant local commerce authorities as delegated by the MOFCOM.

Under the PRC International Sea Freight Forwarding Regulations (2019 Revision) (《國際海運條例(2019年修訂)》), which became effective from 1 January 2002 and amended on 18 July 2013, 6 February 2016 and 2 March 2019, and the implementations rules thereof (《國際海運條例實施細則》), which became effective from 1 March 2003 and amended on 29 August 2013, 7 March 2017, 21 June 2019 and 28 November 2019, enterprises engaged in activities such as, among others, the signing of international freight forwarding contracts, taking delivery of or arranging delivery of goods, issue of bills of lading as shippers, consolidation or unconsolidation of containers in the PRC shall apply for registration of bill of lading with the PRC Ministry of Transport and the competent local transport authorities (if applicable). Those enterprises operating the non-vessel shipping business must register a bill of lading with the department in charge of transportation under the State Council and must pay a security deposit of RMB800,000, and an additional security deposit of RMB200,000 for each branch established. The PRC Ministry of Transport shall complete examination and verification of the application for bill of lading registration and the certifying documents for surety bond within 15 days from the date of receipt thereof, and shall, if the application documents are authentic and complete, grant the Non-Vessel Operating Common Carrier Qualification Registration Certificate (無船承運業務經營資格登記証) and notify the applicant of the result thereof, or, if the application documents are inauthentic or incomplete, grant no registration and notify the applicant in writing and give the reasons therefor. On 27 February 2019, the State Council promulgated the Decision on Cancelling and Delegating to Lower-level Authorities a Group of Administrative Approval Items (《國務院關於取消和下放壹批行政許可事項的決定》), which became effective on the same day. Under the Decision on Cancelling and Delegating to Lower-level Authorities a Group of Administrative Approval Items, the pre-examination and approval system for the Non-Vessel Operating Common Carrier Qualification Registration Certificate shall be displaced by a one-off filing and credit management system for those enterprises operating non-vessel shipping business.

According to the Announcement of the Ministry of Transport on Publishing In-process and Ex-post Regulatory Measures to Be Adopted After the Cancellation of and the Delegation of Authority for Ten Transport Administrative Approval Items (《交通運輸部關於公佈十項交通運輸行政許可事項取消下放後事中事後監管措施的公告》) promulgated on 27 March 2019, after the approval is changed to filing, the related filing work is implemented by the provincial transportation department, and the “Non-Vessel Operating Common Carrier Qualification Registration Certificate” issued by the Ministry of Transport or the Shanghai Municipal Commission of Communications shall be abolished.

The logistics business in the PRC has been progressively liberalised by the PRC Government. According to the Opinion relating to the Development of Modern Logistics Industry in the PRC (《關於促進我國現代物流業發展的意見》), jointly promulgated by 9 departments of the State Council on 5 August 2004, unless otherwise specified in the laws and administrative regulations of the PRC and the decisions promulgated by the State Council, all pre-examination and approval items shall be cancelled in the event that

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administrations for industry and commerce handle registration for logistics enterprises. And all approvals on the qualification requirements for international freight forwarding agencies and all administrative approval requirements for domestic railway freight forwarding agencies, waterway freight forwarding agencies and integrated freight forwarding agencies services should be removed.

On 2 August 2011, the General Office of the State Council issued the Opinions on Promoting Policies and Measures on the Healthy Development of Logistics Industry (《國務院辦公廳關於促進物流業健康發展政策措施的意見》), which further formulated and improved supporting policies and measures for the logistics industry. It includes, among others: (i) effectively alleviating the tax burden of logistics companies; (ii) enhancing the land supporting policies for logistics industry; (iii) promoting the passage of logistic vehicles; (iv) fastening the reform of logistic management system; and (v) promoting the innovation and application of logistic technology. In addition, it is required to improve the financing system, broaden the financing channels, and actively support the qualified logistics enterprises to go listing or issue bonds.

3. Enterprise Income Tax Law

The Enterprise Income Tax Law of PRC (《中華人民共和國企業所得稅法》) (the “EIT Law”), which became effective on 1 January 2008 and amended on 24 February 2017 and 29 December 2018, replaced the previous two separate tax legal regimes for foreign invested and the PRC domestic companies and imposes a single uniform income tax rate of 25% for all enterprises, including foreign-invested enterprises, unless they qualify under certain exceptions.

According to Article 2 of the EIT Law, enterprises are classified into resident and non-resident enterprises. Resident enterprise refers to an enterprise that is established inside the PRC, or which is established under the law of a foreign country (region) but whose de facto management organization is inside the PRC. Non-resident enterprise refers to an enterprise established under the law of a foreign country (region), whose de facto management organization is not inside the PRC but which has offices or establishments inside the PRC; or which does not have any offices or establishments inside the PRC but has incomes derived from the PRC. According to Article 3 of the EIT Law, a resident enterprise shall pay the enterprise income tax on its incomes derived from both inside and outside the PRC. For a non-resident enterprise having offices or establishments inside the PRC, it shall pay enterprise income tax on its incomes derived from the PRC as well as on incomes that it earns outside the PRC but which has real connection with the said offices or establishments. For a non-resident enterprise having no office or establishment inside the PRC, or for a non-resident enterprise whose incomes have no actual connection to its institution or establishment inside the PRC, it shall pay enterprise income tax on the incomes derived from the PRC.

The enterprise income tax shall be levied at the rate of 25%. A non-resident enterprise without a permanent establishment in the PRC or such non-resident enterprise which has set up a permanent establishment in the PRC but its earning income is not connected with the abovementioned permanent establishment will be subject to tax on their PRC-sourced income. The income shall be taxed at the reduced rate of 10%.

4. Value-added Tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC, (《中華人民共和國增值稅暫行條例》) which was last amended on 19 November 2017 and effective on the same day, and its implementation rules (《中華人民共和國增值稅暫行條例實施細則》) which was last amended on 28 October 2011 and effective on 1 November 2011, all entities or individuals in the PRC engaging in the sale of goods, providing labor services of processing, repairs or maintenance, or selling services, intangible assets or real property in China, or importing goods to China, are required to pay value-added tax. The value-added tax is generally levied at the rate of 17%, however a rate of 11%, 6% or 0% is applicable as stipulated in the Provisional Regulations on Value-added Tax of the PRC.

On 4 April 2018, MOF and SAT jointly promulgated the Circular of the Ministry of Finance and the State Administration of Taxation on Adjustment of Value-Added Tax Rates (《關於調整增值稅稅率的通知》), or Circular 32, according to which for VAT taxable sales acts or importation of goods originally subject to value-added tax rates of 17% and 11% respectively, such tax rates shall be adjusted to 16% and 10%, respectively. Circular 32 became effective on 1 May 2018 and shall supersede existing provisions which are inconsistent with Circular 32. On 20 March 2019, MOF, SAT and GAC jointly promulgated the Announcement on Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》), or Announcement 39, according to which for general VAT payers' sales activities or imports that are subject to VAT at an existing applicable rate of 16% or 10%, the applicable VAT rate is adjusted to 13% or 9% respectively. This Announcement came into force on 1 April 2019.

5. Tax Collection for Share Transfer by Non-PRC Resident Enterprises

Pursuant to the Announcement on Several Issues concerning the Enterprise Income Tax on the Indirect Transfers of Properties by Non-Resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) or SAT Circular No.7 issued by the SAT on 3 February 2015 and amended by the SAT on 1 December 2017 and 29 December 2017, the indirect transfer of Chinese taxable property refers to the transaction which produces a result identical or similar substantially to direct transfer of Chinese taxable property by a non-resident enterprise through transfer of equities and other similar interests of foreign enterprises directly or indirectly holding Chinese taxable properties. Where a non-resident enterprise indirectly transfers equities and other similar interests and other properties of a Chinese resident enterprise to evade its obligation of paying enterprise income tax by implementing arrangements that are not for bona fide commercial purpose, such indirect transfer shall, in accordance with the provisions of Article 47 of the EIT Law, be re-identified and recognised as a direct transfer of equities and other similar interests and other properties of the Chinese resident enterprise.

6. Labour Laws

Labour laws mainly include the Labour Law of the PRC (《中華人民共和國勞動法》) which became effective from 1 January 1995 and amended on 27 August 2009 and on 29 December 2018, the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) which became effective from 1 January 2008 and amended on 28 December 2012, and the Regulations on Paid Annual Leave for Employees (《職工帶薪年休假條例》) (the “**Regulations on Paid Annual Leave**”) which became effective since 1 January 2008, and the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) (the “**Social Insurance Law**”), effective since 1 July 2011 and was amended on 29 December 2018. Labour contracts must be concluded in writing if labour relationships are to be or have been established between enterprises or institutions and the labourers under the Labour Contract Law of the PRC. Enterprises and institutions are forbidden to force the labourers to work beyond the time limit and employers must pay labourers for overtime work in accordance with national regulations. In addition, the requirement of entry into fixed term employment contracts and dismissal of employees is very strict. In particular, the Labour Contract Law of the PRC requires the payment of a statutory severance pay upon the termination of an employment contract in specified cases, including in cases of the expiration of a fixed-term employment contract. According to the Labour Law of the PRC, enterprises and institutions must establish and perfect their system of work place safety and sanitation, strictly abide by the rules and standards on work place safety.

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Under the Regulations on Paid Annual Leave, effective since 1 January 2008, employees who have worked continuously for more than one year are entitled to a paid vacation ranging from 5 to 15 days, depending on the length of the work time. Employees who consent to waive such vacation at the request of employers must be compensated an amount equal to three times their normal daily salaries for each vacation day being waived.

According to the Social Insurance Law, there are five basic types of social security insurance, which include basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance and maternity insurance. Both employees and employers make contributions for the first three kinds of insurances and only employers make contributions for the latter two kinds. If the employers fail to pay the full amount of social insurance as scheduled, the competent authorities may order them to make the social insurance payment or make up the difference within a stipulated period and levy a surcharge equal to 0.05% of the overdue social insurance for each day from the date on which the social insurance became overdue. If the social insurance payment is not made within the stipulated period, the relevant administration department may impose a fine of one to three times the amount of overdue social insurance on the employers. It is stipulated that basic pension, basic medical and unemployment insurance are portable for individuals in case an individual changes a job or moves to another province or city. Under the Social Insurance Law, all citizens, including city residents, flexible employment, migrant workers and foreigners working in China can enjoy the five basic types of social insurance. Since the Social Insurance Law did not specify the contribution rates or the calculation basis for each kind of insurance, employers would need to refer to the local regulations for contribution rates of the social insurance schemes.

Pursuant to Regulations on Management of Housing Provident Fund (《住房公積金管理條例》) promulgated by the State Council on 3 April 1999 and amended on 24 March 2002 and 24 March 2019, enterprises are required to pay housing provident funds for their employees. Enterprises shall register with the relevant housing provident funds management center within 30 days from the date of establishment, and open housing provident funds account with designated bank on behalf of their employees within 20 days from the date of the registration with the verified documents of the housing provident funds management center. When employing new employees, enterprises shall register with the housing provident funds center within 30 days from the date of the employment of such employees, and open housing provident funds accounts for such employees at the designated bank with the verified documents of the housing provident funds management center. Furthermore, the housing provident funds to be paid and deposited by an employee shall be withheld from the employee's salary by the enterprise, and the enterprise shall pay and deposit housing provident funds on schedule and in full, and may not be overdue in the payment and deposit or underpay the housing provident funds. The payment and deposit rate for housing provident funds, either for the employee or for the enterprise, shall not be less than five percent of the average monthly salary of the employee concerned in the previous year.

Pursuant to the Labor Law of the PRC and the Labor Contract Law of the PRC (the “**Labor Contract Law**”), under certain circumstances where an employer needs to retrench 20 or more employees or where the number of employees to be retrenched is less than 20 but comprises 10% or more of the total number of employees of the enterprise, the employer shall explain the situation to the labor union or all staff 30 days in advance and seek the opinion of the labor union or the employees, the employer may carry out the retrenchment

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exercise upon reporting the retrenchment scheme to the labor administrative authorities. Such circumstances, as stipulated under the Labor Contract Law, include (i) the employer undergoes restructuring pursuant to the provisions of the Enterprise Bankruptcy Law; (ii) the employer has serious production and business difficulties; (iii) the enterprise undergoes a change of production, significant technological reform or change of mode of operation and upon variation of labor contracts, there is still a need for retrenchment; or (iv) the objective circumstances for which the conclusion of a labor contract is based upon have undergone significant changes and as a result thereof, the labor contract can no longer be performed. The Labor Contract Law further stipulates that the employer shall not rescind a labor contract pursuant to the foresaid provisions under certain circumstances. In addition, some personnel who satisfies certain conditions, as clarified in the Labor Contract Law, shall be given priority to be retained in a retrenchment exercise and when the employer is re-hiring employees within six months after it carries out a retrenchment exercise, the employer shall notify the retrenched personnel and the retrenched personnel shall be given priority for employment under the same conditions.

7. Laws and Regulations on Foreign Currency

Foreign currency laws involve the Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》) (the “**Foreign Exchange Administration Regulations**”). The principal regulations governing foreign currency exchange in China is the Foreign Exchange Administration Regulations, promulgated by the State Council on 29 January 1996 and became effective on 1 April 1996 and amended on 14 January 1997 and 5 August 2008. Under the Foreign Exchange Administration Regulations, RMB is freely convertible for payments of current account items, including profit distribution, interest payments and expenditures from trade related transactions, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside China unless prior approval of the State Administration of Foreign Exchange of the PRC (the “SAFE”) or its local branch is obtained. Under the Foreign Exchange Administration Regulations, foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of SAFE for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions. They are also allowed to retain foreign currency (subject to a cap approval by SAFE or its local branch) to satisfy foreign exchange liabilities or to pay dividends. In addition, foreign exchange transactions involving direct investment, loans and investment in securities outside China are subject to limitations and require approvals from SAFE or its local branch.

8. Laws and Regulations on Transfer Pricing

Pursuant to the EIT Law, the EIT implementation rules, the Announcement of the State Administration of Taxation on Matters Relating to Improved Administration of Related Party Declarations and Contemporaneous Documentation (《國家稅務總局關於完善關聯申報和同期資料管理有關事項的公告》), promulgated by the SAT on 29 June 2016 and became effective from 29 June 2016, and the Announcement of the State Administration of Taxation on Promulgation of the Administrative Measures on Special Tax Investigation, Adjustment and Mutual Agreement Procedure (《國家稅務總局關於發佈〈特別納稅調查調整及相互協商程序管理辦法〉的公告》), promulgated by the SAT on 17 March 2017 and became effective from 1 May 2017 and amended on 15 June 2018, transactions in respect of the purchase, sale and transfer of products, labour service transactions between, among others, enterprises under direct or indirect control by the same third party are regarded

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as related party transactions. Related party transactions should comply with the arm's length principles and if the related party transactions fail to comply with the arm's length principle, which results in the reduction of the enterprise's taxable income, the tax authority has the power to make special tax adjustments in accordance with certain procedures. An enterprise may propose the pricing principle and computation method for business dealings between the enterprise and its related parties to the tax authorities. Predetermined pricing arrangements shall be concluded after negotiation and confirmation between the tax authorities and the enterprise. Any enterprises entering into related party transactions shall submit an annual related party transactions report to the tax authorities when filing annual income tax returns, and shall also prepare the contemporaneous documentation for its related party transactions for the tax year in accordance with the tax authorities' requests.

C. MACAU LAWS AND REGULATIONS

1. Laws and Regulations for Limited Companies in Macau

If a company's main administrative and management body is established in Macau, it shall be subject to the provisions of the Commercial Code of Macau, supplemented by the applicable Civil Code of Macau, provided no contradiction exists. The prevailing Commercial Code of Macau was promulgated on 2 August 1999 pursuant to the approval and order by Order No./40/99/M, and came into effect since 1 November 1999. On 26 April 2000, amendments were made to the Order No./40/99/M and the Commercial Code of Macau by Law No. 6/2000 with immediate effect. On 31 July 2009, amendment to the Commercial Code of Macau was made by Law No. 16/2009 and an order was promulgated, which came into effect 60 days after promulgation. According to the provisions in paragraph 1 of section 174 of the Commercial Code of Macau¹, types of companies are divided into: unlimited company, limited partnership, limited company and company limited by shares, all are known as companies regardless of the type of business in which they operate; pursuant to paragraph 1 of section 390, any natural person or legal person may establish a limited company, the capital of which is constituted by a single quota, and such natural person or legal person shall be the sole holder of rights in the capital of the company, that is, a single person limited company. Pursuant to section 176, a company obtains legal person status upon completion of registration of the incorporation of a company by the Commercial and Movable Properties Registration Bureau of Macau (Conservatória dos Registos Comercial e de Bens Móveis); liabilities of shareholders in a limited company are limited by the capital contribution of shareholders. Section 213 provides that after a single person company has been declared bankrupt, regardless whether the company is a holder of rights in the capital of the company, so long as it can be proved that the company's properties are not specifically used for performance of relevant debts, the sole shareholder of our company must be held responsible for all debts of the company with personal, several and unlimited liabilities. Section 177 stipulates the capacity of a company, includes the capacity to perform the rights and obligations which are necessary, conducive or appropriate to realise its objectives, and the capacity to undertake civil liabilities and enjoy civil rights under the law. Section 356 stipulates that the capital of a limited company shall be divided into quotas, and shareholders shall be severally liable to the payment of capital contribution by all shareholders in accordance with requirements, quotas must not combine with any tradable securities, and shall not be known as shares. Pursuant to paragraph 2 of section 359 of the Commercial Code of Macau, it is stipulated that the capital of a limited company must not be less than MOP25,000.

¹ Unless specified otherwise, all law provisions mentioned in this paragraph refer to the Commercial Code of Macau.

2. Laws and Regulations on Permits and Licences

Order No. 7/96/M, which was approved on 25 January 1996 and come into effect the day after promulgation, regulates freight forwarding activities in Macau. Amendments were made to Order No. 7/96/M by Administrative Regulation no. 8/2005 on 18 May 2005. Pursuant to the first paragraph of section 2 of Order No. 7/96/M, only companies with licences can engage in freight forwarding business; according to section 5 of the same Order, such licences must be obtained from Macao Economic Bureau (Direcção dos Serviços de Economia). Pursuant to the first and second paragraphs of section 6 of the same Order, any application for renewal of such licences must be submitted to Macao Economic Bureau with all necessary documents at least 60 days before the expiry date of the licences.

3. Laws and Regulations on Surplus Sharing by Limited Companies in Macau

Pursuant to the provisions of section 198 of the Commercial Code of Macau, the surplus of a company is the amount after deducting the capital amount of our company and after deducting the reserves, not permitted for distribution to shareholders in accordance with the law or articles, which has been consolidated or to be consolidated into the year of operation as presented in the annual accounts of the year of operation prepared and approved in accordance with the statutory rules. Moreover, legislators have formulated different systems for distribution of surplus for different types of companies. In respect of limited companies, pursuant to the provisions of paragraph 1 of section 377 of the Commercial Code of Macau, disposal of distributable surplus of the relevant year of operation shall be made in accordance with the resolution of shareholders, and pursuant to the provisions in paragraph 4 of the same section, the company shall transfer not less than 25% of its surplus to the statutory reserve; when the total amount of the statutory reserve equals to one-half of the capital amount, no further transfer to the statutory reserve will be required. For the amount of surplus entitled to be shared by shareholders, no rules on distribution of bonus are prescribed by law, only supplemental regulations are promulgated. Pursuant to the provisions of paragraph 2 of section 377, the law permits the company to set within the statutory framework, that is fixing a percentage between 25% and 75% on the distributable surplus of the relevant year of operation, the amount of surplus necessary to be distributed to shareholders; however, this does not exclude the possibility that shareholders may set another percentage by resolution for a particular year for distribution of surplus to shareholders, provided that the provision for statutory reserve as stipulated in paragraph 4 of the same section must not be contravened. Furthermore, regarding taxation on surplus distributions, pursuant to the provisions of sections 2 and 3 of Supplemental Income Tax under Law No. 21/78/M, the total revenue of industrial and commercial activities of a limited company, after deducting commitments, will be the taxable target of the above supplemental income tax, and in respect of the surplus of limited companies, supplemental tax amount shall be reported and paid to the competent government authority in each year in principle. The surplus after tax will be distributed to shareholders, since the limited company has already reported and paid tax on the surplus, shareholders are no longer required to report and pay tax on the distributed surplus in individual names.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

HISTORY AND DEVELOPMENT

Our Group is a long-established freight forwarder headquartered in Hong Kong. Founded by Mr. Chiu in 2002, we now provide air and ocean export and import freight forwarding services to our customers, which include freight forwarders and direct customers. During the Track Record Period, we mainly focused on the provision of air freight export services from the PRC, Hong Kong and Macau to over 120 countries in Europe, Asia, North America and other regions (including South America, Oceania and Africa), and have provided freight forwarding services to over 950 customers.

Origin of our Group

The origin of our Group can be traced back to Grand Power Express International Limited, which was incorporated in Hong Kong on 31 May 2000 and commenced business in March 2002 to provide freight forwarding services.

Set out below are the major milestones of our Group's business:

Year	Event
March 2002	Grand Power Express International Limited commenced operation as a freight forwarder
August 2003	We became an ordinary member of Hong Kong Association of Freight Forwarding & Logistics Limited (HAFFA)
November 2004	Shares of Grand Power Logistics Group Inc., being the then holding company of Grand Power Express International Limited, were listed on the TSX Venture Exchange in Canada
	We established our first PRC subsidiary, namely 裕程國際貨運有限公司 (Grand Power Express International (China) Limited*) in Shanghai
December 2006	We established our second PRC subsidiary, namely 港裕程國際貨運代理(深圳)有限公司 (Grand Power Express International (Shenzhen) Limited*) in Shenzhen
2011	We became a member of International Air Transport Association (IATA) and International Federation of Freight Forwarders Associations (FIATA)
2013 and 2014	We obtained the 20 Million Sales Award in Recognition of Outstanding Contribution from China Airlines
January 2017	Grand Power Logistics Group Inc. was delisted from the TSX Venture Exchange

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Listing and delisting on the TSX Venture Exchange in Canada

Listing of Grand Power Logistics Group Inc.

In order to raise additional capital for the expansion plan of Grand Power Express International Limited, Grand Power Logistics Group Inc., the then holding company of Grand Power Express International Limited, proceeded with its initial public offer and listing on the TSX Venture Exchange in Canada in 2004.

Grand Power Logistics Group Inc. was incorporated as Grand Power Express Group Inc. under the Business Corporations Act (Alberta) on 1 April 2004 and changed its name to Grand Power Logistics Group Inc. on 27 May 2004.

Before the listing on TSX Venture Exchange, Grand Power Logistics Group Inc. had issued 1,125,000 common shares held by nine shareholders, and the company was owned by Mr. Alan P. Chan, a director (through his wholly owned company) as to approximately 6.67%, Mr. Gerry A. Peacock, another director (through his wholly owned company) as to 10.4%, Mr. Francis Leong, a third director as to approximately 2.22%, and six independent third parties as to approximately 80.71%. On 28 October 2004, Grand Power Logistics Group Inc. acquired all of the issued and outstanding ordinary shares of Grand Power Express International Limited. The purchase price paid by Grand Power Logistics Group Inc. was CA\$3,507,778 through the issuance of 10,022,222 common shares of Grand Power Logistics Group Inc.

On 28 October 2004, Grand Power Logistics Group Inc. also closed its initial public offer of 2,500 units (“Units”), each Unit comprising 750 common shares of Grand Power Logistics Group Inc. at an issue price of CA\$0.20 per common share and one convertible unsecured debenture with an issue price of CA\$850. The debenture had an interest of 8.8% per annum, payable semi-annually, and was convertible into common shares of the corporation at CA\$0.50 per share up to the maturity date of 31 December 2007, subject to certain conditions. The offering raised a total of CA\$375,000 in share capital and CA\$2,125,000 in debentures.

On 5 November 2004, the 13,022,222 issued and outstanding common shares of Grand Power Logistics Group Inc. commenced trading on the TSX Venture Exchange under the symbol “GPW”. Upon the listing, Mr. Chiu held 10,022,222 common shares, representing approximately 76.96% of the issued share capital of Grand Power Logistics Group Inc..

The net proceeds raised from the initial public offer of Grand Power Logistics Group Inc. were used for the purposes as follows: (i) approximately CA\$650,000 to expand the air freight forwarding agency service of our Group; (ii) CA\$750,000 to establish cargo handling facilities and a logistics centre; and (iii) the balance of CA\$275,000 as working capital.

Privatisation and delisting of Grand Power Logistics Group Inc.

After considering that the share price of Grand Power Logistics Group Inc. was undervalued and it became difficult to raise capital in the stock markets in Canada in the past years, Mr. Chiu and Ms. Wong intended to privatise and delist Grand Power Logistics Group Inc. from the TSX Venture Exchange. In October 2016, Grand Power Logistics Group Inc. entered into an amalgamation agreement with 2001123 Alberta Ltd. pursuant to which Grand Power Logistics Group Inc. was taken private by way of an amalgamation between these two companies.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

2001123 Alberta Ltd. was then a corporation owned by Mr. Chiu and Ms. Wong, who collectively owned approximately 22.33% of the issued and outstanding common shares in the capital of Grand Power Logistics Group Inc. in October 2016.

Pursuant to the amalgamation agreement, each shareholder of Grand Power Logistics Group Inc., other than Mr. Chiu and Ms. Wong, received one redeemable preferred share of the amalgamated company for each share held immediately prior to the amalgamation. Each redeemable preferred share was redeemed for the offer price of CA\$0.09 per share (approximately HK\$0.54 per share). The total cash consideration for the redemption was CA\$5,683,915 (approximately HK\$34,047,000), of which HK\$13,000,000 was from the internal source of our Group and the remaining amount was funded by Mr. Chiu and Ms. Wong from their personal source. The amalgamation resulted in Grand Power Logistics Group Inc. being taken private and delisted from the TSX Venture Exchange.

The board of directors of Grand Power Logistics Group Inc. formed a special committee comprising two independent directors to evaluate the amalgamation and make recommendations to the board of directors. The special committee retained an independent valuator, who prepared a comprehensive valuation report and fairness opinion dated 12 October 2016 with respect to the proposed amalgamation. The valuation report concluded that the offer price was not fair from a financial point of view. The special committee, however, after considering both the valuation report and other factors relevant to the amalgamation, resolved that the board of directors should submit the amalgamation to a vote of the shareholders at a shareholders' meeting; and make no recommendation to the shareholders as to how they should vote in respect of the amalgamation. The special committee also advised the shareholders they should take into account the consideration discussed by the special committee in the information circular for the shareholders' meeting.

Grand Power Logistics Group Inc. convened a special meeting of shareholders which took place on 22 December 2016 for shareholders to consider and, if thought appropriate, to approve the amalgamation; and the amalgamation was approved at the meeting.

The completion of the amalgamation was subject to a number of conditions precedent that were customary to this type of transaction, including but not limited to the approval of at least two-thirds of the votes cast by holders of shares at the shareholders' meeting, the approval by at least a simple majority of the votes cast by the shareholders other than Mr. Chiu and Ms. Wong, and the acceptance of the amalgamation by the TSX Venture Exchange.

The amalgamation was completed on 3 January 2017 and the common shares of Grand Power Logistics Group Inc. were delisted from the TSX Venture Exchange at the close of business on 6 January 2017. Immediately after the completion of the amalgamation and delisting, Mr. Chiu and Ms. Wong held 126,260,760 and 5,048,517 shares respectively, representing 96.2% and 3.8% of the issued share capital of Grand Power Logistics Group Inc.. Immediately preceding the completion of the amalgamation and based on the closing trading price of CA\$0.085 on 6 January 2017 and 81,662,278 issued and outstanding common shares, the then market capitalisation of Grand Power Logistics Group Inc. was approximately CA\$6.9 million (approximately HK\$41.6 million).

Our Directors confirm that Grand Power Logistics Group Inc. had, during the period it was listed on the TSX Venture Exchange, (i) been in compliance in all material respects with all applicable securities laws and regulations of Canada and the rules and regulations of the TSX Venture Exchange; and (ii) not been subject to any disciplinary action by the relevant regulators in Canada.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The revenue of Grand Power Logistics Group Inc. and its subsidiaries was loss-making in the nine months ended 30 September 2016. However, there was a significant improvement in the financial performance of our Group in the fourth quarter in FY2016, which was mainly attributable to (i) the total number of tonnage carried by our Group soaring in the said quarter from 4,571,000 kilograms to 8,200,000 kilograms due to an unexpected market rebound in the freight forwarding industry, which represented an increase of 79.4%; (ii) the cancellation of cargo fuel surcharge by the Civil Aviation Department for flights originating from Hong Kong in April 2016 which reduced the cost of services and thereby increased the gross profit margin; and (iii) there were, among other things, five customers (four of them were major customers in FY2016) which had contributed to a significant increase in revenue from HK\$17.8 million to HK\$48.2 million, representing a 170.8% increase from the third quarter to fourth quarter of FY2016.

Corporate history

The following is a brief corporate history of the establishment and commencement of business of our Company and major operating subsidiaries, and the material changes in their shareholdings during the Track Record Period before Reorganisation.

Grand Power Express International Limited

Grand Power Express International Limited, which is the first member and principal operating company of our Group, was incorporated in Hong Kong on 31 May 2000 and formally commenced business in March 2002 to provide air freight forwarding services. Upon its incorporation, one share was allotted and issued to Mr. Chiu at a consideration of HK\$1.00.

On 1 November 2004, Grand Power Logistics Group Inc. acquired all of the issued and outstanding ordinary shares of Grand Power Express International Limited. The purchase price paid by Grand Power Logistics Group Inc. was CA\$3,507,778 through the issuance of 10,022,222 common shares of Grand Power Logistics Group Inc.. The purchase price was determined by the negotiation between Grand Power Logistics Group Inc. and the shareholder of Grand Power Express International Limited. The value of Grand Power Express International Limited was calculated based on five times the net profit of Grand Power Express International Limited for the year ended 31 December 2003, which was HK\$3,999,761 or approximately CA\$719,957. Accordingly, the value of Grand Power Express International Limited was calculated to be CA\$3,507,778, and was based on a vend-in price of CA\$0.35 per common share.

Grand Power Express International Limited became a wholly owned subsidiary of Grand Power Logistics Group Inc. after the above acquisition.

Grand Power Express Forwarders Company Limited

Grand Power Express Forwarders Company Limited was incorporated in Macau on 19 December 1996. Upon its incorporation, its capital was MOP1,000,000, of which Mr. Chiu Wan Kee (being the father of Mr. Chiu) held MOP900,000 and Mr. Chiu held MOP100,000.

On 10 October 2002, the capital of Grand Power Express Forwarders Company Limited was increased from MOP1,000,000 to MOP2,200,000, of which MOP100,000, MOP1,100,000 and MOP1,000,000 was held by Mr. Chiu, Mr. Chiu Wan Kee and an Independent Third Party, namely, Mr. Lin Chia Cheng, respectively.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 25 May 2005, Mr. Chiu and Mr. Chiu Wan Kee transferred MOP100,000 and MOP1,100,000 in the capital of Grand Power Express Forwarders Company Limited to Hon Son Trading Company Limited, respectively.

On 22 August 2005, Mr. Lin Chia Cheng transferred MOP1,000,000 in the capital of Grand Power Express Forwarders Company Limited to Mr. Chiu Wan Kee.

On 25 April 2006, Grand Power Express International Limited acquired the entire share capital of Grand Power Express Forwarders Company Limited at a consideration of HK\$13,750,000, which was based on an independent appraisal. The consideration was paid as to HK\$3.75 million in cash and HK\$10 million in common shares of Grand Power Logistics Group Inc. which represented 3,162,760 common shares at a deemed price of CA\$0.50 per share. At the time of the acquisition, Mr. Chiu, Mr. Chiu Wan Kee and Mr. Lam In Wai (being a former director of Grand Power Logistics Group Inc.) beneficially owned 6.82%, 86.36% and 6.82%, respectively, in Grand Power Express Forwarders Company Limited. Grand Power Express Forwarders Company Limited was engaged in the business of air freight agent in operating inbound, outbound and logistics cargo services in Macau.

裕程國際貨運有限公司 (Grand Power Express International (China) Limited*)

裕程國際貨運有限公司 (Grand Power Express International (China) Limited*) was established on 26 November 2004 in the PRC. Upon its establishment, the registered capital was US\$610,000 and was contributed by Grand Power Express Forwarders Company Limited.

The registered capital of 裕程國際貨運有限公司 (Grand Power Express International (China) Limited*) was increased from US\$610,000 to US\$673,000 in September 2006, and further increased to US\$7,250,000 in June 2008.

裕程國際貨運有限公司 (Grand Power Express International (China) Limited*), which is headquartered in Shanghai, the PRC, also set up the following branch companies in the PRC:

- i. Guangzhou branch company in September 2006;
- ii. Xiamen branch company in September 2008;
- iii. Tianjian branch company in April 2009; and
- iv. Fuzhou branch company in July 2015.

裕程國際貨運有限公司 (Grand Power Express International (China) Limited*), together with its branch companies, has principally engaged in the business of international transportation agency for import and export of goods by air freight and sea freight since their respective establishment.

港裕程國際貨運代理(深圳)有限公司 (Grand Power Express International (Shenzhen) Limited*)

Grand Power Express International (Shenzhen) Limited* was established on 19 December 2006 in the PRC. Upon its establishment, the registered capital was RMB5,000,000 and was contributed by Grand Power Express International Limited. The headquarters of Grand Power Express International (Shenzhen) Limited is in Shenzhen, the PRC.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Since its establishment, Grand Power Express International (Shenzhen) Limited* principally engaged in the business of international transportation agency for import and export of goods, exhibits, personal items by land transport, air freight and sea freight.

United Air Cargo & Express Limited and Ching Chit Express Company Limited

United Air Cargo & Express Limited was incorporated in the BVI on 25 October 1999 with an authorised share capital of US\$50,000. On 1 January 2003, Grand Power Express International Limited acquired United Air Cargo & Express Limited from Mr. Lam In Wai at a consideration of CA\$173,827 based on its net asset value. The company then carried on the business of air freight forwarding services for the trans-shipment cargo from China to Taiwan. As at the Latest Practicable Date, United Air Cargo & Express Limited provides air freight forwarding services primarily for the trans-shipment cargo from China to Southeast Asia and holds a real property in Macau.

Ching Chit Express Company Limited was incorporated in Hong Kong on 21 June 2011. Upon its incorporation, one share was allotted and issued to United Air Cargo & Express Limited at a consideration of HK\$1.00. It has not commenced any business operation since its incorporation. On 13 March 2018, it applied to the Registrar of Companies in Hong Kong for deregistration and was dissolved on 27 July 2018.

Grand Power Express International (USA) Corp.

On 18 September 2006, Grand Power Express International (USA) Corp. was established by Grand Power Express International Limited in Los Angeles, California, USA. We then consolidated and processed cargo shipments to North America directly through our network, rather than outsourcing to an external U.S. cargo agent. This provided a more efficient “one-stop” service for our direct customers, routing cargo from the customers’ Asia suppliers directly to North America. To better allocate our resources for our business in Asia at that time, Grand Power Express International (USA) Corp. subsequently ceased operation in 2010.

As we intended to save time and resources in maintaining the existence of Grand Power Express International (USA) Corp., we applied to the California Secretary of State for the deregistration of Grand Power Express International (USA) Corp. in July 2018, which was subsequently dissolved on 1 August 2018.

Lumen Corporation Limited

Lumen Corporation Limited was incorporated in Hong Kong on 24 November 2009 with an authorised capital of HK\$10,000. Upon its incorporation, one share was allotted and issued to Grand Power Express International Limited at a consideration of HK\$1.00. It is a property holding company, which holds our owned property in Hong Kong.

Metroplus Asia Limited and Redcap Logistics Limited

Redcap Logistics Limited was incorporated in Hong Kong on 8 June 2007. Upon its incorporation, Grand Power Express International Limited acquired a 60% interest in Redcap Logistics Limited through Metroplus Asia Limited, its wholly owned subsidiary incorporated in the BVI on 30 March 2007, while Mr. Chan Yiu Chung, an Independent Third Party, held the remaining 40% interest. Redcap Logistics Limited allowed our Group wider access in Hong Kong and to co-load markets to the United States and other overseas destinations.

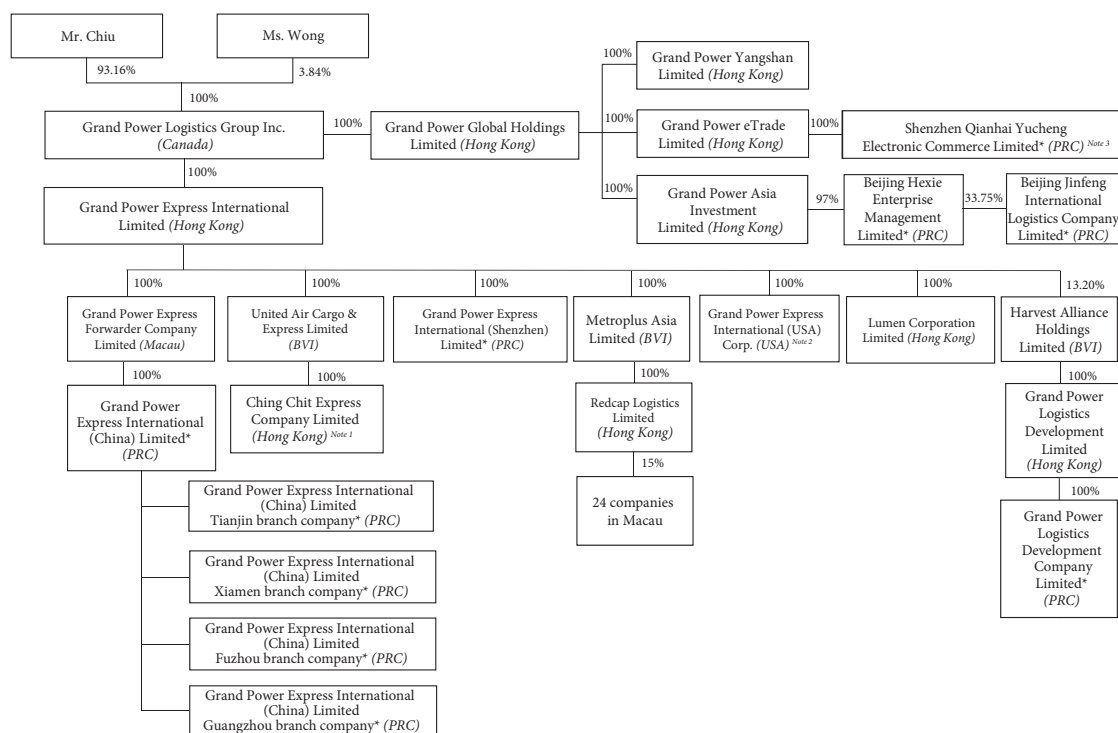
HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 5 February 2009, Mr. Chan Yiu Chung transferred 4,000 shares in Redcap Logistics Limited to Metroplus Asia Limited at a consideration of HK\$4,000. After such transaction, Redcap Logistics Limited became a wholly-owned subsidiary of Metroplus Asia Limited. As at the Latest Practicable Date, Redcap Logistics Limited primarily provides freight-forwarding services.

Pursuant to an entrustment agreement entered into among Mr. Lam In Wai, Ms. Ao Mio Leong and Redcap Logistics Limited on 5 December 2014, Recap Logistics Limited agreed to invest in 15% of the share capital of 24 property holding companies incorporated in Macau, which were then held by Mr. Lam In Wai and Ms. Ao Mio Leong in equal shares, at a consideration of HK\$14,136,795, and each of Mr. Lam In Wai and Ms. Ao Mio Leong agreed to hold 7.5% of the share capital of the 24 property holding companies for and on behalf of Redcap Logistics Limited. Please also refer to the section headed “History, Reorganisation and Corporate Structure — Reorganisation” in this prospectus for details of the disposal of the interests in the above 24 companies in Macau in December 2017.

REORGANISATION

The following diagram sets out the shareholdings and corporate structure of our Group before the Reorganisation:



Notes:

1. Ching Chit Express Company Limited was dissolved on 27 July 2018.
2. Grand Power Express International (USA) Corp. was dissolved on 1 August 2018.
3. Shenzhen Qianhai Yucheng Electronic Commerce Limited was dissolved on 8 September 2019.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Our Group has undergone a reorganisation in preparation for the Listing which involved the following steps:

1. On 1 May 2017, Mr. Chiu, Ms. Wong and Grand Power Logistics Holdings Limited entered into a sale and purchase of shares agreement whereby Mr. Chiu and Ms. Wong transferred respectively 126,260,760 common shares and 5,048,517 common shares in Grand Power Logistics Group Inc. to Grand Power Logistics Holdings Limited at a total consideration of CA\$7,317,835 which was settled by the issue and allotment of 9,616 shares and 384 shares in Grand Power Logistics Holdings Limited to Mr. Chiu and Ms. Wong, respectively. In this connection, on 4 May 2018, as directed by Mr. Chiu, 5,000 shares and 4,616 shares were issued and allotted by Grand Power Logistics Holdings Limited to Profit Virtue and Peak Connect, respectively, and as directed by Ms. Wong, 384 shares were issued and allotted by Grand Power Logistics Holdings Limited to Peak Connect.

Grand Power Logistics Holdings Limited was incorporated in the BVI on 28 October 2016 and, as at 1 May 2017, was owned by Profit Virtue and Peak Connect in equal shares. Profit Virtue is wholly owned by Mr. Chiu, and Peak Connect is owned by Mr. Chiu as to 92.32% and by Ms. Wong as to 7.68%, respectively.

2. On 2 May 2017, Grand Power Express International Limited entered into a sale and purchase agreement with Mr. Chiu whereby Grand Power Express International Limited transferred 1,692,300 shares in Harvest Alliance Holdings Limited to Mr. Chiu at a nominal consideration of HK\$1.00.
3. On 20 July 2017, 92,749,999 shares and one share in Grand Power Express International Limited were transferred from Grand Power Logistics Group Inc. and Mr. Chiu (as trustee of Grand Power Logistics Group Inc. in respect of the one share) to Grand Power Logistics Holdings Limited by way of distribution to the then sole shareholder of Grand Power Logistics Group Inc.
4. On 28 August 2017, Grand Power Logistics Holdings Limited and Wise Park Enterprises Limited entered into a sale and purchase of shares agreement, whereby Grand Power Logistics Holdings Limited transferred 131,309,277 common shares in the issued share capital of Grand Power Logistics Group Inc., representing all of its issued share capital, to Wise Park Enterprises Limited at a total consideration of US\$1.00.

Wise Park Enterprises Limited is a company incorporated in the BVI and owned by Mr. Chiu and Ms. Wong as to 96.16% and 3.84% respectively.

5. On 18 December 2017, Mr. Lam In Wai, Ms. Ao Mio Leong, Redcap Logistics Limited and Mr. Chiu entered into an agreement (the “**Transfer Agreement**”) whereby Redcap Logistics Limited transferred to Mr. Chiu its interests in the entrustment agreement (the “**Entrustment Agreement**”) dated 5 December 2014 entered into among Mr. Lam In Wai, Ms. Ao Mio Leong and Redcap Logistics Limited, at a total consideration of HK\$90,000.

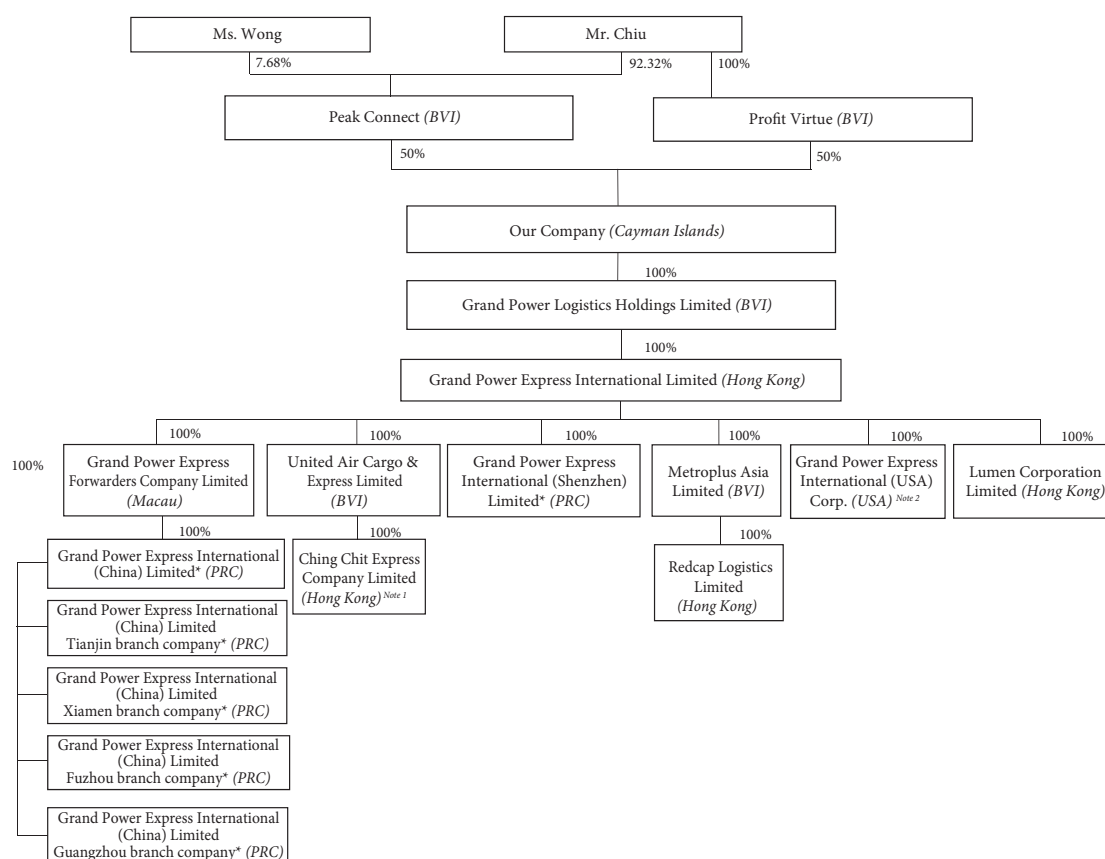
HISTORY, REORGANISATION AND CORPORATE STRUCTURE

According to the Entrustment Agreement, Mr. Lam In Wai and Ms. Ao Mio Leong were the registered shareholders of 24 property holding companies established in Macau (the “**Macau Companies**”) and held 15% of the share capital of the Macau Companies for and on behalf of Redcap Logistics Limited in consideration of the investment of HK\$14,136,795 made by Redcap Logistics Limited. Each of the Macau Companies held a commercial property or a parking space in Macau and there were 14 commercial properties and 10 car parking spaces held by the Macau Companies.

6. On 29 March 2018, our Company was incorporated in the Cayman Islands as an exempted company with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On the same day, one nil-paid Share was issued to an initial subscriber, and was subsequently transferred to Profit Virtue on the same day. On the same day, our Company further allotted and issued one nil-paid Share to Peak Connect.

On 20 July 2018, Profit Virtue, Peak Connect and our Company entered into a sale and purchase of shares agreement whereby Profit Virtue and Peak Connect transferred 5,001 shares and 5,001 shares in Grand Power Logistics Holdings Limited, respectively, to our Company in consideration of our Company crediting the nil paid Shares held by Profit Virtue and Peak Connect, and the issue and allotment of 4,999 Shares and 4,999 Shares to Profit Virtue and Peak Connect, respectively.

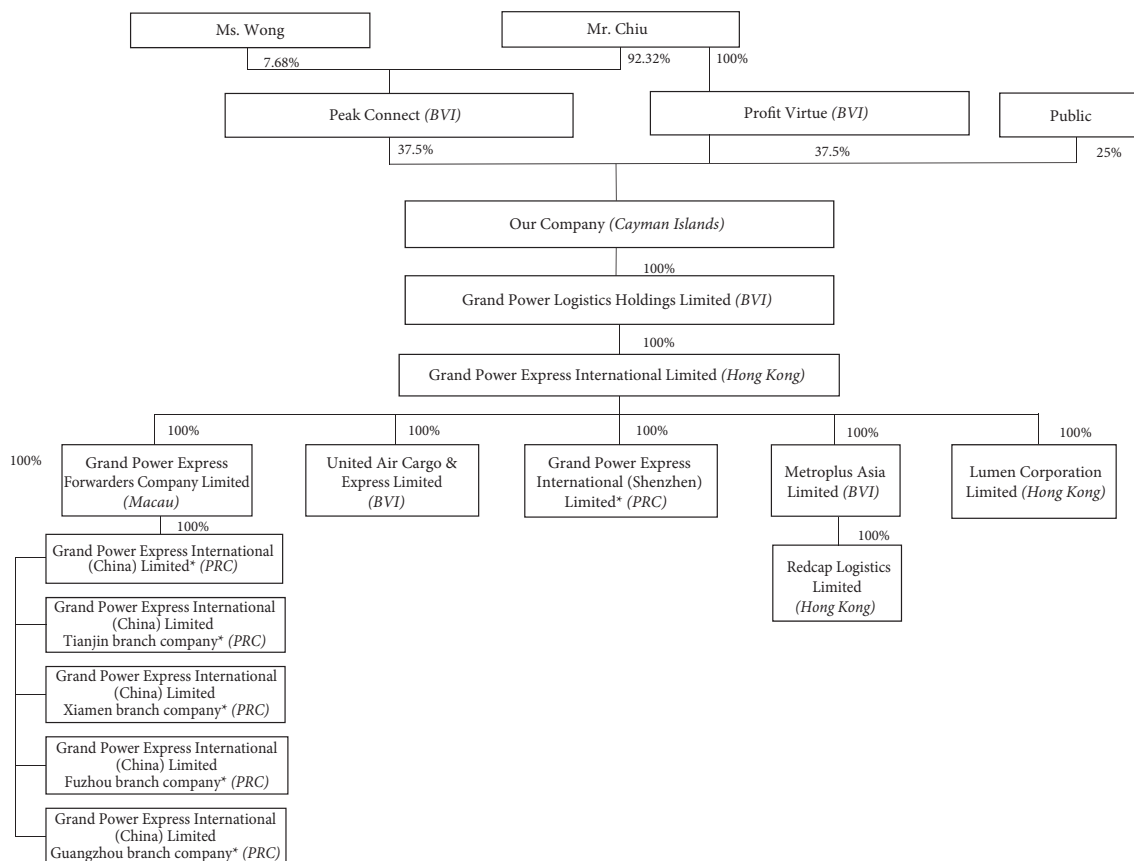
The following diagram sets out the shareholdings and corporate structure of our Group immediately following completion of the Reorganisation but before the Share Offer and the Capitalisation Issue:



- Notes: 1. Ching Chit Express Company Limited was dissolved on 27 July 2018.
 2. Grand Power Express International (USA) Corp. was dissolved on 1 August 2018.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following diagram sets out the shareholdings and corporate structure of our Group immediately following completion of the Share Offer and the Capitalisation Issue:



Companies excluded from our Group pursuant to the Reorganisation

The following companies were not included in our Group as a result of the Reorganisation because they do not have the same business nature as our Group or we only had a minority interest in the operating company indirectly (details of which are set out below).

Harvest Alliance Holdings Limited, Grand Power Logistics Development Limited and 裕程物流發展有限公司 (Grand Power Logistics Development Company Limited*)

For the purpose of investing in the logistics park development project in Yangshan Deep-Water Port near Shanghai (the “**Yangshan Project**”), the following companies were established.

On 26 May 2009, Grand Power Logistics Development Limited was incorporated in Hong Kong. Upon its incorporation, one share of HK\$1.0 was issued and allotted to Grand Power Express International Limited. After issuance and allotments of shares in July 2009 and June 2010, Grand Power Express International Limited, Max Classic International Limited (which is an Independent Third Party) and East Mark Worldwide Limited (which is wholly owned by Mr. Chiu) held 8,400,000 shares, 2,400,000 shares and 1,200,000 shares, representing 70%, 20% and 10% of its issued share capital, respectively. On 19 January 2011, Grand Power Logistics Development Limited established 裕程物流發展有限公司 Grand Power Logistics Development Company Limited* (“**GP Logistics Development PRC**”) as a wholly foreign owned enterprise in the PRC. On 17 February 2011, the then shareholders of Grand Power Logistics Development Limited transferred all their shares to Harvest Alliance Holdings Limited. As at 18 June 2013,

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

the issued share capital of Grand Power Logistics Development Limited increased to HK\$129.6 million divided into 129.6 million shares of HK\$1.0 each, which are wholly owned by Harvest Alliance Holdings Limited.

On 4 January 2011, Harvest Alliance Holdings Limited was incorporated in the BVI. Upon its incorporation, it was owned by Grand Power Express International Limited, Max Classic International Limited and East Mark Worldwide Limited as to 70%, 20% and 10%, respectively. As at 12 July 2013, Harvest Alliance Holdings Limited had an issued share capital of US\$12,820,050 divided into 12,820,050 shares of US\$1.00 each. Grand Power Express International Limited, Max Classic International Limited, East Mark Worldwide Limited and three other shareholders (who are Independent Third Parties) held 1,692,300 shares, 2,358,920 shares, 1,076,800 shares and 7,692,030 shares, representing approximately 13.2%, 18.4%, 8.4% and 60% of the issued share capital of Harvest Alliance Holdings Limited, respectively.

On 19 January 2011, GP Logistics Development PRC was established as a wholly foreign owned enterprise in the PRC by Grand Power Logistics Development Limited. As at 10 November 2013, its registered capital was US\$15 million. On 23 December 2016, its registered capital was increased to US\$103,127,657. GP Logistics Development PRC has been the project company which holds the interests in the Yangshan Project.

During 2016 and 2017, Harvest Alliance Holdings Limited, Grand Power Logistics Development Limited and GP Logistics Development PRC had no material non-compliance and had recorded a consolidated loss of approximately HK\$10.6 million and a consolidated profit of approximately HK\$51 million for FY2016 and FY2017, respectively. As at the Latest Practicable Date, since East Mark Worldwide Limited only remains a passive investor with a minority interest of approximately 5.6% in Harvest Alliance Holdings Limited after FY2017, our Group is unable to obtain and disclose the financial information of Harvest Alliance Holdings Limited, Grand Power Logistics Development Limited and GP Logistics Development PRC, and thus the amounts of consolidated profits or losses for FY2018 and FY2019 were not included in this Prospectus.

Grand Power Global Holdings Limited

Grand Power Global Holdings Limited was a company incorporated in Hong Kong on 27 August 2015 and is an investment holding company. During 2016 and 2017, Grand Power Global Holdings Limited had no material non-compliance and had recorded a loss of approximately HK\$1.2 million, HK\$1.5 million, HK\$1.8 million and recorded a profit of approximately HK\$301,000 for FY2016, FY2017, FY2018 and FY2019, respectively.

Grand Power Yangshan Limited

On 7 September 2015, Grand Power Yangshan Limited was incorporated in Hong Kong to facilitate the Yangshan Project. Upon its incorporation, 10,000 shares were allotted and issued to Grand Power Global Holdings Limited at a consideration of HK\$10,000.

During the Track Record Period, Grand Power Yangshan Limited had no material non-compliance and recorded a loss of approximately HK\$72,000, HK\$12,000, HK\$13,300 and HK\$2,400 for FY2016, FY2017, FY2018 and FY2019, respectively.

Grand Power eTrade Limited and 深圳前海裕程電子商貿有限責任公司 (Shenzhen Qianhai Yucheng Electronic Commerce Limited*)

Grand Power eTrade Limited was incorporated in Hong Kong on 7 September 2015 and is an investment holding company. Upon its incorporation, 10,000 shares were allotted and issued to Grand Power Global Holdings Limited at a consideration of HK\$10,000.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

深圳前海裕程電子商貿有限責任公司 (Shenzhen Qianhai Yucheng Electronic Commerce Limited*) was established in the PRC on 5 April 2016. Upon its establishment, the registered capital was HK\$3,000,000 and was contributed by Grand Power eTrade Limited. It was primarily engaged in technological development of electronic commercial platform. It was dissolved on 8 September 2019.

During 2016 and 2017, Grand Power eTrade Limited and Shenzhen Qianhai Yucheng Electronic Commerce Limited had no material non-compliance and had recorded a consolidated loss of approximately HK\$440,000, HK\$440,000, HK\$228,000 and HK\$5,500 for FY2016, FY2017, FY2018 and FY2019, respectively.

Grand Power Asia Investment Limited, 北京合協企業管理有限公司 (Beijing Hexie Enterprise Management Limited*) (“Beijing Hexie”) and 北京金鳳國際物流有限公司 (Beijing Jinfeng International Logistics Company Limited*) (“Beijing Jinfeng”)

Grand Power Asia Investment Limited was incorporated in Hong Kong on 7 September 2015 and is an investment holding company. Upon its incorporation, 10,000 shares were allotted and issued to Grand Power Global Holdings Limited.

Beijing Hexie was established in the PRC on 3 February 2009 with a registered capital of RMB3,500,000 which was contributed by Grand Power Express International Limited and 北京合協航空服務有限公司 (Beijing Hexie Air Freight Service Limited*) as to RMB3,395,000 and RMB105,000, respectively. It is engaged in corporate management, warehousing and investment consultancy. Beijing Jinfeng was established in the PRC on 15 October 2009 with a registered capital of RMB3,000,000, which was contributed by Beijing Hexie and 北京金鳳航空服務公司 (Beijing Jinfeng Air Freight Service Company*) as to 90% and 10% respectively. It is engaged in warehousing, loading and unloading services and logistics agency. On 1 July 2010, there was a RMB5,000,000 increase in the registered capital of Beijing Jinfeng, which was contributed by 港美國際貨運代理(北京)有限公司 (Gangmei International Logistics Agency (Beijing) Limited*), an Independent Third Party.

On 3 March 2016, Grand Power Express International Limited transferred all its equity interest in the registered capital of RMB3,395,000 in Beijing Hexie to Grand Power Asia Investment Limited at a consideration of HK\$1,200,000. The executive Directors considered that the inclusion of Beijing Hexie and Beijing Jinfeng in our Group would not bring any additional benefit to our Group given that our operating subsidiaries in the PRC are engaged in the provision of logistics services, and we would only have a minority interest in Beijing Jinfeng. As such, our Company did not acquire any interest in Beijing Hexie and Beijing Jinfeng under the Reorganisation. In addition, in order to avoid any competing interest held by the Controlling Shareholders, on 1 February 2018, Grand Power Asia Investment Limited transferred all its equity interest in the registered capital of RMB3,395,000 in Beijing Hexie to an Independent Third Party, at a nominal consideration of HK\$10,000 after taking into account the net asset value of Beijing Hexie as at 31 December 2017 as shown in its audited financial statements.

During 2016 and 2017, Grand Power Asia Investment Limited, Beijing Hexie and Beijing Jinfeng had no material non-compliance and had recorded a consolidated loss of approximately HK\$4.7 million and HK\$2.3 million for FY2016 and FY2017, respectively. Grand Power Asia Investment Limited had recorded a profit of approximately HK\$303,000 and HK\$568,000 for FY2018 and FY2019, respectively. As Grand Power Express International Limited no longer holds any interest in Beijing Hexie (which held 33.7% of equity interests in Beijing Jinfeng) after FY2017, our Group does not have the financial information of Beijing Hexie and Beijing Jinfeng, and thus the amounts of consolidated profits or losses for FY2018 and FY2019 were not included in this Prospectus.

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OVERVIEW

We are a long-established freight forwarder headquartered in Hong Kong, with sales force in Hong Kong and six regional offices in the PRC, including Shanghai, Shenzhen, Guangzhou, Xiamen, Tianjin and Fuzhou as at the Latest Practicable Date, focusing on the market in Hong Kong, the PRC and Macau. We provide air and ocean export and import freight forwarding services with optional ancillary logistics services (such as cargo pick up, cargo handling at ports and local transportation) and warehousing related services (such as repackaging, labelling, palletising, customs clearance and warehousing) to meet the requirements of our customers. According to the CIC Report, the freight forwarding logistics industry in Hong Kong is highly fragmented and competitive. In 2019, there were more than 1,500 freight forwarding companies registered in Hong Kong which can be divided into two tiers, consisting of (i) tier one players, mainly around 20 to 30 multinational enterprises, which contributed about nearly half of the total revenue of air freight forwarding logistics industry in Hong Kong; and (ii) tier two players, being small- and medium-scale Hong Kong based freight forwarders (normally having a turnover below HK\$1.5 billion per year), whose top ten players accounted for a market share of 7.9% in aggregate. We are one of the constituents of the tier two top ten players and accounted for about 0.6% market share of the Hong Kong air freight forwarding logistics industry in 2019.

We derive our revenue from two business segments, namely air freight forwarding services and ocean freight forwarding services. For FY2017, FY2018, FY2019 and 8M2020, our total revenue amounted to approximately HK\$425.4 million, HK\$463.1 million, HK\$353.3 million and HK\$553.4 million, respectively. The table below sets out our revenue breakdown by segment during the Track Record Period:

	FY2017		FY2018		FY2019		8M2020	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Air freight forwarding	400,777	94.2	447,605	96.7	319,217	90.3	536,580	97.0
Ocean freight forwarding	24,637	5.8	15,445	3.3	34,124	9.7	16,787	3.0
Total	425,414	100.0	463,050	100.0	353,341	100.0	553,367	100.0

Our air and ocean freight forwarding services include export and import services. During the Track Record Period, we mainly focused on the provision of air freight export services from the PRC, Hong Kong and Macau to over 120 countries in Europe, Asia, North America and other regions (including South America, Oceania and Africa). For FY2017, FY2018, FY2019 and 8M2020, our total revenue attributable to the provision of air freight export services, amounted to approximately HK\$400.4 million, HK\$447.2 million, HK\$318.7 million and HK\$536.4 million, respectively, representing approximately 94.1%, 96.6%, 90.2% and 96.9% of our total revenue for the same year/period.

Our suppliers include airlines, freight forwarders and shipping liners for cargo space and other suppliers for logistics related services such as transportation and warehousing related services. During the Track Record Period, we had (i) over 500 cargo space suppliers, including 11 airlines and shipping liners as well as other freight forwarders suppliers; and (ii) engaged over 40 service providers for local transportation and warehousing related services. We procure cargo spaces directly from airlines and shipping liners as well as from other freight forwarders under different arrangements, including direct booking, block space arrangements, and flight charters.

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Please see the paragraph headed “Business Model — Procurement of cargo space” in this section for details of our procurement of cargo space.

In order to procure cargo spaces from airlines, we are often required to provide bank guarantees and settle payment within a relatively short credit period of around 15 to 30 days, while we provide a credit term of up to 90 days to our customers, resulting in a credit mismatch. In addition, for the procurement of charter flights, we have to fully pay in advance to airlines two to ten days before the departure of the flights, and we usually require full or partial payment in advance from our customers.

During the Track Record Period, we had served more than 950 customers, including freight forwarders and direct customers (i.e. customers that are not freight forwarders who purchase cargo spaces from our Group and directly ship their consignments, for example, manufacturers which directly ship their products to their customers through purchasing cargo spaces directly from our Group, or buyers of goods which arrange shipment by themselves). According to the CIC Report, it is a common industry practice for small-and medium-sized freight forwarders to co-load their consignments with each other for maximum utilisation of cargo space. As a co-loader in the industry, in terms of our total revenue, a majority of our customers are other freight forwarders who act on behalf of their own customers during the Track Record Period. Our revenue derived from freight forwarder customers amounted to HK\$400.4 million, HK\$447.2 million, HK\$318.9 million and HK\$536.6 million, representing 94.1%, 96.6%, 90.3% and 97.0% of the total revenue for FY2017, FY2018, FY2019 and 8M2020, respectively. Out of our top five largest customers who are also freight forwarders during the Track Record Period, we have maintained business relationships with three of them for 10 years as at the Latest Practicable Date, which we believe is an indication of the customers’ loyalty and recognition of our service quality.

COMPETITIVE STRENGTHS

Our Directors believe that the following competitive strengths are key factors contributing to our success and will enable us to further develop our business in the future:

We are well positioned to take advantage of favourable growth area

The air freight forwarding logistics industry in Hong Kong remains an enormous market. According to the CIC Report, (i) the market size is estimated to increase to HK\$54.5 billion in 2024, representing a CAGR of 4.6% between 2020 and 2024; and (ii) our Group accounted for about 0.6% market share of the air freight forwarding industry in 2019. Thus, the Directors are of a view that there is an ample space in the market to allow our Group to grow.

Furthermore, according to the CIC Report, the cross-border e-commerce export value of the PRC grew from RMB4.6 trillion to RMB8.0 trillion, at a CAGR of 15.3% from 2015 to 2019 and is expected to grow to RMB13.2 trillion in 2024, at a CAGR of 10.2% from 2020 to 2024. Despite the outbreak of COVID-19 has caused an unprecedented negative impact on the worldwide economy, it has favoured and speeded up the further growth of the e-commerce sector as lockdowns, quarantines and social distancing boost demand for online shopping and express delivery services. In the first six months of 2020, China’s cross-border e-commerce retail import and export value registered an increase of 26.2% as compared to the same period in 2019. Further, in May 2020, the State Council Information Office of the People’s Republic of China released a circular confirming the approval to establish new pilot zones for cross-border e-commerce in 46 cities and areas

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together with 59 new existing pilot zones for cross-border e-commerce, bringing the total to 105 such zones nationwide, the cross-border e-commerce industry has been pinpointed as a new pillar for China's foreign trade. In addition, Hong Kong International Airport is constructing its third runway which is estimated to be completed by 2024, which will, in the long run, largely boost the capacity of cargo throughput, and further drive the development of the air freight forwarding logistics industry in Hong Kong. Furthermore, a joint venture led by Cainiao Network (the logistics arm of Alibaba Group), with shareholders including China National Aviation Corporation (Group) Limited and YTO Express, will develop the premium logistics centre at Kwo Lo Wan in the South Cargo Precinct of the Hong Kong International Airport, which is scheduled to be completed and put into operation in 2023, making the Hong Kong International Airport a more competitive air cargo terminal in the future. Hong Kong, as a regional hub for import and export, has seen and will continue to see increasing demands for air freight forwarding services related to cross-border e-commerce activities. Moreover, some products purchased through cross-border e-commerce channels are electronic devices which contain batteries. In China, only major multinational companies with special shipping approvals issued by the government can ship products with batteries by air, and only in bulk. The cross-border e-commerce parcels containing batteries cannot be shipped by air in China. Many cross-border e-commerce companies choose to ship their parcels through Hong Kong International Airport. Therefore, there is a strong synergy between cross-border e-commerce industry and Hong Kong International Airport, which benefits the air freight forwarders in Hong Kong.

In 2018, the major destinations for cross-border e-commerce export are the U.S., Europe, and 10 countries of the Association of Southeast Asian Nations (i.e. Thailand, Indonesia, Malaysia, Singapore etc.), which coincides with our focus on the export from the PRC and Hong Kong to Europe, Asia, and North America, accounting for over 90% of the total revenue during the Track Record Period. We believe that we are in a position to tap the potential growth of e-commerce business. For example, Customer F, which primarily engages in the business of freight forwarding focusing on cross-border e-commerce, became one of our top five customers in FY2018, and has increased its revenue contribution to us from approximately HK\$40.2 million in FY2018 to approximately HK\$47.6 million in FY2019 and from approximately HK\$24.3 million in 8M2019 to approximately HK\$207.3 million in 8M2020, such growth indicates the economic benefits cross-border e-commerce can bring to us. Based on the Directors' best understanding and belief, our revenue contributed by freight forwarders who focuses on e-commerce logistics (comprising Customer F, Customer J and other customers of our Group) amounted to approximately HK\$46.2 million, HK\$99.6 million, HK\$98.3 million and HK\$375.5 million, representing 10.9%, 21.5%, 27.8% and 67.9% of our total revenue for FY2017, FY2018, FY2019 and 8M2020, respectively. We believe that this allows us to take advantage of favourable growth area and continue to capitalise on our main business focus.

The cross-border e-commerce industry particularly demands for quicker logistics and higher service quality at lower prices. In order to take advantage of the growth of such demand, we have leveraged our competitive edge of established business relationship with airlines and entered into block space agreements with certain airlines to secure an assured level of cargo spaces at ascertained prices during the term of the agreements. Accordingly, we believe that we are able to tap into the increasing volume of cross-border export opportunities.

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We have comprehensive business network with airlines and other freight forwarders providing a wide range of choices of routes and capacities

We have had long established business relationships with various international airlines since 2009. Amongst our five largest suppliers in each year during the Track Record Period, four, three, four and four were international airlines, for FY2017, FY2018, FY2019 and 8M2020, respectively. Our relationship with airlines has been recognised, as we were awarded various awards by different airlines in the past years. Please see the paragraph headed “Awards, Memberships and Recognitions” in this section for details. The recognition from such airlines enables us to have a higher priority in obtaining cargo spaces during, in particular, peak seasons at a comparatively lower rate, which in turn enable us to attract customers and tap into growth opportunities. To maximise our flexibility in securing cargo spaces, we also source cargo spaces from other freight forwarders depending on their cargo spaces’ availability, capacity, routing and timing. Our ability to secure cargo spaces from airlines as well as other freight forwarders enable us to reach a wide range of destinations. We are able to extend our routes to over 120 countries, and capture market demand from different locations. For example, in 2017, our Group diverted our business and resources to intra-Asia routes, which enabled us to mitigate the impact brought by the trade war between the U.S. and China commencing in FY2018. As a result, the percentage of our revenue contribution by export shipments to other Asian countries increased from 37.1% in FY2017 to 41.5% in FY2019, and the percentage of gross profit contribution export shipments to other Asian countries increased from 40.2% in FY2017 to 57.5% in FY2019. Furthermore, for 8M2020, despite the outbreak of COVID-19, we had increased shipments by 4.7 million kilogram or 180.1% to Europe and by 2.1 million kilogram or 127.9% to North America as compared to 8M2019 to cater our customers’ demand. Further, we procured 49 charter flights to the U.S. and Europe due to the back-to-back charters from our customers, including customer F.

We procure cargo spaces directly from airlines, shipping liners or other freight forwarders suppliers under different arrangements, including (i) direct booking; (ii) block space arrangements; and (iii) flight charters. We generally procure our cargo spaces through direct booking on demand basis. To secure committed amount of cargo space for a period of time at pre-agreed costs or having been supported by back-to-back orders or charters from our customers, we have entered into block space agreements or flight charter agreements with our suppliers during the Track Record Period. Please see the paragraph headed “Business Model — Procurement of cargo space” in this section for details of our procurement of cargo space. We believe that our ability to secure cargo space and provide comprehensive routings for our customers by obtaining cargo spaces and charter flights in timely and efficient manner allow us to outstand ourselves from other freight forwarders with similar size.

According to the CIC Report, there are two tiers of freight forwarding companies in Hong Kong — tier one players are mainly multinational enterprises having long-term relationship with international large carriers, and tier two players are small-and-medium-scale Hong Kong based local companies which usually have a deeper understanding on the business nature of customers and long term relationship with customers based in Hong Kong and Pearl River Area. Moreover, it is a common industry practice for small-and-medium-sized freight forwarders to co-load their consignments with the same destination with each other for maximum utilisation of cargo space. Since we have long established business relationships with various international airlines and are able to source cargo spaces directly from airlines for routes to over 120 countries, our customer base includes other small and medium sized freight forwarders. During the Track Record Period, our Group transacted with over 950 customers including freight forwarders and direct customers, of which freight forwarders are the major customers and contributed to approximately 94.1%, 96.6%, 90.3% and 97.0% of our Group’s total revenue for FY2017, FY2018, FY2019 and 8M2020,

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respectively. With such client base, we gather all our customers' bookings and may consolidate cargos from different customers so as to lower the cost of services, and our capability to consolidate cargos is reinforced accordingly.

We have established track record of over 18 years in serving the freight forwarding industry with recognised quality

We believe our established reputation and track record are important factors affecting customers' choice over freight forwarders. To the best knowledge of our Directors, we are one of the eight freight forwarders with warehouse facilities onsite at the Hong Kong International Airport. During the Track Record Period, we have provided freight forwarding services to over 950 customers, including direct customers and freight forwarders. Out of our top five largest customers during the Track Record Period, we have maintained business relationships with three of them for 10 years. We believe that this is an indication of the customers' loyalty and recognition of our service quality. For each of FY2017, FY2018, FY2019 and 8M2020, our major recurring customers (i.e. customers generating sales amount in the preceding year/period) accounted for approximately 57.3%, 72.5%, 76.0% and 81.4% of our Group's total revenue, respectively. As such, the Directors are of the view that even though our Group does not enter into fixed-term contracts with its customers, our Group, with its good reputation and track record, is able to retain existing customers and attract new customers.

In addition, having established a foothold in the freight forwarding market in Hong Kong since 2002 and expanded our Group's presence into the PRC since 2004, our Directors believe that our Group's established reputation and our track record of over 18 years are important factors affecting customers' choice over freight forwarders. Over these 18 years track record, our Group has weathered various crisis in the global economy, in particular, the global financial crisis in 2008 and 2012, and successfully operated in the past difficult business/financial environments. Over the years, our Group has adapted to the ever-changing global economy by establishing a sustainable and proven business model to position our Group to meet the demands of the freight forwarding market in Hong Kong by striving for a larger market share when the opportunities arise, and maintaining a sustainable business and operation when the market condition is challenging.

Further, our quality of service has been recognised by IATA, evidenced by the certificates issued by the association to us for more than seven years. It is an industry practice that airlines generally only offer cargo spaces to freight forwarders who are IATA accredited agents. In order to become an IATA accredited agent, an applicant has to, among other requirements, have at least two staff members who have attended recognised training courses on handling dangerous goods. An applicant also has to submit its audited financial statements, insurance policies and sales reports on IATA member airlines for inspection by IATA to demonstrate that it has sufficient financial resources which is satisfactory to IATA. By being an IATA accredited agent, we believe that our quality of service is recognised by the association. Such accreditation also serves as an entry barrier to the freight forwarding industry as it takes time to build up the reputation in the industry. We consider such recognition as one of the key factors leading to our success.

We have a loyal and experienced management team responsive to changing market conditions

According to the CIC Report, with a high level of competition in the market, management capability and experience are key success factors. Both Mr. Chiu and Mr. Tse, the executive Directors of our Group, possess extensive experience, in-depth knowledge and strong expertise in the freight forwarding industry. Over the 18 years track record of our Group, Mr. Chiu and

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Mr. Tse led our Group to adapt to the ever-changing global economy and challenges by establishing a sustainable and proven business model to position our Group to maintain a sustainable business and operation. With such expertise and capability, they have the leadership, vision and industry knowledge to anticipate and take advantage of market opportunities. Please see the section headed “Directors and Senior Management” in this prospectus for details of their background and experience.

STRATEGIES ON FUTURE BUSINESS DEVELOPMENT

According to the CIC Report, the air freight forwarding logistics industry in Hong Kong is an enormous industry. Although the economic environment in FY2019 was challenging mainly due to the intensified U.S-China trade war, with (i) the de-escalation of the U.S-China trade war from 2020 onwards, (ii) COVID-19 being effectively controlled, (iii) the closer economic connections between Hong Kong, China and Asian countries due to the promotion of the Greater Bay Area and the Belt and Road Initiative and (iv) the continuous growth of cross border e-commerce, the market is expected to maintain a general growth trend and reach HK\$54.5 billion by 2024, which is sufficiently huge to allow our Group’s expansion plan. We intend to capitalise our achievements in air freight forwarding services by pursuing the following business strategies:

Strengthening our market position in Hong Kong and the PRC by purchasing more cargo spaces in order to cater for our customers demand

(i) Cross-border e-commerce market

According to the CIC Report, (i) from 2015 to 2019, the cross-border e-commerce export value of the PRC has increased from approximately RMB4.6 trillion to RMB8.0 trillion, representing a CAGR of 15.3%; (ii) from 2020 to 2024, the cross-border e-commerce export value of the PRC is expected to increase from RMB9.0 trillion to RMB13.2 trillion, representing a CAGR of 10.2%; (iii) the real GDP growth rate in the PRC is expected to reach 1.0% in 2020 and 8.2% in 2021, according to the World Economic Outlook (WEO) Database updated in June 2020, and is expected to remain stable between 5.5% and 5.7% from 2022 to 2024, according to the WEO Database released in October 2019. Both of the historical and future growth of cross-border e-commerce in the PRC have and is expected to outpace the growth of the real GDP growth rate. Further, amid the outbreak of COVID-19, the PRC government extended the cross-border e-commerce scheme in order to nurture new growth driver and accelerate foreign trade; and (iv) in May 2020, the State Council Information Office of the People’s Republic of China released a circular confirming the approval to establish 46 additional cross-border e-commerce comprehensive pilot zones, (a zone within which among other things, exported retail goods shall be exempted from value-added tax), as a way to bolster foreign trade clobbered by the COVID-19 pandemic. In addition to 59 e-commerce pilot zones in existence, there will be a total of 105 cross-border e-commerce comprehensive pilot zone nationwide, covering 31 provinces, which will drive an increasing demand for freight forwarding and logistics services, in particular in the Southern China. Hong Kong, as a regional hub for import and export, has strong synergy between the PRC cross-border e-commerce industry and Hong Kong International Airport, it is expected that Hong Kong air freight forwarding industry will benefit under the continuous growth of the PRC cross-border e-commerce. Since we have already tapped into this fast growing area by providing services to freight forwarders who are focusing on e-commerce logistics services, with revenue generated from them increasing in 8M2020 from 8M2019, our Directors believe that we are capable of further increasing our market presence in the e-commerce export market.

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For the market size of air freight forwarding services in Hong Kong, according to the CIC Report, it is expected that it will increase from HK\$45.6 billion to HK\$54.5 billion at a CAGR of 4.6% from 2020 to 2024, while the market size of air freight forwarding services in the PRC will increase from RMB55.4 billion to RMB70.4 billion at a CAGR of 6.1% from 2020 to 2024. With reference to the abovementioned market growth rate and our long established experience in the freight forwarding industry, we believe that we are able to ride on the market opportunity and further develop our business. As such, we plan to strengthen our capital base to finance our additional payment obligation and for provision of bank guarantee to airlines (which is a common industry practice) to purchase more cargo spaces in order to seize the growth opportunity and to cater the expected growth demand of our customers. We expect that our ability to fulfill customer demand, in particular, in the situation where air cargo space supply remains constant and the cargo space demand continuously increase, will render and strengthen our market position in the industry.

(ii) Placing bank guarantee

According to the common industry practice and requirement from the current airline suppliers, bank guarantee is required to be placed in advance to airlines to secure the payment obligations to airlines upon booking of cargo space. A strong capital is therefore needed to enhance our capability to obtain cargo space. Since the credit period provided by the airlines to us is around 15 to 30 days, a total amount of bank guarantee at about HK\$21.5 million is estimated to be required to secure the payment obligation to airlines when we implement our future plan. The above estimated amount of bank guarantee is derived after consideration of (i) the forecasted cost of services attributable to airlines, after implementation of our Group's future plan; and (ii) the average turnover days of settlement to airline suppliers during the Track Record Period. With the current amount of bank guarantee available to us being HK\$16.6 million, an estimated shortfall of bank guarantee of approximately HK\$4.9 million will be resulted.

(iii) Settlement of payment to purchase cargo space

Since the credit period provided by the airlines to us is around 15 to 30 days, and we provide a credit term of up to 90 days to our customers, this results in a credit mismatch. In addition, for the procurement of charter flights, we have to fully pay in advance to airlines two to ten days before the departure of the flights, and we usually require full or partial payment in advance from our customers.

We intend to partly fund the above by using approximately HK\$10.1 million, or 60.1% of the net proceeds from the Share Offer for purchase of cargo space, and HK\$3.1 million, or 18.5% of the net proceeds from the Share Offer for provision of bank guarantees to airlines. We intend to use our internal resources and existing banking facilities to satisfy the remaining part of fund requirement.

Expanding our reach to potential customers in the PRC by establishing new offices in the PRC

According to the CIC Report, the air freight forwarding industry in the PRC is still in an early stage of development, which has recorded a growth at a CAGR of 9.2% from 2015 to 2019, with market size growing from RMB39.6 billion to RMB56.4 billion. It is expected that the PRC air freight forwarding logistics market will continue to grow at a CAGR of 6.1% from 2020 to 2024, with the market size to be increased from RMB55.4 billion to RMB70.4 billion during the same period of time. This indicates a vast business opportunity for us to expand our reach to customers who require export service from the PRC.

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To ride on this business opportunity, we plan to establish one to two new offices by lease with floor area of approximately 1,000 to 2,000 sq.ft, one in the southern part of the PRC, (i.e. a city in Guangdong Province in the Greater Bay Area) and/or another one in the eastern part of the PRC (i.e. a city in Jiangsu Province) where a large number of production factories are located, to tap into new pool of customers who require air export freight forwarding services. According to the CIC Report, (a) for Jiangsu Province, (i) in recent years there has been a shift in producing products such as high-tech materials, biotechnology and medicine, electronics, etc. that require timely logistics services in over 30 designated industrial parks in Jiangsu Province, these strong demand for timely logistics services is supported by the increasing demand in air freight forwarding in Jiangsu Province; and (ii) ranked as no.2 province in Eastern China in terms of GDP, second only to Guangdong Province (for details about the expected air freight forwarding logistics market in the eastern region of China, please refer to the section headed “Industry Overview — Air Freight Forwarding Market in China — Air Freight Forwarding” in this prospectus), (b) for the Greater Bay Area, the development of the area (i) has been written into the report to the 19th National Congress of the Communist Party of China and was enhanced as a national development strategy of the PRC, and (ii) includes the aim to establish a global manufacturing center, a trade center and a logistics hub, (c) the ultimate export destinations of Jiangsu Province and the Greater Bay Area include the U.S., Europe and ASEAN countries, which are destination regions that have already been covered by our Group. Accordingly, our Directors believe that the opening of new offices in Jiangsu Province and/or Greater Bay Area could facilitate our Group to capture export demand from these regions.

Apart from our plan to establish one to two new offices in the PRC, we also plan to hire a total of three staff members with two sales and operation staff and one human resources and administration staff for each of the new offices. We intend to use approximately HK\$1.8 million, or 10.7% of the net proceeds from the Share Offer on the establishment of one new office and to fund the hiring of the additional staff force for the first two years. We would use our internal resources to fund the establishment of the second new office and the hiring of the additional staff force for the first two years if necessary.

In 2007, we had undergone an expansion of larger scale in the PRC by recruiting over 300 staff in the PRC. The then market competition in the PRC was keen and competitors pursued market share at the expense of profit margin. In the wake of the 2008 financial crisis, a lot of PRC companies were closed. Our management then made a concerted effort to scale down the PRC operations and shifted our focus from the then low yield PRC market back to Hong Kong. With the recent e-commerce boom and the expected economic growth of the Greater Bay Area and Jiangsu Province in the PRC, our management believes the time is ripe to move forward with a PRC expansion. In formulating our above expansion plan in the PRC, we have considered our Group’s expansion in the PRC in 2007 and believe that the above expansion plan is able to mitigate the risk of over expansion and enhance the sustainability of our PRC operations in the event of an adverse market condition.

Improving our ability to obtain cargo space through closer collaboration with airlines

With the expected surge in demand for cargo space in the fourth quarter every year, which is the normal peak season in the freight forwarding industry, we plan to identify suitable airline(s) and arrange charter flights from Hong Kong to Europe and/or North America, depending on the then market demand. Since the demand for cargo space in December of each year is normally very high, our Directors believe that such arrangements can help us to secure cargo space in the peak seasons. We currently intend to use approximately HK\$1.7 million, or 10.1% of the

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net proceeds from the Share Offer and our internal resources for our entering into the above-mentioned charter flight agreements. Our Directors believe that our ability to secure cargo space during peak season is particularly advantageous to our Group when there is a surge of air freight charges and limited cargo space. In addition, our business relationship with airlines can be further strengthened through our collaboration with airlines, which can in turn improve our ability to obtain cargo space from them.

OUR SERVICES

During the Track Record Period, our revenue was substantially derived from provision of air freight forwarding services and also from provision of ocean freight forwarding services to our customers, including freight forwarders and direct customers. Air freight export has been our business focus during the Track Record Period. We have extended our cargo routes from the PRC, Hong Kong and Macau, to over 120 countries as at the Latest Practicable Date.

The table below sets forth our revenue breakdown by destinations during the Track Record Period:

	FY2017		FY2018		FY2019		8M2019		8M2020	
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
Exports										
<i>Air Freight</i>										
Europe	162,589	38.2	145,118	31.3	106,457	30.1	51,986	24.2	305,531	55.2
Asia	155,292	36.5	193,519	41.8	144,159	40.8	98,711	46.1	47,732	8.6
North America	76,873	18.1	92,310	20.0	61,078	17.3	38,710	18.1	176,087	31.8
Others ^(Note)	5,662	1.3	16,296	3.5	6,972	2.0	5,392	2.5	7,052	1.3
Sub-total	400,416	94.1	447,243	96.6	318,666	90.2	194,799	90.9	536,402	96.9
<i>Ocean Freight</i>										
Europe	1,946	0.5	3,608	0.8	8,778	2.5	7,035	3.3	3,156	0.6
Asia	2,497	0.6	1,566	0.3	2,351	0.7	1,037	0.5	787	0.2
North America	14,874	3.5	4,729	1.0	8,770	2.5	2,509	1.2	4,482	0.8
Others ^(Note)	4,810	1.1	4,395	1.0	12,503	3.5	7,200	3.3	7,169	1.3
Sub-total	24,127	5.7	14,298	3.1	32,402	9.2	17,781	8.3	15,594	2.9
Imports	871	0.2	1,509	0.3	2,273	0.5	1,738	0.8	1,371	0.2
Total	425,414	100.0	463,050	100.0	353,341	100.0	214,318	100.0	553,367	100.0

Note: Others include South America, Oceania and Africa.

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The following table sets forth our revenue breakdown from export shipments, including air freight and ocean freight, by destinations in North America for the periods indicated:

	FY2017		FY2018		FY2019		8M2019		8M2020	
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
Export Shipments										
U.S.	74,361	81.0	95,396	98.3	68,457	98.0	40,779	98.9	178,354	98.8
Canada	2,267	2.5	669	0.7	1,027	1.5	127	0.3	240	0.1
Other North American countries	15,119	16.5	974	1.0	364	0.5	313	0.8	1,975	1.1
Total	91,747	100.0	97,039	100.0	69,848	100.0	41,219	100.0	180,569	100.0

The table below sets forth our revenue breakdown by the place of departure of export shipment consignment:

	FY2017		FY2018		FY2019		8M2019		8M2020	
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
Hong Kong	346,994	81.7	370,620	80.3	303,857	86.6	181,650	85.5	533,728	96.7
PRC	76,679	18.1	90,878	19.7	47,211	13.4	30,930	14.5	18,268	3.3
Macau	870	0.2	43	0.0	—	—	—	—	—	—
Total	424,543	100.0	461,541	100.0	351,068	100.0	212,580	100.0	551,996	100.0

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The table below sets forth our revenue breakdown by the locations of our Group's business during the Track Record Period:

	FY2017		FY2018		FY2019		8M2019		8M2020	
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
Exports										
<i>Air Freight</i>										
Hong Kong	345,076	81.1	369,155	79.7	291,923	82.6	174,765	81.5	531,597	96.0
Macau	870	0.2	43	0.0	—	—	—	—	—	—
PRC	54,470	12.8	78,045	16.9	26,743	7.6	20,034	9.4	4,805	0.9
Sub-total	400,416	94.1	447,243	96.6	318,666	90.2	194,799	90.9	536,402	96.9
<i>Ocean Freight</i>										
Hong Kong	1,918	0.5	1,465	0.3	11,934	3.4	6,885	3.2	2,131	0.4
Macau	—	—	—	—	—	—	—	—	—	—
PRC	22,209	5.2	12,833	2.8	20,468	5.8	10,896	5.1	13,463	2.5
Sub-total	24,127	5.7	14,298	3.1	32,402	9.2	17,781	8.3	15,594	2.9
Imports										
<i>Air Freight</i>										
Hong Kong	151	0.0	226	0.1	411	0.1	183	0.1	173	0.0
Macau	—	—	—	—	—	—	—	—	—	—
PRC	210	0.0	136	0.0	140	0.0	37	0.0	5	0.0
Sub-total	361	0.0	362	0.1	551	0.1	220	0.1	178	0.0
<i>Ocean Freight</i>										
Hong Kong	222	0.1	48	0.0	—	—	—	—	—	—
Macau	—	—	—	—	—	—	—	—	—	—
PRC	288	0.1	1,099	0.2	1,722	0.5	1,518	0.7	1,193	0.2
Sub-total	510	0.2	1,147	0.2	1,722	0.5	1,518	0.7	1,193	0.2
Total	425,414	100.0	463,050	100.0	353,341	100.0	214,318	100.0	553,367	100.0

Air freight forwarding

Our air freight forwarding services is our dominant business segment. It includes both import and export of goods and principally involves arranging shipment upon receipt of booking instructions from our customers, obtaining cargo space from cargo space suppliers (including airlines and other freight forwarders) and preparing the relevant documentations (such as customs clearance from origin of consignment). During the Track Record Period, a majority of shipment were for goods exporting from the PRC, Hong Kong and Macau to over 120 countries in Europe, Asia, North America and other regions (including South America, Oceania and Africa), amounting to HK\$400.4 million, HK\$447.2 million, HK\$318.7 million and HK\$536.4 million for FY2017, FY2018 and FY2019 and 8M2020, respectively, representing 94.1%, 96.6%, 90.2% and 96.9% of our total revenue, respectively.

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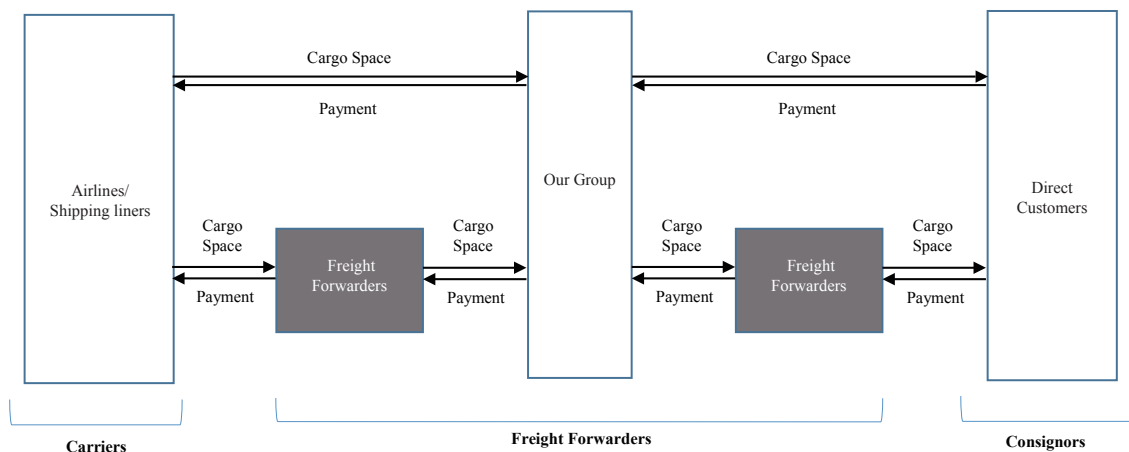
We also arrange ancillary logistics services to our air freight forwarding services (such as cargo pickup, cargo handling at ports and local transportation) and warehousing related services (such as repackaging, labelling, palletising, custom clearance and warehousing) to meet our customer's requirement. We engage independent service providers for the provision of logistics services at the origin of the consignment, including cargo pickup, cargo handling at ports, local transportation, and warehousing related services, including repackaging, labelling, palletising, customs clearance and warehousing. During the Track Record Period, we had engaged over 40 service providers for local transportation and warehousing related services. The expenses paid to these service providers amounted to approximately HK\$17.5 million, HK\$16.5 million, HK\$13.5 million and HK\$27.6 million, representing 4.6%, 4.0%, 4.2% and 5.6% of our total cost of services for FY2017, FY2018, FY2019 and 8M2020, respectively. During the Track Record Period, we did not enter into long term written service agreements with these service providers and we did not experience any material non-performance incident or quality dispute with our service providers causing material disruption to our operation.

Ocean freight forwarding

Our ocean freight forwarding services involves major steps similar to those in our air freight services. We obtain our ocean cargo space from shipping liners and ocean freight forwarders. Same as our air freight forwarding services, we will arrange ancillary logistics and warehousing related services if required by our customers. For FY2017, FY2018, FY2019 and 8M2020, the revenue from ocean freight export amounted to approximately HK\$24.1 million, HK\$14.3 million, HK\$32.4 million and HK\$15.6 million, respectively, representing 5.7%, 3.1%, 9.2% and 2.9% of our total revenue, respectively.

BUSINESS MODEL

The following illustrates how we source cargo space from our suppliers (such as airlines, shipping liners or freight forwarders) and sell them to our customers (such as direct customers and freight forwarders):



Procurement of cargo space

We procure cargo spaces directly from airlines, shipping liners or other freight forwarders suppliers under different arrangements, including (i) direct booking; (ii) block space arrangements; and (iii) flight charters. During the Track Record Period, we had (i) over 500 cargo

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suppliers, including 11 airlines and shipping liners as well as other freight forwarders suppliers; and (ii) engaged over 40 service providers for local transportation and warehousing related services.

(I) Direct booking

We procure our cargo spaces through direct booking from airlines, shipping liners or other freight forwarders on demand basis without entering into any fixed-term agreements. For FY2017, FY2018, FY2019 and 8M2020, our cost paid to airlines and freight forwarder amounted to approximately HK\$339.3 million, HK\$386.6 million, HK\$274.4 million and HK\$477.1 million, respectively, representing 89.5%, 92.7%, 85.9% and 96.6% of our total cost of services, respectively. In line with the industry practice, we have provided bank guarantees which are renewed on yearly basis in favour of the airlines suppliers to secure our payment obligations for the purchase of the cargo spaces.

Alternatively, in case other freight forwarders have empty cargo space in their containers, we may co-load our consignments with them after taking into account of different factors, such as price, flight schedule and availability of cargo space and route.

For FY2017, FY2018, FY2019 and 8M2020, the aggregate cost of services we paid for direct booking on demand basis without entering into any fixed-term agreements amounted to approximately HK\$376.5 million, HK\$376.2 million, HK\$255.9 million and HK\$339.2 million, representing approximately 99.4%, 90.2%, 80.1% and 68.7% of our total costs of services, respectively.

(II) Block space arrangements

The block space agreements we have entered into allow us to procure a committed amount of cargo spaces from our suppliers for a period of time, generally for a period of one year at pre-agreed costs. During the Track Record Period, we generally adopted a prudent approach in entering into block space agreements, such as obtaining back-to-back strategic partnership agreement/back-to-back agreement from our customers, or ensuring that the committed tonnage under the block space agreement was only a minority percentage of our total tonnage carried.

In December 2017, we entered into a block space agreement for a term of one year effective from January 2018 with Supplier E for the supply of cargo space to Taiwan, to meet the demand of Customer F, who entered into a strategic partnership agreement with us in December 2017. The block space agreement was renewed for a term of one year effective from 1 January 2019, and expired on 31 December 2019. We have not further renewed the block space agreement to Taiwan since Customer F has not provided us their back-to-back demand for the year of 2020 due to change of their cargo shipment route. The committed tonnage under the abovementioned block space agreement was 100 tonnes per month for 2018, 300 tonnes per month for January to April 2019, and 200 tonnes per month for May to December 2019.

We also entered into a block space agreement in December 2017 for a term of one year effective from January 2018 with Supplier E for the supply for cargo space to Europe. This block space agreement was subsequently renewed twice for one-year term each and will expire at the end of December 2020. The committed tonnage under the block space agreement was 100 tonnes per month for 2018 and 2019, and 400 tonnes per month for

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2020. Due to the decreased number of flights caused by the outbreak of COVID-19, Supplier E adjusted downward its committed tonnage per month under this block space agreement, by 35% for February, 40% for March, 75% for April to June, 70% for July to August and 75% for September to November 2020, respectively. The purchase cost per kg of the cargo spaces secured under this block space agreement varied depending on the export destinations and period of the year, which ranged from HK\$10.1 in low season up to HK\$26.1 in peak season.

Furthermore, in May 2019, we entered into a block space agreement with Supplier I for the supply of cargo space to Europe up to the end of the first quarter of 2020 and such block space agreement was renewed for one year effective from April 2020 to March 2021. The committed tonnage under the block space agreement was 100 tonnes per month.

In addition, we entered into a block space agreement with a Hong Kong freight forwarder in August 2020 for a term of one year effective from October 2020 for the supply of cargo space to the U.S.. This block space agreement contains a committed tonnage of 52 tonnes per month, save for the months of December 2020 and February 2021, of which the committed tonnage is approximately 20 tonnes and 12 tonnes, respectively. We entered into this block space agreement because the outbreak of COVID-19 caused cancellation of passenger flights worldwide, which largely reduced the supply of cargo space; and in August 2020, there was not any news indicating resumption of passenger flights to the level before the outbreak of COVID-19, and thus the supply of cargo space was then expected to continue to be low for the forthcoming months. In addition, the cargo space to North America procured by our Group's customers ranged from 2,515 tonnes to 3,090 tonnes from FY2017 to FY2019 and reached 3,810 tonnes for 8M2020; whereas the committed tonnage under this space agreement only amounts to a total of 552 tonnes and is a reasonably achievable commitment.

We were able to fulfil the tonnage commitment for the abovementioned block space agreements for the years of 2018, 2019 and the block space agreement expired in the end of the first quarter of 2020. As at the Latest Practicable Date, we have also satisfied our committed tonnage under the block space agreements effective for the year of 2020 to Europe.

For FY2017, FY2018, FY2019 and 8M2020, the aggregate cost of services we paid under the block space agreements amounted to approximately nil, HK\$40.8 million, HK\$63.5 million and HK\$54.2 million, representing approximately nil, 9.8%, 19.9% and 11.0% of our total costs of services, respectively.

(III) Flight charters

Unlike block space arrangements pursuant to which are procure cargo spaces with an airline for flights for a period of time, our Group, through charter flight agreements, procure unscheduled flights that are not part of a regular airline routing, and our Group may by itself or through a consortium, rent the entire or part of an aircraft and decide on the departure/arrival times and locations. Charter flights offer flexibility in terms of scheduling, routing and destinations since regular airline routing may require multiple connections or layovers. During the Track Record Period, we entered into flight charter agreements with our suppliers when there were back-to-back charters entered into between our customers and us.

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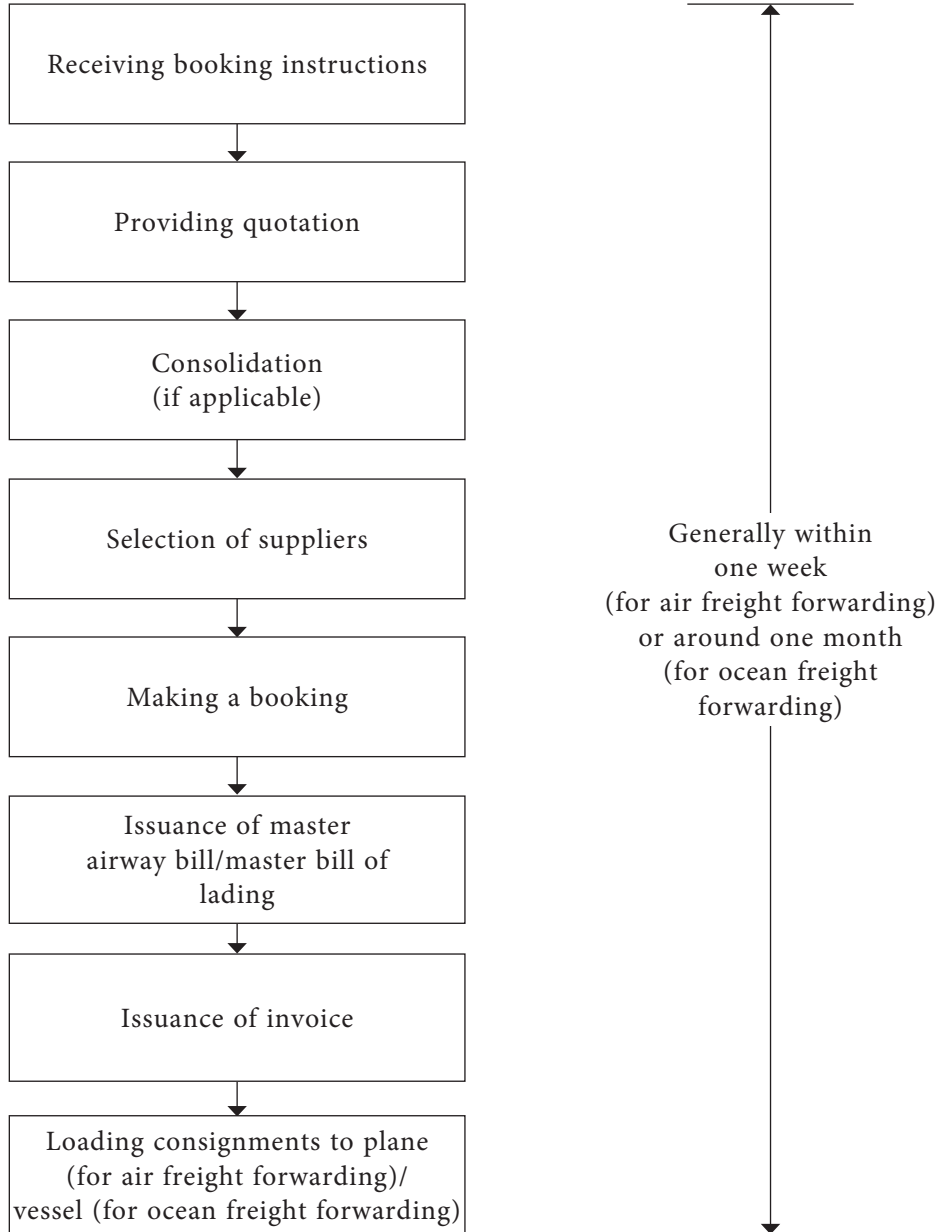
We entered into two flight charter agreements with Supplier E for a partial charter flight to Taiwan and a full charter flight to Singapore in December 2017, being the peak season of freight forward industry. These two flight charters were supported by back-to-back charters entered into between Customer F and us. Pursuant to the flight charter agreements, the airline would provide all or part of the cargo spaces available on the aircraft to us, and deliver the shipments to our specified destinations, which are not normally served by their scheduled flights, at agreed rate.

In addition, when the supply of cargo spaces was reduced as a result of cancellation of flights under the COVID-19 outbreak, we entered into flight charter agreements with (i) three airlines, namely Supplier A, Supplier B and Supplier E, which are our top five suppliers during the Track Record Period, for a total of five, 33 and seven charter flights to the U.S. and Europe in April, May and June 2020, respectively; and (ii) Supplier J, one of our top five suppliers for 8M2020, for a total of three and one charter flights to the U.S. in April and May 2020, respectively in response to the back-to-back charters placed by our Group's customers, in particular, Customer F.

For FY2017, FY2018, FY2019 and 8M2020, the aggregate cost of services for the above charter flights amounted to approximately HK\$2.4 million, nil, nil and HK\$100.3 million, representing approximately 0.6%, nil, nil and 20.3% of our total costs of services, respectively.

OPERATION FLOW

The following diagram summarises the typical work flow of our operations for air and ocean export shipments:



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(i) Receiving booking instructions

Our customers send booking instructions to us containing details such as shipping method, destination, type, dimension, weight and quantity of consignment and expected date of arrival.

(ii) Providing quotation

Upon receiving quotation enquiries from our customers, we will provide them with quotations according to the rates lists (based on weight of goods) provided by our suppliers plus a certain profit in unit of tonne.

(iii) Making a booking

If our customers accept the quotations, we would make bookings with our suppliers by lodging a standardised booking form containing details of our customer's booking. We provide port to port services mainly. Depending on the needs of our customers, we offer ancillary logistics services and warehousing related services before the consignment is loaded on to an aircraft or a vessel by engaging independent services providers.

(iv) Consolidation

We will gather all our customers bookings and where necessary consolidate cargo from different customers in order to lower our cost of services. Such consolidation may or may not result in co-loading of cargo space with other freight forwarders.

(v) Selection of suppliers

We will select our cargo space suppliers for each shipment by taking into account of various factors, such as rate, delivery schedule and availability of cargo spaces.

(vi) Issuance of master airway bill/master bill of lading

Once our bookings are acknowledged by our suppliers, master airway bill (for shipment by air) or a master bill of lading (for shipment by ocean) will be issued by our suppliers to us when the shipment is loaded on board.

(vii) Issuance of invoice

We will issue an invoice to our customers when shipment is loaded on board, with a credit period up to 90 days.

SALES AND MARKETING

Our customers include freight forwarders and direct customers (i.e. customers that are not freight forwarders who purchase cargo spaces from our Group and directly ship their consignments, for example, manufacturers which directly ship their products to their customers through purchasing cargo spaces directly from our Group, or buyers of goods which arrange shipment by themselves). A majority of our revenue are attributed to freight forwarder customers, representing approximately 94.1%, 96.6%, 90.3% and 97.0% of our total revenue for FY2017, FY2018, FY2019 and 8M2020, respectively.

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Apart from our Hong Kong headquarters, as at the Latest Practicable Date, we had sales force in Hong Kong and six regional offices in the PRC, including Shanghai, Shenzhen, Guangzhou, Xiamen, Tianjin and Fuzhou, focusing on the markets in the PRC, Hong Kong and Macau. We have a total of 14 staffs as at the Latest Practicable Date, who are responsible for sales and operation services, which include providing up-to-date shipment information to our customers. We will continue to enhance our sales and marketing effort in maintaining stable business relationship with our existing customers.

We have been accredited with membership of IATA, which is a well recognised association within the industry. Our Directors believe that by being part of such renowned network of freight forwarders and other industry participants, we are able to reach out to an extensive network of suppliers and customers, thereby potentially diversifying and enhancing our supplier and customer base. Further, since a majority of our clients are freight forwarders, we rely on referral by our customers and by word of mouth for new customers.

Agency agreement

We have entered into a non-exclusive agency agreement with United Global Services (NY) Corp (“UGS (NY)”), an international freight forwarder headquartered in New York, USA, being our 4th largest customer in FY2017 and our 5th largest customer in FY2018, which is independent to our Group. We have commenced business relationship with it since 2016. Pursuant to the agreement, we are appointed as the agent of UGS (NY) in Hong Kong, while UGS (NY) is appointed as our agent in U.S. We refer to UGS (NY) customers who wish to export goods through the U.S., while UGS (NY) refers to us customers who wish to export goods through Hong Kong and the PRC, and the parties would share the net profit accordingly. The agency agreement does not have a fixed term and can be terminated by either party within 60 days of prior written notice. Each party makes payments to another by telegraphic transfer with a credit term of 90 days after receipt of monthly invoice from each other.

Seasonality

Demand for our services is affected by seasonality factors. Our peak season is generally in the fourth quarter of the year, which is driven by a higher demand for freight forwarding services at around “Singles’ Day” on 11 November of every year in the PRC, Thanksgiving Day of the U.S. and Christmas. 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.

Pricing strategy

Our Directors are responsible for determining the selling price of air cargo space. We adopt a cost-plus pricing approach, and the selling price is generally based on the rate lists provided by our suppliers plus a target profit margin.

We take into account the following factors in determining our final freight rates we charge our customers:

- type and value of consignment shipped;
- volume of cargo space ordered;
- business relationship with the customer;

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- cost of services, including the cost of cargo spaces, security charge, terminal charge, fuel surcharge mainly;
- rates offered by our competitors;
- level of acceptance of the current market rates for similar services;
- seasonality;
- availability of cargo space; and
- any ancillary logistics services required.

Customer services

Our customer service team handles general enquiries, complaints and feedback from customers. Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, we did not receive any material complaint or claim from our customers in relation to our services.

CUSTOMERS

Our customers include freight forwarders and direct customers (i.e. customers that are not freight forwarders and purchase cargo spaces from our Group and directly ship their consignments, for example, manufacturers which directly ship their products to their customers through purchasing cargo spaces directly from our Group, or buyers of goods which arrange shipment by themselves). During the Track Record Period, we transacted with over 950 customers, of which freight forwarders contributed to approximately 94.1%, 96.6%, 90.3% and 97.0% of our total revenue for FY2017, FY2018, FY2019 and 8M2020, respectively. The table below shows the revenue contribution of the types of our customers during the Track Record Period:

	FY2017		FY2018		FY2019		8M2020	
	Revenue (HK\$'000)	Percentage of our total revenue (%)	Revenue (HK\$'000)	Percentage of our total revenue (%)	Revenue (HK\$'000)	Percentage of our total revenue (%)	Revenue (HK\$'000)	Percentage of our total revenue (%)
<i>Air freight</i>								
– Freight forwarders	399,546	93.9	446,997	96.6	318,763	90.2	536,402	97.0
– Direct customers	1,231	0.3	608	0.1	454	0.1	178	0.0
<i>Ocean freight</i>								
– Freight forwarders	875	0.2	233	–	175	0.1	190	0.0
– Direct customers	23,762	5.6	15,212	3.3	33,949	9.6	16,597	3.0
Total	425,414	100.0	463,050	100.0	353,341	100.0	553,367	100.0

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In line with the industry practice, we generally do not enter into any fixed-term agreement with our customers for freight forwarding services, except two strategic partnership agreements which we entered into with Customer F in December 2017 and December 2018 effective for the year of 2018 and 2019, respectively. Pursuant to the strategic partnership agreements, we agree to supply a monthly fixed volume of cargo spaces on flights to Taiwan at an agreed rate, which is subject to adjustment quarterly, and to Europe at an agreed rate, which is subject to market conditions. In addition, we entered into an agreement with Customer J in May 2019 effective from May 2019 to December 2019. Pursuant to the agreement, we agree to supply a monthly fixed volume of cargo spaces on flights to Europe at an agreed rate, which is subject to market conditions. In 2020, we did not renew the agreement with Customer F and Customer J due to (i) for Taiwan route, as Customer F changed its cargo shipment route; and (ii) the impact of COVID-19, there has been fluctuation of market condition in terms of the supply of air cargo spaces and a surge of selling price of air cargo space by airlines. Given the market price of air cargo space has been changing, it is prudent for our Group not to enter into back-to-back agreements with Customer F and Customer J by committing cargo spaces at lower costs.

We generally do not have any specific agreement with our customers on liability for damage of goods during transit and we maintain insurance policies to cover such losses, which is an industry norm according to the CIC Report. We maintain insurance policies to cover claim for damage or loss to our customers' goods against us from our customers. Please see the paragraph headed "Insurance" in this section for details of our insurance coverage. During the Track Record Period, we did not encounter any incident relating to liability for damage of goods of a material nature.

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The table below shows the basic information about our five largest customers during the Track Record Period.

For the year ended 31 December 2017

Rank	Customer	Revenue contributed (HK\$'000)	Approximate % of our total revenue (%)	Background ^(Note 1)	Scale of operation ^(Note 1)	Approximate years of business relationship with our Group as at the Latest Practicable Date	Typical credit period (days)	Method of settlement
1	Customer D ^(Note 2)	43,006	10.1	A private company established in Shenzhen, PRC in 2016 and primarily engages in the provision of international freight forwarding.	It has cargo transport service arrangements with approximately 30 airlines, godowns in Hong Kong and Guangzhou with a total cargo storage space of 1,800 sq.m., and 80 motor vehicles.	2	60	Cheque or telegraphic transfer
2	Customer B	30,430	7.2	A private company incorporated in Hong Kong in 1988 and primarily engages in transportation, supply chain management and information services in Hong Kong. It is a subsidiary of a company listed on the SIX Swiss Exchange Limited.	The listed group has operation presence over 160 countries. It employs approximately 58,000 employees (including contractors).	10	60	Cheque or telegraphic transfer
3	Onix Cargo Express (HK) Limited ^(Note 3)	28,323	6.7	A private company incorporated in Hong Kong in 2011 and primarily engages in the provision of global transport and logistics services including air and ocean freight forwarding, courier service, container transport and inland shipping services.	It has offices in Hong Kong and Dongguan, operates 24 hours of services and provides a range of services such as air and sea freight forwarding, courier service agency services, container transport service and inland shipping.	2	60	Cheque or telegraphic transfer
4	UGS (NY)	27,810	6.5	A private corporation established in the New York, US in 2003 and primarily engages in the provision of international freight forwarding.	It is part of a group that has over 15 branch offices spread across 13 countries and territories.	3	90	Cheque or telegraphic transfer
5	Customer A/ Supplier G	16,222	3.8	An international integrated logistics, freight forwarding and courier service group based in Germany	The listed group employs approximately 360,000 employees in over 220 countries and territories, has 250 dedicated aircrafts for its business.	10	60	Cheque or telegraphic transfer
	Total	145,791	34.3					

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For the year ended 31 December 2018

Rank	Customer	Revenue contributed (HK\$'000)	Approximate % of our total revenue (%)	Background ^(Note 1)	Scale of operation ^(Note 1)	Approximate years of business relationship with our Group as at the Latest Practicable Date	Typical credit period (days)	Method of settlement
1	Customer D ^(Note 2)	54,695	11.8	A private company established in Shenzhen, PRC in 2016 and primarily engages in the provision of international freight forwarding.	It has cargo transport service arrangements with approximately 30 airlines, godowns in Hong Kong and Guangzhou with a total cargo storage space of 1,800 sq.m., and 80 motor vehicles.	2	60	Cheque or telegraphic transfer
2	Customer F ^(Note 4)	40,207	8.7	Private companies incorporated and established in Hong Kong in 2008 and in the PRC in 2004 and are under a group that primarily engages in the business of freight forwarding focusing on cross-border e-commerce.	The group employs over 1,500 employees across 50 different global locations and is recognised as a preferred partner by various e-commerce platforms. It has been ranked as one of the top 30 companies by the China International Freight Forwarders Association.	2	60	Cheque or telegraphic transfer
3	Customer B	29,786	6.4	A private company incorporated in Hong Kong in 1988 and primarily engages in transportation, supply chain management and information services in Hong Kong. It is a subsidiary of a company listed on the SIX Swiss Exchange Limited.	The listed group has operation presence over 160 countries. It employs approximately 58,000 employees (including contractors).	10	60	Cheque or telegraphic transfer
4	Customer G	25,185	5.4	A private company incorporated in Hong Kong in 2015 and primarily engages in freight forwarding in Hong Kong and logistics services from the PRC to Hong Kong. ^(Note 5)	A private company incorporated in Hong Kong in 2015 and primarily engages in freight forwarding in Hong Kong and logistics services from the PRC to Hong Kong. ^(Note 5)	4	60	Cheque or telegraphic transfer
5	UGS (NY)	19,603	4.2	A private corporation established in the New York, US in 2003 and primarily engages in the provision of international freight forwarding.	It has over 15 branch offices spread across 13 countries and territories.	3	90	Cheque or telegraphic transfer
	Total	169,476	36.5					

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For the year ended 31 December 2019

Rank	Customer	Revenue contributed (HK\$'000)	Approximate % of our total revenue (%)	Background ^(Note 1)	Scale of operation ^(Note 1)	Approximate years of business relationship with our Group as at the Latest Practicable Date	Typical credit period (days)	Method of settlement
1	Customer F ^(Note 4)	47,634	13.5	Private companies incorporated and established in Hong Kong in 2008 and in the PRC in 2004 and are under a group that primarily engages in the business of freight forwarding focusing on cross-border e-commerce.	The group employs over 1,500 employees across 50 different global locations and is recognised as a preferred partner by various e-commerce platforms. It has been ranked as one of the top 30 companies by the China International Freight Forwarders Association.	2	60	Cheque or telegraphic transfer
2	Customer H ^(Note 3)	23,874	6.8	A private company established in Hong Kong in 2015 and engages in provision of services as a regulated agent under the Civil Aviation Department.	It is a Hong Kong freight forwarder which provides a range of services including air and sea freight forwarding services.	1	60	Cheque or telegraphic transfer
3	Customer D ^(Note 2)	21,197	6.0	A private company established in Shenzhen, PRC in 2016 and primarily engages in the provision of international freight forwarding.	It has cargo transport service arrangements with approximately 30 airlines, godowns in Hong Kong and Guangzhou with a total cargo storage space of 1,800 sq.m., and 80 motor vehicles.	2	60	Cheque or telegraphic transfer
4	Customer B	20,893	5.9	A private company incorporated in Hong Kong in 1988 and primarily engages in transportation, supply chain management and information services in Hong Kong. It is a subsidiary of a company listed on the SIX Swiss Exchange Limited.	The listed group has operation presence over 160 countries. It employs approximately 58,000 employees (including contractors).	10	60	Cheque or telegraphic transfer
5	Customer J ^(Note 6)	15,632	4.4	A private company incorporated in Hong Kong in 2015 and primarily engages in the provision of international freight forwarding services.	A private company incorporated in Hong Kong in 2015 and primarily engages in the provision of international freight forwarding services, with offices in Hong Kong and the PRC.	1	60	Cheque or telegraphic transfer
	Total	129,230	36.6					

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For the eight months ended 31 August 2020

Rank	Customer	Revenue contributed (HK\$'000)	Approximate % of our total revenue (%)	Background ^(Note 1)	Scale of operation ^(Note 1)	Approximate years of business relationship with our Group as at the Latest Practicable Date	Typical credit period (days)	Method of settlement
1	Customer F	207,300	37.5	Private companies incorporated and established in Hong Kong in 2008 and in the PRC in 2004 and are under a group that primarily engages in the business of freight forwarding focusing on cross-border e-commerce.	The group employs over 1,500 employees across 50 different global locations and is recognised as a preferred partner by various e-commerce platforms. It has been ranked as one of the top 30 companies by the China International Freight Forwarders Association.	2	60	Cheque or telegraphic transfer
2	Customer J	62,941	11.4	A private company incorporated in Hong Kong in 2015 and primarily engages in the provision of international freight forwarding services.	A private company incorporated in Hong Kong in 2015 and primarily engages in the provision of international freight forwarding services, with offices in Hong Kong and the PRC.	1	60	Cheque or telegraphic transfer
3	Customer I	53,554	9.7	A private company incorporated in Hong Kong in 2018 and primarily engages in the provision of services as a regulated agent under the Civil Aviation Department.	A freight forwarder based in Hong Kong which primarily focus on co-loading.	1	60	Cheque or telegraphic transfer
4	Customer A/ Supplier G	27,127	4.9	An international integrated logistics, freight forwarding and courier service group based in Germany	The listed group employs approximately 360,000 employees in over 220 countries and territories, has 250 dedicated aircrafts for its business.	10	60	Cheque or telegraphic transfer
5	Customer K	24,963	4.5	A private company incorporated in Hong Kong in 2001 and is under a group that primarily engages in the provision of global logistics and warehousing services. It is the Asia regional headquarter of the group and has a 400,000 sq. ft. facility in Hong Kong.	The group has operation presence in 42 locations across North and Central America, Asia and Europe.	10	60	Cheque or telegraphic transfer
Total		375,885	68.0					

Notes:

- Such disclosure is based on publicly available information of the respective customer or to the Directors' best knowledge and belief.
- Our Group came to acquaint with Customer D through the acquaintance of its general manager in late 2000s when the said general manager was working in another PRC freight forwarding company. The said general manager has over nine years of experience in air freight forwarding industry.
- For Onix Cargo Express (HK) Limited, our Group has approximately nine years of business relationship with the management and the controlling shareholder of Onix Cargo Express (HK) Limited, who commenced their relationship with us through another PRC company. In late 2016, the said management and controlling shareholder streamlined its internal operation by using Onix Cargo Express (HK) Limited, incorporated in Hong Kong, to enter into business with us.

Customer H was owned as to 70% and controlled by the general manager and one of the shareholders of Onix Cargo Express (HK) Limited.

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4. Our Group came to acquaint with Customer F through the continuous business development effort of our Directors. The business relationship with Customer F started in late 2017 and was further strengthened by the entering of a strategic partnership agreement, pursuant to which we agreed to supply to Customer F a monthly fixed volume of cargo spaces on flights to Taiwan at an agreed rate, which was subject to adjustment quarterly.
5. Such disclosure is based on the best knowledge and belief of our executive Directors.
6. Our Group came to acquaint with Customer J through a business friend working with an airline company in 2019.

For FY2017, FY2018, FY2019 and 8M2020, our revenue attributable to our largest customer amounted to approximately HK\$43.0 million, HK\$54.7 million, HK\$47.6 million and HK\$207.3 million, respectively, representing approximately 10.1%, 11.8%, 13.5% and 37.5% of our total revenue of the corresponding year/period; while our revenue attributable to our five largest customers in aggregate amounted to approximately HK\$145.8 million, HK\$169.5 million, HK\$129.2 million and HK\$375.9 million, respectively, representing approximately 34.3%, 36.5%, 36.6% and 68.0% of our total revenue of the corresponding year/period. Our Group trades with recognised and creditworthy third parties. It is our Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The management limits our Group's exposure to credit risk by taking timely actions once there is any indication of recoverability problem of each individual debtor. The management also reviews the recoverable amount of each individual debtor, including related and third parties, at the end of each reporting period to ensure adequate allowance is made for irrecoverable amount.

All of our five largest customers during the Track Record Period were freight forwarders and they were all Independent Third Parties as at the Latest Practicable Date. Three, four, four and three of our Group's five largest customers for the three years ended 31 December 2019 and for the eight months ended 31 August 2020, respectively, have business relationship of one to four years with our Group as at the Latest Practicable Date. According to the CIC Report, since the Hong Kong air freight forwarding logistics industry is a fragmented market and has a free-flow of information within the supply chain, there are common instances where (i) downstream consignors, after several successful transactions, carve out the middle-men and directly engage the freight forwarders with well-established partnerships with upstream carriers; or (ii) new entrepreneurs with work experience in the industry to use their industry knowledge to engage directly with reputed freight forwarders. As such, it is an industry norm for tier-two small-and-medium-sized Hong Kong based freight forwarders with well-established partnerships with upstream carriers, such as that of our Group, to have customers that have short transactional history with them to become their large customers.

None of our Group's five largest customers ceased business relationship with our Group during the Track Record Period. The table below shows the revenue contributed from each of our five largest customers during the Track Record Period.

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Customer	Rank	Revenue contributed (HK\$'000)			
		FY2017	FY2018	FY2019	8M2020
Customer A/ Supplier G	5th in FY2017 4th in 8M2020	16,222	9,251	3,651	27,127
Customer B	2nd in FY2017 3rd in FY2018 4th in FY2019	30,430	29,786	20,893	15,590
UGS (NY)	4th in FY2017 5th in FY2018	27,810	19,603	10,695	2,263
Customer D	1st in FY2017 1st in FY2018 3rd in FY2019	43,006	54,695	21,197	1,446
Onix Cargo Express (HK) Limited	3rd in FY2017	28,323	5,203	—	—
Customer H	2nd in FY2019	N/A	18,840	23,874	12,525
Customer F	2nd in FY2018 1st in FY2019 1st in 8M2020	3,228	40,207	47,634	207,300
Customer G	4th in FY2018	2,170	25,185	7,283	11,926
Customer J	5th in FY2019 2nd in 8M2020	N/A	N/A	15,632	62,941
Customer I	3rd in 8M2020	N/A	4,728	13,829	53,554
Customer K	5th in 8M2020	N/A	N/A	1,984	24,963

None of our Directors, their respective close associates, or any Shareholders who owned more than 5% of our issued share capital as at the Latest Practicable Date had any interest in any of our five largest customers during the Track Record Period.

Transfer pricing

During the Track Record Period, our different group companies were designated to deal with different cargo space suppliers. Grand Power Express International Limited was the contractual party for booking of cargo spaces with the airline suppliers for export shipment from Hong Kong and it booked the cargo space for and on behalf of 港裕程國際貨運代理(深圳)有限公司 Grand Power Express International (Shenzhen) Limited*. 裕程國際貨運有限公司 Grand Power Express International (China) Limited* and its branches are the contractual parties with United Global Services (NY) Corp. For shipment to U.S., they booked cargo spaces for and on behalf of Redcap Logistics Limited while Redcap Logistics Limited booked cargo spaces for Grand Power Express International Limited. Service fees will be paid by the relevant sales company to the relevant service company.

In accordance with the transfer pricing analysis prepared by our independent tax adviser, the cost plus method and the gross profit margin method were selected as the most appropriate transfer pricing method and profit level indicator respectively, to assess if the related-party transactions conducted between the relevant sales company and relevant service company are carried out on an arm's length basis. Based on the benchmarking analysis performed, the weighted-average gross profit margin of Redcap Logistics Limited and Grand Power Express International (Shenzhen) Limited* for FY2017, FY2018, FY2019 and 8M2020 fell within the interquartile range of the weighted-average gross profit margin earned by the selected comparable companies. Our tax adviser concluded that the related-party transactions were conducted on an arm's length basis.

Entities who are our customers and suppliers

During the Track Record Period, we purchase cargo spaces from other freight forwarders and vice versa to co-load consignments for maximum utilisation of cargo space. For FY2017, FY2018, FY2019 and 8M2020, (i) 99, 86, 77 and 56 of our customers were also our suppliers (the **“Overlapped Customers and Suppliers”**); (ii) the total revenue attributable to these Overlapped Customers and Suppliers amounted to approximately HK\$240.8 million, HK\$276.7 million, HK\$194.4 million and HK\$389.7 million, representing 56.6%, 59.8%, 55.0% and 70.4% of our total revenue, respectively; (iii) the total revenue attributable to our top five customers who were Overlapped Customers and Suppliers amounted to approximately HK\$145.8 million, HK\$169.5 million and HK\$105.4 million and HK\$288.0 million, representing 34.3%, 36.6%, 29.8% and 52.0% of our total revenue, respectively; (iv) the total purchases attributable to our Overlapped Customers and Suppliers amounted to approximately HK\$80.4 million, HK\$79.4 million, HK\$44.4 million and HK\$148.6 million, representing 21.2%, 19.0%, 13.9% and 30.1% of our total costs of services, respectively; (v) the total purchases attributable by the same top five customers who were Overlapped Customers and Suppliers amounted to approximately HK\$18.7 million, HK\$2.8 million, HK\$1.3 million and HK\$9.2 million, representing 4.9%, 0.7%, 0.4% and 1.9% of our total costs of services, respectively.

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The table below shows our sales and purchases of cargo space with Overlapped Customers and Suppliers who were our top five customers or top five suppliers during the Track Record Period.

Entities	FY2017			FY2018			FY2019			8M2020						
	Sales of cargo space HK\$'000	% to total revenue	Purchase cargo space HK\$'000	% to total purchase	Sales of cargo space HK\$'000	% to total revenue	Purchase cargo space HK\$'000	% to total purchase	Sales of cargo space HK\$'000	% to total revenue	Purchase cargo space HK\$'000	% to total purchase				
													total	revenue	total	revenue
Customer A/ Supplier G	16,222	3.8	17,525	4.6	9,251	2.0	16,881	4.1	3,651	1.0	609	0.2	27,127	4.9	776	0.2
Customer B	30,430	7.2	465	0.1	29,786	6.4	673	0.2	20,893	5.9	773	0.2	15,590	2.8	11,330	2.3
UGS (NY)	27,810	6.5	292	0.1	19,603	4.2	410	0.1	10,695	3.0	357	0.1	2,263	0.4	59	0.0
Customer D	43,006	10.1	489	0.1	54,695	11.8	2	—	21,197	6.0	59	0.0	1,446	0.3	—	—
Onix Cargo Express (HK) Limited	28,323	6.7	—	—	5,203	1.1	20	—	—	—	—	—	—	—	—	—
Customer F	—	—	—	—	40,207	8.7	1	—	47,634	13.5	13	0.0	207,300	37.5	6,770	1.4
Customer G	2,170	0.5	1,621	0.4	25,185	5.4	1,703	0.4	7,283	2.1	1,201	0.4	11,926	2.2	12,252	2.5
Customer I	—	—	—	—	4,728	1.0	—	—	13,829	3.9	124	0.0	53,554	9.7	1,663	0.3
Customer J	—	—	—	—	—	—	—	—	15,632	4.4	431	0.1	62,941	11.4	—	—

Note: For details on the period which the entities listed above were top five customers or top five suppliers, please see the paragraphs headed "Customers" and "Suppliers" in this section.

Based on the table above, (i) we purchased cargo spaces from Customer A/Supplier G, Customer I and UGS (NY) of an immaterial quantity of cargo space whereas (ii) both our sales and purchases with Customer B, Customer F and Customer G were material. Out of the Overlapping Customers and Suppliers, only Customer B, Customer F and Customer G have a material contribution in both our sales and purchases.

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Banking Facilities

Our Directors believe that the granting of banking facilities would improve our liquidity by increasing the sufficiency of our cash flows. During the Track Record Period and up to the Latest Practicable Date, we have been granted with the following facilities:

Factoring arrangements

During the Track Record Period, we entered into factoring arrangements with a licensed bank in respect of the sales invoices of certain customers on a “with recourse” basis. Factoring on a “with recourse” basis refers to the purchases of our trade receivables by the bank pursuant to which the bank is entitled to assign the relevant trade receivables back to us or demand us to repurchase such trade receivables. The bank generally only purchases certain percentage of the confirmed invoice value at a discounted rate which we believe is generally determined with reference to the credibility of our customers and the collectability of the trade receivables payable by such customers. When deciding whether to enter into factoring arrangements for sales invoices of a particular customer, our management generally considers a number of factors including, among others, the historical or expected contractual amount with the relevant customers, our then cash flow position, the availability of factoring facilities as well as the related cost thereof. Approximately HK\$62.2 million, nil, nil and nil included in our trade receivables in return for the fund were in connection with factoring arrangements as at 31 December 2017, 2018, 2019 and 31 August 2020, respectively. In July 2018 we have mutually terminated the factoring agreement in the sum of HK\$60.0 million with the licensed bank due to its change in internal policies by only agreeing to purchase trade receivables of our customers shortlisted by it. Please see the section headed “Financial Information — Indebtedness” in this prospectus for further details on factoring arrangements.

Apart from the factoring agreement, we have also been granted with various loans, which is recurrent in nature, such as overdraft, revolving loan during the Track Record Period. As at 31 December 2017, 2018, 2019 and 31 August 2020, we were granted the maximum facility limit at HK\$114.7 million, HK\$107.5 million, HK\$93.6 million and HK\$93.6 million and we have utilised HK\$87.7 million, HK\$98.2 million, HK\$76.5 million and HK\$56.6 million, including financial guarantees provided to airline suppliers respectively as working capital.

Credit policy

For freight forwarder customers, save for the procurement of charter flights which we usually require full or partial payment in advance from customers, we generally grant an average credit period of up to 90 days. For direct customers, we usually demand for full settlement upon issuance of invoice. Our invoices are generally settled by cheque or telegraphic transfer in HKD, RMB or USD. The length of credit period granted varies on a case-by-case basis depending on the customer’s reputation and credibility, payment history and business relationship with our Group. We periodically review the credit terms and our customer’s payment record and, if necessary, revise the credit terms granted to our customers after review. We also closely monitor any outstanding overdue amounts and take measures to collect any outstanding amounts. Save for the outstanding payment for a customer in FY2019, during the Track Record Period, we did not experience any material difficulty in collecting payment from our customers. Please see the paragraph headed “Legal Proceedings and Compliance” in this section and the section headed “Financial Information — Quantitative and Qualitative Disclosures about Financial Risks — Credit Risk” in this prospectus for details.

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Bank guarantees and cash deposits

In line with industry practice, we generally do not require our customers to make payment (such as bank guarantee or cash deposits) for cargo space in advance before delivery.

Third Party Payments

During the Track Record Period, 33 customers, including our largest customers in FY2017 and FY2018, (the “**Relevant Customers**”) settled certain payments to us through third parties (the “**Third Party Payors**”) by cash and via banks (the “**Third Party Payments**”). Most of the Relevant Customers were entities set up in the PRC. For each of FY2017, FY2018, FY2019 and 8M2020, the aggregate amounts settled through Third Party Payors by (i) the Relevant Customers were approximately HK\$16.1 million, HK\$0.3 million, nil and nil, respectively, representing approximately 3.8%, 0.1%, nil and nil, of our Group’s total revenue for the corresponding periods; and (ii) the five largest Relevant Customers were approximately HK\$14.2 million, HK\$0.3 million, nil and nil, respectively, representing 93.8%, 42.8%, nil and nil of its due payments to us during the same periods, and 3.3%, 0.1%, nil and nil of our Group’s total revenue for the corresponding periods.

The Third Party Payors included related companies, shareholders, directors, employees or the customers, of the Relevant Customers at the time of payment. From confirmations by the Relevant Customers and/or to the best knowledge of our Directors, the following is a breakdown of the amounts of Third Party Payments by relationship between the Third Party Payors and the Relevant Customers.

Relationship types	Aggregate amount of Third Party Payments HK\$	%
Related company due to common shareholder with the Relevant Customer	12.4 million	75.6
Employee of the Relevant Customer	1.3 million	7.9
Employee and beneficial owner of the Relevant Customer	1.2 million	7.3
Customer of the Relevant Customer	0.2 million	1.2
Unknown	0.7 million	4.3
Shareholder and director of the Relevant Customer	0.6 million	3.7
Nominated person by the Relevant Customer	23,000	0.0
Total	<u>16.4 million</u>	<u>100</u>

There were a total of 34 identified Third Party Payors during the Track Record Period, covering 100.0% of the total settlement attributable to the payments made through Third Party Payors (the “**Relevant Sales Receipts**”). To the best information and knowledge of our Directors, none of the Third Party Payors has any past or present relationship with our Controlling Shareholders or Directors.

BUSINESS

Reasons for the Third Party Payments

Generally, we issue invoices in the currency of the location of where our Group's office receives the order. HK\$15.8 million, representing 96.5% of the Relevant Sales Receipts, was invoiced in Hong Kong Dollars. To the best knowledge of our Directors, the occurrence of Third Party Payments was mainly due to the lack of Hong Kong Dollar bank accounts for the Relevant Customers which are mostly companies incorporated in the PRC, or the Relevant Customers paid through Third Party Payors out of convenience or cash flow management. During the Track Record Period, we did not object to Third Party Payments from Third Party Payors given that (i) our Directors believe, CIC concurs, it is common for freight services providers with operations in the PRC to adopt third party payments, especially when demanded by their customers; (ii) we confirm with the Relevant Customer(s) on the amount received when Third Party Payments are made or to be made; (iii) it did not create any inconvenience to us; and (iv) we are concerned mainly on the settlement of the trade receivables from the Relevant Customers. As advised by our Hong Kong Legal Counsel, as the payment by a third party by itself is not unlawful, the Third Party Payments by themselves are not illegal arrangements. The Relevant Customers could authorise the Third Party Payors to pay our Group for the discharge of the Relevant Customers' payment obligations, and based on the confirmations of our Directors set out in the paragraph headed "Legal implications relating to Third Party Payments – Money laundering and bribery risk" in this section, it is apparent that there were such authorisations and consent from the Relevant Customers. The Relevant Customers' obligations to pay our Group were discharged when the Third Party Payors paid on their behalf under Relevant Customers' instructions. During the Track Record Period, in terms of our Group's largest customers involved in Third Party Payments, Customer D settled HK\$1.2 million through Third Party Payors, representing approximately 0.3% of our revenue for FY2017.

To the best information and knowledge of our Directors, there has been no dispute relating to the Third Party Payors during the Track Record Period and up to the Latest Practicable Date and, there has been no instance that our Group was required to return funds to any Third Party Payors or other parties in relation to the Third Party Payments. There has been no payment of money back by us to our customer(s) or the Third Party Payors during the Track Record Period.

The following sets out the respective amounts of settlements made to our Group's bank accounts in the PRC, Hong Kong and Macau through Third Party Payments during the Track Record Period:

	FY2017		FY2018		FY2019		8M2020	
	(HK\$'000)	%	(HK\$'000)	%	(HK\$'000)	%	(HK\$'000)	%
Third Party Payments made to our bank accounts in								
Hong Kong	14,177	88.2	301	100.0	—	—	—	—
PRC	1,745	10.9	—	—	—	—	—	—
Macau	149	0.9	—	—	—	—	—	—
Total	16,071	100.0	301	100.0	—	—	—	—

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To the best knowledge of our Directors after making reasonable enquiries, our Directors confirm that all identified Third Party Payors are independent to our Group.

As advised by our Hong Kong Legal Counsel, PRC Legal Advisers and Macau Legal Advisers, the Third Party Payments received by our Group during the Track Record Period do not contravene any applicable laws and regulations in Hong Kong, the PRC and Macau.

Legal implications relating to Third Party Payments

Money Laundering and Bribery Risk

As confirmed by our Directors, (i) the Third Party Payments received by our Group were for the consideration for genuine freight forwarding services provided to the Relevant Customers; (ii) the amount of Third Party Payments received by us from the Third Party Payors corresponded with the transaction amount in the relevant sales orders, records and/or invoices between the Relevant Customer and us; (iii) we provided our corresponding services to the Relevant Customers accordingly; (iv) the Third Party Payments were not paid for seeking a transaction opportunity or competitive advantage; and (v) we did not have any reason to suspect that payments provided by the Third Party Payors were proceeds of upstream crime of money laundering or gains derived therefrom. As advised by our PRC Legal Advisers, according to Criminal Law of the PRC (《中華人民共和國刑法》), in establishing money laundering by a person or entity, such person or entity must knowingly provide assistance to conceal the origin and nature of proceeds arising from an upstream crime, such as that of narcotics-related activities, triad-related activities, terrorism, smuggling, bribery, disruption of financial order and financial fraud. PRC laws however do not obligate payees to investigate and exclude the possibility of upstream crimes from money laundering on third-party payments received on the basis of genuine commercial transactions. Based on the above, as advised by our PRC Legal Advisers, the risk of committing money laundering crime or bribery by us for receiving payments from Third Party Payors is remote.

Possible claims from Third Party Payors

Given there is no contractual relationship between the Third Party Payors and us, our Hong Kong Legal Counsel and our Directors consider the risk of the Third Party Payors may claim against us for the return of the respective Third Party Payments is remote because (i) if a Third Party Payor remits or deposits a fund to us by mistake and would like us to refund the relevant Third Party Payment to it, it would have notified the bank or us shortly after the remittance or deposit was made; and (ii) if a Third Party Payor remits or deposits a fund to our Group with the intention that it is a loan or advance to our Group, such third party would normally provide the loan at an interest which it would require us to pay and/or to sign a loan note to evidence the loan and the interest payable. During the Track Record Period and up to the Latest Practicable Date, we have not received any such request or paid any interest to any Third Party Payor. Furthermore, as confirmed by the Relevant Customers and their respective Third Party Payors involving HK\$14.4 million, nil, nil and nil, representing approximately 3.4%, nil, nil and nil of our Group's revenue of FY2017, FY2018, FY2019 and 8M2020, respectively of the aggregate amounts settled through Third Party Payments during the Track Record Period, the Third Party Payors were aware that the Third Party Payments were used to discharge debt owed to our Group by the Relevant Customers and the Relevant Customers have settled their transactions with the relevant Third Party Payors.

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Possible claims from liquidators of the Third Party Payors

There may also be possible claims from liquidators of the Third Party Payors if the Third Party Payors were to become insolvent and were presented with a winding up petition or a bankruptcy petition. In the case of a compulsory liquidation of a company or a bankruptcy of an individual commenced in Hong Kong, the liquidator may look into the circumstances where the Third Party Payments were made. Dispute may arise when the liquidator considers that any of the Third Party Payments (made within six months prior to date of presentation of the winding up or bankruptcy petition or two years prior to date the of presentation of the winding up or bankruptcy petition for payments made to an associate of the Third Party Payor) is susceptible to constituting an unfair preference under sections 266 to 266B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or sections 50 to 51B of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong). None of the members of our Group was or is an associate of any Third Party Payors.

Our Group is not aware of any allegation from any liquidator of such unfair preference arising from any Third Party Payments. As advised by our Hong Kong Legal Counsel, given that the Third Party Payments have ceased since January 2018 and two and a half years have been passed, the risk of claim from liquidator on the ground of unfair preference is nil.

In addition, as advised by our Hong Kong Legal Counsel, even if claims were brought by any Third Party Payor (or his, her or its trustees in bankruptcy or liquidators) for the recovery of the relevant Third Party Payments made, such claims cannot prevail as a matter of Hong Kong law. Our Hong Kong Legal Counsel's opinion is given based on:

- i) the confirmations and/or representations made by our Directors, the Relevant Customers and Third Party Payors as set out in the sub-sections headed "Money Laundering And Bribery Risk" and "Possible Claims from Third Party Payors" as mentioned above; and
- ii) even if the relevant Third Party Payments were made as a result of mistake, duress, undue influence and/or total failure of consideration, our Group had provided good consideration for such payments (i.e. the discharge of the debts in relation to the purchase prices), any claim by the Third Party Payors for the recovery of any Third Party Payment from our Group (though not precluding a claim by any such Third Party Payor against the Relevant Customers) cannot prevail.

Based on the opinion of our Hong Kong Legal Counsel mentioned above, our Directors consider that the risk of possible claims from liquidators of the Third Party Payors is nil. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we had not received any claims from liquidators of the Third Party Payors.

Enhanced internal control measures against Third Party Payments

We have implemented enhanced internal control measures to ensure that there will be no Third Party Payments going forward. Our independent internal control consultant, reviewed the enhanced internal control measures in November 2017, March 2018 and August 2020. The enhanced internal control measures are summarised below:

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- (a) our finance department convened a meeting relating to Third Party Payments and issued an email notice in November 2017 on our Company's requirements in respect of receivables from customers, which specifically prohibited the receipt of payments from customers through Third Party Payors. The email notice has been circulated to the relevant personnel, including our senior management, accounting and finance staff and operation managers to ensure that the relevant personnel are informed of our new policy on the cessation of Third Party Payments;
- (b) in order to ensure that our customers are aware of our new policy on the cessation of Third Party Payments, since 1 December 2017, a notification letter has been sent to all customers, which states that all customers shall settle their payments to us directly and that any Third Party Payments will be rejected by us;
- (c) our finance department is responsible for conducting quarterly review on our books and accounts to ensure that there are no incidents of Third Party Payments. If any incident of Third Party Payment is identified, the manager of our finance department will report to our Directors for further actions.

Our Directors are of the view, and the Sole Sponsor concurs that, the above enhanced internal control measures are effective and adequate in preventing Third Party Payments and that, the Sole Sponsor is not aware of any material adverse findings in respect of the Third Party Payments which ought to be brought to the attention of the Stock Exchange.

Cessation of Third Party Payments

All Third Party Payment arrangements had ceased after 10 January 2018, and internal control measures have been put in place to prevent and prohibit customers to settle their payments through third parties. As confirmed by our Directors, since 11 January 2018 and up to the Latest Practicable Date, there has been no Third Party Payment incident. Our Directors confirm that to their best knowledge and belief, having received our notification letter on our policy of not accepting new third party payments, we did not notice any Third Party Payments from the Relevant Customers. Given the immaterial revenue contribution of the Third Party Payments during the Track Record Period, our Directors are of the view that our Company does not rely on Third Party Payments for settlement of payments from our customers and the cessation of Third Party Payments will not have any material impact on our business, results of operations and financial performance. As at 31 August 2020, there is no material difference in the delay or default of payments from the Relevant Customers than in the Track Record Period.

SUPPLIERS

Our suppliers include airlines, freight forwarders and shipping liners for cargo space and other suppliers for logistics related services such as transportation and warehousing related services. During the Track Record Period, (i) we transacted with over 500 cargo space suppliers, including 11 airlines and shipping liners as well as other freight forwarders suppliers; (ii) we had engaged over 40 service providers for local transportation and warehousing related services; and (iii) our five largest suppliers in terms of total cost of services are airlines and other freight forwarders.

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In particular, we procure cargo spaces directly from airlines, shipping liners or other freight forwarders suppliers under different arrangements, including (i) direct booking; (ii) block space arrangements; and (iii) flight charters. We generally procure our cargo spaces through direct booking on demand basis. To secure committed amount of cargo space for a period of time at pre-agreed costs or having been supported by back-to-back orders or charters from our customers, we have entered into block space agreements or flight charter agreements with our suppliers during the Track Record Period. Please see the paragraph headed “Business Model — Procurement of cargo space” in this section for details of our procurement of cargo space.

We have maintained business relationship with four of our major suppliers during our Track Record Period for 10 years as at the Latest Practicable Date. For FY2017, FY2018, FY2019 and 8M2020, our cost of services attributable to our largest supplier amounted to approximately HK\$99.2 million, HK\$119.8 million, HK\$72.1 million and HK\$111.8 million, respectively, representing approximately 26.2%, 28.7%, 22.6% and 22.6% of our total cost of services, respectively, while our purchases attributable to our five largest suppliers in aggregate amounted to approximately HK\$249.3 million, HK\$314.2 million, HK\$219.7 million and HK\$335.9 million, respectively, representing approximately 65.8%, 75.3%, 68.8% and 68.0% of our total cost of services, respectively. As at the Latest Practicable Date, all of our five largest suppliers during the Track Record Period are Independent Third Parties, and none of our Directors, their respective close associates, or any Shareholders who owns more than 5% of our issued share capital had any interest in any of our five largest suppliers.

The table below shows the basic information on our five largest suppliers during the Track Record Period.

For the year ended 31 December 2017

Rank	Supplier	Cost of services (HK\$'000)	Approximate % of our total cost of services (%)	Background	Services supplied to our Group	Approximate years of business relationship with our Group as at the Latest Practicable Date	Typical credit period (days)	Method of settlement
1	Supplier A	99,185	26.2	An international airline based in Taiwan	Cargo spaces	10	30	Cheque or telegraphic transfer
2	Supplier B	71,451	18.9	An international airline based in Thailand	Cargo spaces	10	20	Cheque or telegraphic transfer
3	Supplier E	38,580	10.2	An international airline based in Hong Kong	Cargo spaces	10	21	Cheque or telegraphic transfer
4	Supplier F	22,521	5.9	A cargo airline based in Russia	Cargo spaces	3	15	Cheque or telegraphic transfer
5	Supplier G/ Customer A	17,525	4.6	An international integrated logistics, freight forwarding and courier service group based in Germany	Cargo spaces	10	30	Cheque or telegraphic transfer
Total		249,262	65.8					

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For the year ended 31 December 2018

Rank	Supplier	Cost of services (HK\$'000)	Approximate % of our total cost of services (%)	Background	Services supplied to our Group	Approximate years of business relationship with our Group as at the Latest Practicable Date	Typical credit period (days)	Method of settlement
1	Supplier A	119,841	28.7	An international airline based in Taiwan	Cargo spaces	10	30	Cheque or telegraphic transfer
2	Supplier B	91,457	21.9	An international airline based in Thailand	Cargo spaces	10	20	Cheque or telegraphic transfer
3	Supplier E	68,469	16.4	An international airline based in Hong Kong	Cargo spaces	10	21	Cheque or telegraphic transfer
4	Supplier H	17,573	4.2	A freight forwarder based in Hong Kong	Cargo spaces	9	20	Cheque or telegraphic transfer
5	Supplier G/ Customer A	16,881	4.1	The listed group employs approximately 360,000 employees in over 20 countries and territories, has 250 dedicated aircrafts for its business	Cargo spaces	10	30	Cheque or telegraphic transfer
	Total	314,221	75.3					

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For the year ended 31 December 2019

Rank	Supplier	Cost of services (HK\$'000)	Approximate % of our total cost of services (%)	Background	Services supplied to our Group	Approximate years of business relationship with our Group as at the Latest Practicable Date	Typical credit period (days)	Method of settlement
1	Supplier A	72,087	22.6	An international airline based in Taiwan	Cargo Spaces	10	30	Cheque or telegraphic transfer
2	Supplier B	68,404	21.4	An international airline based in Thailand	Cargo Spaces	10	20	Cheque or telegraphic transfer
3	Supplier E	54,996	17.2	An international airline based in Hong Kong	Cargo Spaces	10	21	Cheque or telegraphic transfer
4	Supplier I	12,651	4.0	An all-cargo airline headquartered in Europe with global network	Cargo Spaces	10	30	Cheque or telegraphic transfer
5	Supplier H	11,608	3.6	A freight forwarder based in Hong Kong	Cargo Spaces	9	20	Cheque or telegraphic transfer
	Total	219,746	68.8					

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For the eight months ended 31 August 2020

Rank	Supplier	Cost of services (HK\$'000)	Approximate % of our total cost of services (%)	Background	Services supplied to our Group	Approximate years of business relationship with our Group as at the Latest Practicable Date	Typical credit period (days)	Method of settlement
1	Supplier A	111,817	22.6	An international airline based in Taiwan	Cargo Spaces	10	30	Cheque or telegraphic transfer
2	Supplier E	96,511	19.5	An international airline based in Hong Kong	Cargo Spaces	10	21	Cheque or telegraphic transfer
3	Supplier B	66,982	13.6	An international airline based in Thailand	Cargo Spaces	10	20	Cheque or telegraphic transfer
4	Supplier J	30,904	6.3	A freight forwarder based in Hong Kong	Cargo Spaces	4	60	Cheque or telegraphic transfer
5	Supplier I	29,663	6.0	An all-cargo airline headquartered in Europe with global network	Cargo Spaces	10	30	Cheque or telegraphic transfer
	Total	335,877	68.0					

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Credit period

During the Track Record Period, our purchases of cargo spaces from airlines were generally with a short credit period of approximately 15 to 30 days, while we provide our customers with a credit period up to 90 days. For the procurement of charter flights, we usually require full or partial payment in advance from customers. The payment for charter flights to airlines have to be made in full and in advance ranging from two to ten days before the departure of the flights. Purchases are settled with cheque and bank remittance.

Bank guarantees

It is a common practice within industry for freight forwarders to provide bank guarantees in favour of airlines or shipping liners to secure purchases of cargo spaces. Bank guarantees are provided by our principal banks which would in turn require collaterals such as mortgage over properties or bank deposits to be pledged in favour of our banks.

The requirement for bank guarantees to secure the performance of our obligations in favour of our suppliers varies across different suppliers. Generally, where a bank guarantee is provided, our suppliers shall have the right from time to time by giving notice in writing to require us to increase the amount of guarantee if the cargo space purchased by us is greater than the existing guarantee sum. Our bank guarantees are generally renewed on a yearly basis.

As at 31 December 2017, 2018 and 2019 and 31 August 2020, we arranged aggregate bank guarantees of approximately HK\$12.2 million, HK\$11.7 million, HK\$14.6 million and HK\$14.6 million, respectively, in favour of airlines which were our suppliers. The collaterals provided for the bank guarantees were also used to secure other types of facilities granted by the relevant banks. The forms of collaterals provided by our Group were:

	31 December 2017	31 December 2018	As at 31 December 2019	31 August 2020
Forms of collateral provided to the banks:				
Bank A	<ul style="list-style-type: none"> • A charge over a deposited amount of our Group at the bank • An unlimited corporate guarantee • Assignment of our Group's receivables • A personal guarantee of a limited amount • Charge over securities held by our Group 	<ul style="list-style-type: none"> • A charge over a deposited amount of our Group at the bank • An unlimited corporate guarantee • A personal guarantee of a limited amount • Charge over securities held by our Group 	<ul style="list-style-type: none"> • A charge over a deposited amount of our Group at the bank • An unlimited corporate guarantee • A personal guarantee of a limited amount 	<ul style="list-style-type: none"> • A charge over a deposited amount of our Group at the bank • An unlimited corporate guarantee • A personal guarantee of a limited amount

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	31 December 2017	31 December 2018	As at 31 December 2019	31 August 2020
Forms of collateral provided to the banks:				
Bank B	<ul style="list-style-type: none"> • A personal guarantee of an unlimited amount • Legal mortgage over the property in Hong Kong owned by our Group • A charge over a deposited amount of our Group at the bank 	<ul style="list-style-type: none"> • A personal guarantee of an unlimited amount • Legal mortgage over the property in Hong Kong owned by our Group • A charge over a deposited amount of our Group at the bank 	<ul style="list-style-type: none"> • A personal guarantee of an unlimited amount • Legal mortgage over the property in Hong Kong owned by our Group • A charge over a deposited amount of our Group at the bank 	<ul style="list-style-type: none"> • A personal guarantee of an unlimited amount • Legal mortgage over the property in Hong Kong owned by our Group • A charge over a deposited amount of our Group at the bank
Bank C	N/A	<ul style="list-style-type: none"> • A personal guarantee of all monies • Charge over a bank account held by our Group of all monies 	<ul style="list-style-type: none"> • A personal guarantee of all monies • Charge over a bank account held by our Group of all monies 	<ul style="list-style-type: none"> • A personal guarantee of all monies • Charge over a bank account held by our Group of all monies

Our Directors have confirmed that during the Track Record Period and as at the Latest Practicable Date, no enforcement of bank guarantees were made by our suppliers against us. During the Track Record Period, we did not receive any complaint of a material nature from our suppliers.

Other logistics service providers

If required by our customers, we will arrange ancillary logistics services (such as cargo pickup, cargo handling, cargo handling at ports and local transportation) and warehousing related services (such as repackaging, labelling, pelletising, customer clearance and warehousing), in order to facilitate our provision of freight forwarding services. In this regard, during the Track Record Period, we engaged with over 40 service providers to provide us local transportation and warehouse related services. For FY2017, FY2018, FY2019 and 8M2020 our expenses paid to these service providers amounted to approximately HK\$17.5 million, HK\$16.5 million, HK\$13.5 million and HK\$27.6 million, representing 4.6%, 4.0% 4.2% and 5.6% of our total costs of services, respectively. We did not enter into any long-term written service agreements with any service providers during the Track Record Period and we did not experience any material non-performance incident or quality dispute with our service providers causing material disruption to our operations.

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Related Party Transactions

During the Track Record Period, our Group handled the booking of airline tickets and accommodation for business trips of our employees through several travel agencies, namely Bao Shinn Express Company Limited and its subsidiaries comprising Bao Shinn International Express Limited, H.C. Patterson and Company Limited and HK Airlines Holidays Travel Company Limited. As Bao Shinn Express Company Limited is owned by Mr. Chiu, our executive Director, and his brother, namely Mr. Chiu Man Lam, as to 75% and 25%, respectively, the transactions between Bao Shinn Express Company Limited together with its subsidiaries and our Group amounted to related party transactions. In addition, our Group provided loan to Harvest Alliance Holdings Limited, which was also one of our related companies controlled by Mr. Chiu. The loan amount to Harvest Alliance Holdings Limited was HK\$2.0 million as at 31 December 2016, and was fully repaid in FY2017. Our Group had an interest income of HK\$0.2 million from Harvest Alliance Holdings Limited in FY2017. The loan was granted to Harvest Alliance Holdings Limited for the purpose of the Yangshan Project.

Our Directors confirm that the transactions conducted between us and these related companies during the Track Record Period were on arm's length basis and on normal commercial terms. Please see the section headed "Financial Information — Transactions with related parties" in this prospectus for further details.

INFORMATION TECHNOLOGY

We currently engage an independent information technology system provider for maintaining our freight operations and accounting system. It regularly maintains and upgrades our platform and standardise the accounting information systems across our offices. During the Track Record Period and up to the Latest Practicable Date, we did not experience any failure in our information systems which caused material disruptions to our operations.

The amount of the freight operations and accounting system were HK\$206,000, HK\$207,000, HK\$217,800 and HK\$145,200, representing 0.9%, 0.8%, 0.7% and 0.6% of the total administrative and other operating expenses for FY2017, FY2018 and FY2019 and 8M2020, respectively.

PROPERTIES

Owned properties

As at the Latest Practicable Date, we owned two properties, one located in Hong Kong and one in Macau. The saleable areas of the properties are approximately 504 sq.m. and approximately 45 sq.m., respectively. We use the property in Hong Kong primarily for storage and ancillary office purposes which are non-property activities as defined under Rule 8.01(2) of the GEM Listing Rules, and the property in Macau was vacant. As at 31 August 2020, the carrying amount of a property interest of our Group was more than 15% of our combined total assets. On this basis, we are required by Rule 8.01A of the GEM Listing Rules to include in this prospectus valuations of and information on our property interests. Please see the section headed "Appendix III — Property Valuation" in this prospectus for the full-text valuation report on our owned properties.

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Leased Properties

As at the Latest Practicable Date, we leased from Independent Third Parties one property in Hong Kong and five properties in the PRC. The table below shows a summary of our leased properties:

No.	Location	Usage	Monthly Rental	Approximate area (sq.m)	Term of lease	Expiration date of lease
1.	Unit 817, 8/F, Tower B, Mandarin Plaza, 14 Science Museum Road, Kowloon, Hong Kong	Office	HK\$36,000	105	2 years	January 2022
2.	Room 410, No. 24 Qilin Middle Road, Shatai Road, Baiyun District, Guangzhou, the PRC	Office	RMB2,050	35	6 months	June 2021
3.	Room 237, Floor 2, No. 289 Wujin Road, Hongkou District, Shanghai, the PRC	Office	RMB8,395 (inclusive of management fee)	44	2 years and 10.5 months	September 2021
4.	Room 1718, Changping Business Building, No. 99 Honghua Road, Futian Free Trade Zone, Shenzhen, the PRC	Office	RMB7,600	94	3 years	February 2021
5.	Offices at Unit E/F, 22/F, Tianxing Riverfront Square under Daguangming Bridge, the 11th Longitude Road, Hedong District, Tianjin, the PRC	Office	RMB10,548 (inclusive of management fee and utilities)	117	1 year	March 2021
6.	Flat 11E, Baoshui Market Building, No. 88 Xiangyu Road, Xiamen Area of Fujian Pilot Free Trade Zone, the PRC	Office	RMB1,000 (inclusive of management fee)	40	2 years	January 2021

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INSURANCE

Pursuant to paragraph 16.1 of the Hong Kong Association of Freight Forwarding and Logistics Ltd Standard Trading Conditions (HAFFA STCs), we are not required to arrange any insurance except on express written instructions given by the customer and accepted by us in writing. We maintain cargo transportation liability insurance policies against cargo transportation losses and freight forwarder errors and omissions. We also maintain insurance coverage of employee's compensation, medical and social securities, office contents, business interruption and malicious attack, and public liability insurance. Our Directors believe that the insurance coverage taken out by us is in line with industry norms in Hong Kong, Macau and the PRC and is adequate and sufficient for our operations. Our Directors have confirmed that we were not subject to any material insurance claims or liabilities arising from our operation nor did we make any material insurance claims during the Track Record Period.

MARKET AND COMPETITION

According to CIC Report, the revenue of the air freight forwarding industry in Hong Kong reached HK\$49.3 billion in 2019, representing a cargo volume of 3,097 million tonnes. In the first six months in 2020, the exported air freight forwarding cargo volume in Hong Kong decreased by approximately 7% as compared to the same period in 2019. Due to the COVID-19 pandemic, most airlines have suspended partly or all services, especially services for passenger flights. The significant decrease in passenger flight movements has led to a tremendous disruption in air transportation, short supply of cargo space, and surge in the price of air cargo space. It is currently expected that the market size of the air freight forwarding logistics industry in Hong Kong will decrease to approximately HK\$45.6 billion in 2020. Our industry is highly fragmented and competitive, with competitors of different sizes. In 2019, there were around 1,500 freight forwarding companies registered in Hong Kong which can be divided into two tiers. Tier one players are mainly multinational enterprises, contributing about nearly half of the total revenue of air freight forwarding logistics industry in Hong Kong, while tier two players are small- and medium-scale Hong Kong based local enterprises operating in the industry.

We compete with freight forwarders of all sizes, ranging from global and Chinese leading participants having their own global network of offices and transportation fleet or long-term relationship with international major carriers (which account for nearly half of the total revenue in the industry), to small- and medium-scaled freight forwarders like ourselves, which have a deeper understanding of the customers' business nature and long-term relationship with customers based in Hong Kong and the Pearl River Delta. We believe that our competitive strengths, details of which set out in the paragraph headed "Competitive Strengths" in this section, distinguish us from our competitors. To the best of the knowledge of our Directors, none of our Directors, their respective associates or any shareholder who owns more than 5% of our issued share capital had any interest in any of our competitors during the Track Record Period and as at the Latest Practicable Date.

The U.S.-China trade war commenced in July 2018 and subsequently intensified during FY2019, which resulted in a negative impact to the overall international trading activities globally. The U.S.-China trade war started deescalating with the signing of the phase one trade agreement between the PRC and the U.S. government. Please see the section headed "Industry Overview — Potential effect on trading activities from U.S. tariffs against China" in this prospectus for details of the import tariffs and the sections headed "Financial Information — Revenue" and "Summary — Recent Development and Material Adverse Change — U.S.-China Trade War" in this prospectus for its impact on our business and financial performance.

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AWARDS, MEMBERSHIPS AND RECOGNITIONS

We believe that our responsive and quality services are well-recognised in the industry. The following table sets forth our major awards, memberships and recognitions:

Year	Awarding organisation	Certification/award/membership	Recipient
2003	Hong Kong Association of Freight Forwarding & Logistics Limited (HAFFA)	Ordinary Member	Grand Power Express International Limited
2008, 2012, 2015	China Airlines	10 Million Dollar Sales Award in Recognition of Outstanding Contribution	Grand Power Express International Limited
2013, 2014	China Airlines	20 Million Dollar Sales Award in Recognition of Outstanding Contribution	Grand Power Express International Limited
2010, 2011, 2016	China Airlines	5 Million Dollar Sales Award in Recognition of Outstanding Contribution	Grand Power Express International Limited
2017	Thai Airways	Outstanding Achievement Award	Grand Power Express International Limited
2011 to 2018	International Air Transport Association (IATA)	Membership	Grand Power Express International Limited
2011 to 2019	International Federation of Freight Forwarders Associations (FIATA)	Individual member	Grand Power Express International Limited
2012 to 2018	WCA (World Cargo Alliance)	Membership	Grand Power Express International Limited, 裕程國際貨運有限公司 (Grand Power Express International (China) Limited*) and Grand Power Express International (Shenzhen) Limited*

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Year	Awarding organisation	Certification/award/ membership	Recipient
2018- 2019	WCA (World Cargo Alliance)	Membership	Grand Power Express International Limited, 裕程國際貨運有限公司(Grand Power Express International (China) Limited*), Grand Power Express International (Shenzhen) Limited*, Grand Power Express International (China) Limited Tianjin, Xiamen and Guangzhou branch companies*
2019- 2020	WCA (World Cargo Alliance)	Membership	Grand Power Express International Limited (Hong Kong), Grand Power Express International (China) Limited Tianjin, Xiamen, Shanghai and Guangzhou branch companies*

EMPLOYEES

As at the Latest Practicable Date, we had a total of 42 full-time employees. The following table sets forth the breakdown of our employees by geographical location and by function as at the Latest Practicable Date:

Employee type	Hong Kong	The PRC	Total
Management	3	—	3
Sales and operation	10	4	14
Finance and accounting	4	4	8
Customer service	4	6	10
Human resources and administration	5	2	7
Total	26	16	42

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Our management considers our employees as key assets which play a pivotal role in our continuous growth. It is our policy to maximise the potential of our employees through training and development. Our employee training and development aim at equipping our employees with the knowledge and skills necessary to perform their job functions and enhance their capability.

We have a recruitment policy in place to maintain a fair and effective recruitment procedure. Under such policy, we normally recruit employees with the appropriate skills, both technical and personal, in order to meet our current and future needs and to ensure that the employees appointed are qualified and competent to carry out the duties. We believe that we have always maintained a good working relationship with our employees. As at the Latest Practicable Date, none of our employees were members of any labour unions, nor were there any labour dispute or claim involving and against us.

HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

We place a strong emphasis on occupational safety of our staff. During the Track Record Period and as at the Latest Practicable Date, there were no material accidents nor claims for personal or property damage. There were also no interruptions in our business which may or have had a significant effect on our financial position during the Track Record Period and up to the Latest Practicable Date.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, our Group was the registrant of 10 domain names and had registered one trademark in Hong Kong. Detailed information of our material intellectual property rights is set out in the section headed “Appendix V — Statutory and General Information — B. Further information about our business — 2. Intellectual property rights of our Group” in this prospectus.

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

LICENCES, PERMITS AND APPROVALS

A summary of the laws and regulations applicable to our business and industry is set out in the section headed “Regulatory Overview” in this prospectus.

We have obtained all the necessary licences, permits and approvals that are material to our business during the Track Record Period and up to the Latest Practicable Date with details set forth below:

Licence/permit/approval	Holding entity	Issuing authority	Date of grant	Date of expiry
Radio Dealers License (Unrestricted)	Grand Power Express International Limited	Communications Authority of Hong Kong	July 2020	July 2021
Non-Vessel Operating Common Carrier Qualification Registration Certificate, MOC-NV 03452 (無船承運業務經營資格登記証) (Note)	Grand Power Express International (China) Limited Guangzhou branch	Ministry of Transport of the People's Republic of China (中華人民共和國交通運輸部)	N/A	N/A

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Licence/permit/approval	Holding entity	Issuing authority	Date of grant	Date of expiry
Non-Vessel Operating Common Carrier Qualification Registration Certificate, MOC-NV 07541 (無船承運業務經營資格登記証) (Note)	Grand Power Express International (China) Limited Xiamen branch	Ministry of Transport of the People's Republic of China (中華人民共和國交通運輸部)	N/A	N/A
Non-Vessel Operating Common Carrier Qualification Registration Certificate, MOC-NV 07736 (無船承運業務經營資格登記証) (Note)	Grand Power Express International (China) Limited Tianjin branch	Ministry of Transport of the People's Republic of China (中華人民共和國交通運輸部)	N/A	N/A
Non-Vessel Operating Common Carrier Qualification Registration Certificate, SMTC-NV 01129 (無船承運業務經營資格登記証) (Note)	Grand Power Express International (China) Limited	Shanghai Transport Committee (上海市交通委員會)	N/A	N/A
Non-Vessel Operating Common Carrier Qualification Registration Certificate, MOC-NV 07538 (無船承運業務經營資格登記証) (Note)	Grand Power Express International (Shenzhen) Limited	Ministry of Transport of the People's Republic of China (中華人民共和國交通運輸部)	N/A	N/A
Certificate of Registration as a Textiles Trader	Grand Power Express International Limited	Director-General of Trade and Industry of Hong Kong	September 2020	September 2021
Certificate of Registration as a Textiles Trader	Redcap Logistics Limited	Director-General of Trade and Industry of Hong Kong	November 2020	November 2021

Note: Pursuant to the Decision on Cancelling and Delegating to Lower-level Authorities a Group of Administrative Approval Items (《國務院關於取消和下放壹批行政許可事項的決定》) issued by the State Council on 27 February 2019, the pre-examination and approval system for the Non-Vessel Operating Common Carrier Qualification Registration Certificate shall be displaced by a one-off filing and credit management system for those enterprises operating non-vessel shipping business. As at the Latest Practicable Date, our Group has completed the related non-vessel shipping business filing with the relevant authorities. Please see the section headed “Regulatory Overview — B. PRC laws and regulations — 2. Industry regulations” in this prospectus for details.

LEGAL PROCEEDINGS AND COMPLIANCE

As at the Latest Practicable Date, our Group is involved in a civil claim against one of our customers for outstanding debt recovery. The customer (the “**Customer**”) in FY2019 has failed to repay our trade receivables of approximately HK\$8.1 million within the designated credit period. Set out below are the chronology of events and details of the claim against the Customer:

Date	Events
April 2019	<ul style="list-style-type: none"> Our Group started to conduct freight forwarding and co-loading business with the Customer. The Customer purchased cargo spaces from our Group under one transaction for an amount of approximately HK\$3,000, and fully settled such purchase on 21 June 2019.
May 2019	<ul style="list-style-type: none"> The Customer purchased cargo spaces from our Group under nine transactions for an aggregate amount of HK\$0.3 million, and fully settled the amount on 15 July 2019.

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Date	Events
June 2019	<ul style="list-style-type: none">• The Customer purchased cargo spaces from our Group under 59 transactions for an aggregate amount of approximately HK\$3 million.
July 2019	<ul style="list-style-type: none">• In early July, our Group's accounts department noted that the account receivables due from the Customer had accrued more than HK\$3 million and notified the Customer forthwith that our Group would continue to conduct business with it so long as the accrued account receivables were settled.• In mid-July 2019, the Customer fully settled the purchases in May amounting to approximately HK\$0.3 million by cheque after netting off our Group's account payables to the Customer. Our Group had account payables due to the Customer because our Group purchased cargo spaces from the Customer. In addition, the Customer gave three post-dated cheques to our Group to settle the outstanding account receivables.• Our Group continued to conduct business with the Customer and the Customer purchased cargo spaces from our Group in a total of 97 transactions for an aggregate amount of approximately HK\$5.1 million for the period from 1 July 2019 to 31 July 2019.• On 31 July 2019, our Group deposited the cheque dated of the same date with the bank.
August 2019	<ul style="list-style-type: none">• On 2 August 2019, our Group was informed by the bank that the cheque dated 31 July 2019 was dishonoured. The sole shareholder of the Customer explained to us that the cheque was dishonoured and it was unable to repay the outstanding trade receivables because the operation of the sole company bank account of the Customer was suspended by the bank, and thus the Customer could not collect bills from its customers in the PRC nor pay to its suppliers. According to the sole shareholder, the bank suspended the operation of such company bank account per the bank's anti-money laundering control measures since the Customer's PRC customers settled their payables by making various money transfers from their personal accounts, which were considered by the bank as unknown sources, to the Customer's bank account.• Our Group immediately notified the operation department and ceased to conduct business with the Customer. The Customer purchased additional cargo spaces from our Group under 12 transactions for an aggregate amount of approximately HK\$0.4 million for the period from 1 August 2019 up to 4 August 2019. The aggregate outstanding balance from the Customer had accrued approximately HK\$8.4 million as of 4 August 2019.
September 2019	<ul style="list-style-type: none">• The Customer paid a total of approximately HK\$0.3 million to our Group to partially settle the outstanding balance.

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Date	Events
November 2019	<ul style="list-style-type: none">• On 7 November 2019, our Group (as creditor) entered into a deed of settlement (the “Deed”) with the Customer (as debtor) and its sole shareholder and director, whereby the sole shareholder and director and the Customer jointly and severally assumed the debt and should settle the debt before 28 February 2020 by three instalment payments.• Upon signing of the Deed, the Customer’s sole shareholder and director provided three post-dated cheques drawn on his own account to our Group in accordance with the terms of the Deed.
December 2019	<ul style="list-style-type: none">• On 31 December 2019, our Group deposited the first cheque dated of the same date of HK\$2 million with the bank.
January 2020	<ul style="list-style-type: none">• On 2 January 2020, our Group was informed by the bank that the cheque dated 31 December 2019 was dishonoured.• On 9 January 2020, our Group received a sum of HK\$50,000 from the Customer.• Our Group instructed its lawyer to lodge a claim to the Court of First Instance against the Customer and its sole shareholder and director for the repayment of the outstanding debts of approximately HK\$8.1 million with overdue interest.• On 14 January 2020, the writ of summons against the Customer and its sole shareholder and director was filed with the court and served to the Customer and its sole shareholder and director.
May 2020	<ul style="list-style-type: none">• As the Judiciary had generally adjourned court proceedings and closed court registries and offices since the end of January 2020 and resumed court proceedings and re-opened court registries and offices in early May 2020 due to public health consideration, the lawyer representing our Group in the legal proceedings filed a draft judgement with the High Court on 6 May 2020 as soon as practicable for the application for judgement against the Customer and its sole shareholder and director in default of defence.• Pursuant to a letter dated 7 May 2020 from the lawyer representing the Customer and its sole shareholder and director, a bankruptcy petition made by the Customer’s sole shareholder and director against himself was presented to the High Court on 6 May 2020 and the hearing of the said petition was scheduled to be held at the High Court on 23 June 2020.• On 26 May 2020, a final judgment was entered against the Customer and its sole shareholder and director, and the Court of First Instance adjudged the Customer and its sole shareholder and director to pay our Group the sum of approximately HK\$8.1 million together with interest thereon.

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Date	Events
June 2020	<ul style="list-style-type: none">On 8 June 2020, our Group served a statutory demand to the Customer and demanded the Customer to pay, or to secure or compound to the reasonable satisfaction of our Group the outstanding debts of approximately HK\$8.1 million.The Official Receiver's Office informed that a bankruptcy order was made against the Customer's sole shareholder and director on 23 June 2020.
July 2020	<ul style="list-style-type: none">On 13 July 2020, our Group instructed its lawyer to lodge a winding up petition to the Court of First Instance against the Customer as it was insolvent and unable to pay its outstanding debts to our Group.
October 2020	<ul style="list-style-type: none">On 14 October 2020, the Court of First Instance issued an order that the Customer is wound up by the court under the provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Considering the aforesaid bankruptcy petition, our Group has made full provision for the approximately HK\$8.1 million outstanding trade receivables in FY2019. Please refer to the section headed "Financial information — Description of selected items in combined statements of profit or loss and other comprehensive income — Provision for impairment loss on trade receivables" in this prospectus for further details.

Save for the above, our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, there is no material litigation, arbitration or administrative proceeding threatened against us or any of our subsidiaries.

In addition, our Directors confirm that during the Track Record Period, there were no non-compliance incidents which led to regulatory actions and penalties that had material and adverse effect on our business and results of operations.

RISK MANAGEMENT AND INTERNAL CONTROL

In order to ensure compliance with applicable laws and regulations and related policies in different operational aspects, we have established and adopted an internal control system, covering areas such as, among other things (i) financial reporting; (ii) credit risk and cashflow mismatch; (iii) procurement and accounts payable; and (iv) human resources management. We believe that our internal control system is sufficient and effective.

In preparation for the Listing, we engaged an independent internal control consultant to evaluate our internal control system in November 2017.

BUSINESS

Upon completion of such review, the internal control consultant identified certain findings in relation to our internal control policies and procedures, and the details of the major findings and recommendations provided by the internal control consultant are set out below:

Internal control review findings	Recommendations	Adoption
1. Our Group did not make capital contribution to one of its PRC subsidiaries within the time limit prescribed by PRC laws and regulations	Our Group should closely monitor the status of capital contribution to its newly established operating subsidiaries by preparing an “investment tracking form” to keep track of the status of capital contribution, and notifying the relevant shareholder of such operating subsidiary by mail or phone one month before the expiry of the prescribed time limit for capital contribution.	Completed
2. Our Group did not notify the relevant authority of the change of one of its PRC subsidiaries’ name on time	Our Group should assign a designated person to conduct quarterly check on its licences as to whether all updates or changes made have been registered with the relevant authority on time.	Completed
3. Our Group did not notify the relevant authority of the change of two of its PRC subsidiaries’ registered addresses on time	Our Group should assign a designated person to conduct quarterly check on its licences as to whether all updates or changes made have been registered with the relevant authority on time.	Completed
4. Our Group did not file registration of two tenancy agreements for leased properties in the PRC to the relevant authority on time	Our Group should assign a designated person to conduct monthly check on whether all newly entered lease agreements have been duly registered with the relevant authority.	Completed
5. Our Group did not file tax registration with the Macau authorities with the time limit prescribed by Macau laws and regulations	Our Group should assign a designated person to conduct half-yearly check on the status of tax registration of its subsidiaries.	Completed
6. Our sales and operation personnel were allowed to offer discounts to our customers by providing quotations orally or by email without written approval	Our management should authorise our sales and operation personnel to offer discounts to our customers at a capped amount. Discounts exceeding the cap should only be offered after written approval from our management. All quotations in writing and approval records should be properly filed. In case of quotations given orally, the responsible sales and operation personnel should prepare a checklist of such quotations for record keeping.	Completed

We have implemented the recommendations from the independent internal control consultant to improve and enhance our internal control system. The independent internal control consultant also performed a follow-up review in March 2018 and August 2020 on the status of our actions to address the findings in the abovementioned evaluation and reported that the deficiencies identified have been remedied. On the basis of the above, our internal control consultant and our Directors confirm, and the Sole Sponsor concurs, that the internal control measures implemented by us are adequate and sufficient, which could effectively ensure a proper internal control system of our Group and prevent any occurrence of non-compliance incident in the future.

BUSINESS

To strengthen our internal control and ensure future compliance with the applicable laws and regulations (including the GEM Listing Rules) after the Listing, we have adopted the following additional internal control measures:

- our Board will continuously monitor, evaluate and review our internal control system to ensure compliance with the applicable legal and regulatory requirements and will adjust, refine and enhance our internal control system as appropriate;
- we will regularly assess the credit rating of our customers and make amendments to their credit period and payment terms in accordance with our assessment to minimise the risk of customer default and cashflow mismatch;
- our management will continue to monitor the price change of cargo space in the market and frequently compare the purchase costs of the cargo space we source from our suppliers against the prevailing market rates in order to maintain our price competitiveness;
- if necessary, we may consider arranging our Directors, members of senior management and relevant employees to attend trainings on the legal and regulatory requirements applicable to our business operations from time to time; and
- if necessary, we may consider appointing external legal advisers to advise us on matters relating to compliance with the GEM Listing Rules and the applicable laws and regulations in places of our business operations.

Our Directors believe that by having the above measures in place and by closely monitoring the effectiveness of these measures, our Group will be able to minimise the impact of the risks we are exposed to during the course of our business operation.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Share Offer and Capitalisation Issue (without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme), the issued share capital of our Company will be owned as to 37.5% by Peak Connect and 37.5% by Profit Virtue respectively. Peak Connect is owned as to 92.32% and 7.68% by Mr. Chiu and Ms. Wong, respectively, while Profit Virtue is wholly owned by Mr. Chiu. For the purpose of the GEM Listing Rules, Mr. Chiu is regarded as a Controlling Shareholder. Further, Mr. Chiu and Ms. Wong are regarded as a group of Controlling Shareholders due to their relationship as spouses.

Accordingly, for the purpose of the GEM Listing Rules, Peak Connect, Profit Virtue, Mr. Chiu and Ms. Wong will be regarded as Controlling Shareholders of our Company upon Listing.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

In the opinion of our Directors, our Group is capable of carrying on our business independently from and does not place undue reliance on our Controlling Shareholders and their respective close associates, taking into consideration the following factors:

Management independence

Our Board comprises two executive Directors, two non-executive Directors and four independent non-executive Directors.

Each of our Directors is aware of his fiduciary duties as a Director which require, among other things, that he acts in the best interests of our Company and that no conflict between his duties as a Director and his personal interests would be allowed. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Director(s) or their respective close associate(s), the interested Director(s) shall abstain from voting at the relevant board meeting(s) of our Company in respect of such transactions and shall not be counted towards the quorum.

Four of the members of our Board are independent non-executive Directors with extensive experience in different areas, and they have been appointed pursuant to the requirements under the GEM Listing Rules to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions.

Furthermore, our Board's main functions include devising and approving the overall business plans and strategies of our Group, monitoring the implementation of our Group's policies and strategies and taking into account the reports and advice of the senior management of our Group.

Having considered the above factors, our Directors are satisfied that the Board as a whole is able to perform its role in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders and their respective close associates after the Listing.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Operational independence

The operations of our Group are independent of and not connected with our Controlling Shareholders and their respective close associates. Our Group has established our own set of organisational structure made up of individual divisions, each with their own specific areas of responsibilities.

During the Track Record Period and up to the Latest Practicable Date, save and except that our Group handled the booking of airline tickets and accommodation for business trips of our employees through the associates of Mr. Chiu (details of which are set out in the section headed “Connected Transaction” in this prospectus), our Group had independent access to suppliers of our Group for our business operations and all of our customers are Independent Third Parties. We own all the necessary assets and equipment (except for the leased properties) for the operation of our Group.

Having considered the above factors, our Directors are of the view that there is no operational dependence on our Controlling Shareholders or their respective close associates.

Financial independence

Our Group has an independent financial system and makes financial decisions according to our own business need. We have sufficient capital to operate our business independently and have adequate internal resources and credit profile to support our daily operations. During the Track Record Period and up to the Latest Practicable Date, our Group had relied principally on cash generated from operations and our banking facilities to carry on business and it is expected to continue after the Listing.

During the Track Record Period, certain banking facilities granted to our Group were secured by guarantees and collateral security provided by our Controlling Shareholders or their respective associates. As at the Latest Practicable Date, our Group has procured consent-in-principle from the relevant bank for its agreement to release all such guarantees and collateral security provided to our Group by our Controlling Shareholders or their respective associates upon Listing. As such, upon Listing, our Group will have independent access to third party financing without relying on any guarantee from our Controlling Shareholders or their respective close associates.

Our Directors are of the view that our Group is able to obtain external financing on market terms and conditions for its business operations as and when required and is not financially dependent on our Controlling Shareholders or any of their respective close associates in the operation of its business.

RULE 11.04 OF THE GEM LISTING RULES

Our Controlling Shareholders and our Directors confirm that they and their respective close associates do not have any interest in any business apart from our Group’s business which competes or is likely to compete, directly or indirectly, with our Group’s business and would require disclosure under Rule 11.04 of the GEM Listing Rules.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following corporate governance measures to avoid potential conflict of interests and safeguard the interests of our Shareholders:

- (a) as part of our preparation for the Listing, we have adopted the Articles to comply with the GEM Listing Rules. In particular, the Articles provide that, unless otherwise provided, a Director shall not vote in any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates have a material interest nor shall such Director be counted in the quorum present at the meeting;
- (b) our independent non-executive Directors represent over one-third of the composition of the Board. We believe that the presence of our independent non-executive Directors who possess diversified experience and expertise provide a balance of view and independent judgment in the decision making process of the Board and they will be able to provide an impartial external opinion to protect the interest of our public Shareholders;
- (c) we will ensure compliance with the GEM Listing Rules, in particular, strictly observe any proposed transactions between us and connected persons and comply with the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules where applicable; and
- (d) we have appointed VBG Capital Limited as our compliance adviser to advise us on the compliance matters in respect of the GEM Listing Rules and applicable laws and regulations.

CONNECTED TRANSACTION

Our Group has entered into transactions with connected persons and will continue to carry out such transactions upon Listing which will constitute continuing connected transactions under Chapter 20 of the GEM Listing Rules.

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTION

During the Track Record Period, our Group handled the booking of airline tickets and accommodation for business trips of our employees through certain travel agencies, namely Bao Shinn Express Company Limited (“**Bao Shinn Express**”) and its subsidiaries comprising Bao Shinn International Express Limited, H.C. Patterson and Company Limited and HK Airlines Holidays Travel Company Limited (together, the “**Travel Agencies**”). The total consideration for the service provided by the Travel Agencies for each of the three years ended 31 December 2017, 2018, 2019 and for the eight months ended 31 August 2020 were approximately HK\$29,000, HK\$106,000, HK\$134,000 and HK\$38,000. Our Group will continue to carry out such transactions upon Listing. As Bao Shinn Express is owned by Mr. Chiu, our executive Director, and his brother, namely Mr. Chiu Man Lam, as to 75% and 25%, respectively, the Travel Agencies are our connected persons and the contemplated transactions between our Group and the Travel Agencies will constitute continuing connected transactions under Chapter 20 of the GEM Listing Rules upon Listing.

On 11 December 2020, Bao Shinn Express and our Company entered into an agreement (the “**Travel Agency Service Agreement**”) pursuant to which the Travel Agencies agreed to provide travel agency services to our Group, details of which are as follows:

Purchaser:	our Company and its subsidiaries
Seller:	Bao Shinn Express and its subsidiaries
Term:	From the Listing Date to 31 December 2023

During the term of the Travel Agency Service Agreement, the Travel Agencies shall provide and our Group shall acquire travel agency services at the prices listed in the services price lists issued and updated from time to time by the Travel Agencies to their customers in Hong Kong.

Based on historical figures and the expected frequency of business trips, the proposed annual cap for the three years ending 31 December 2021, 2022 and 2023 will not be more than HK\$500,000.

Since the applicable percentage ratios under the GEM Listing Rules regarding the above transactions are less than 5% and the total consideration of the above transactions is less than HK\$3 million, such transactions constitute de minimis transactions which are fully exempted from the reporting, announcement and independent Shareholders’ approval requirements under Rule 20.74 of the GEM Listing Rules.

The Sponsor and our Directors (including our independent non-executive Directors) are of the view that the consideration paid to the Travel Agencies, the terms and conditions of the Travel Agency Service Agreement and the proposed annual cap are fair and reasonable and reflect the prevailing market price. They also consider that entering into the Travel Agency Service Agreement is in the ordinary and usual course of business, on normal commercial terms, and in the interests of our Group and Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The Board consists of eight Directors, among which there are two executive Directors, two non-executive Directors and four independent non-executive Directors. Our executive Directors and senior management are involved in the day-to-day management of our business.

The following table sets out some information in respect of our Directors:

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Major roles and responsibilities	Relationship with other Directors
Executive Directors						
Mr. CHIU Ricky Tong (趙彤)	49	1 March 2002	29 March 2018	Executive Director	Formulating overall business strategies and overseeing the business and operation of our Group	Spouse of Ms. Wong
Mr. TSE Chi Kwan Decky (謝志坤)	49	1 June 2004	29 March 2018	Executive Director	Managing and supervising the day-to-day operation of our Group	N/A
Non-executive Directors						
Ms. WONG Sheng Ning Candace (王晟寧)	47	28 October 2004	29 March 2018	Non-executive Director	Overseeing the risk management and control function of our Group	Spouse of Mr. Chiu
Mr. HEUNG Wai Keung (香偉強)	38	11 December 2020	11 December 2020	Non-executive Director	Supervising the accounting and financial function of our Group	N/A
Independent non-executive Directors						
Mr. NG Hung Fai Myron (吳鴻揮)	50	11 December 2020	11 December 2020	Independent non-executive Director	Supervising and providing independent judgement to the Board	N/A
Mr. YEUNG Kwong Wai (楊光偉)	47	11 December 2020	11 December 2020	Independent non-executive Director	Supervising and providing independent judgement to the Board	N/A
Mr. TAM Ka Hei Raymond (譚家熙)	40	11 December 2020	11 December 2020	Independent non-executive Director	Supervising and providing independent judgement to the Board	N/A
Mr. YU Tak Chi Michael (余德智)	38	11 December 2020	11 December 2020	Independent non-executive Director	Supervising and providing independent judgment to the Board	N/A

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. CHIU Ricky Tong (趙彤), aged 49, is our executive Director, chief executive officer and the chairman of our Company. He is also the founder of our Group. Mr. Chiu is primarily responsible for formulating the overall business strategies and overseeing the business and operation of our Group.

Mr. Chiu obtained a bachelor of science in physics from Imperial College, University of London in 1993. He was further awarded a special diploma in social studies from Keble College, University of Oxford in 1994.

Mr. Chiu has over 18 years of experience in the logistic industry and has been specialized in providing international freight forwarding services. He was the manager of Bao Shinn Express Company Limited (formerly known as Bao Shinn Travel Company Limited) from August 1995 to December 2001, and has been the director of Bao Shinn Express Company Limited (formerly known as Bao Shinn Travel Company Limited) since December 2001. Since March 2002, Mr. Chiu has been the president of Grand Power Express International Limited. Mr. Chiu was a director of Grand Power Logistics Group Inc. from October 2004 to January 2017.

Mr. TSE Chi Kwan Decky (謝志坤), aged 49, is one of our executive Directors. He is primarily responsible for managing and supervising the day-to-day operation of our Group.

Mr. Tse completed his secondary education in Hong Kong in 1987. Upon graduation, Mr. Tse joined a courier service company in 1989 and his last position when he left the company in 2003 was the senior manager of export air operation. He joined our Group in 2004 as the general manager and was responsible for leading and providing strategies for the sales and operation team, expanding existing and exploring new business opportunities and markets and developing the branch offices in South China. Since he became the managing director of Grand Power Express International Limited in 2009, he has been responsible in leading the management team to fulfill corporate goals and objectives, setting up sales targets and supervising the daily operations of our Group. He was a director of Grand Power Logistics Group Inc. from 2013 to 2017 and provided advice and opinion to the board of directors on sales, business development and operation matters and was accountable to the board for achieving sales and business goals.

Non-executive Directors

Ms. WONG Sheng Ning Candace (王晟寧), aged 47, is one of our non-executive Directors. She is primarily responsible for overseeing the risk management and control function of our Group.

Ms. Wong obtained a bachelor of arts from the University of Toronto in 1997.

In October 2004, Ms. Wong joined our Group and was appointed as the director of Grand Power Express International Limited in April 2013. She was also a director of Grand Power Logistics Group Inc. from October 2004 to January 2017.

Ms. Wong has over 20 years of experience in credit control and risk management. Since June 2012 to present, Ms. Wong has been the regional risk controller of TBWA Asia Pacific. Ms. Wong, from September 2004 to February 2012, was the regional credit and collections manager, and from February 2012 to June 2012, the project manager of Underwriters Laboratories, respectively, which is a safety consulting and certification company in the United States that

DIRECTORS AND SENIOR MANAGEMENT

maintains offices in 46 countries. She was a group credit controller (Asia Region) in Morgan & Banks (currently known as Hudson Global Resources (HK) Ltd.) from June 2000 to September 2004; a credit controller in JCDecaux Pearl & Dean Limited from August 1999 to June 2000; and a credit control officer with Colliers Jardine (Hong Kong) Limited from March 1997 to August 1999.

Mr. HEUNG Wai Keung (香偉強), aged 38, was appointed as a non-executive Director on 11 December 2020. He is primarily responsible for supervising the accounting and financial function of our Group.

Mr. Heung obtained a degree in bachelor of business administration in accounting from Hong Kong University of Science and Technology in November 2004. Mr. Heung has been a member of the Hong Kong Institute of Certified Public Accountants (“HKICPA”) since January 2008 and a practising member of the HKICPA since May 2017.

Mr. Heung has over 16 years of experience in auditing, accounting and financing, and financial management. In September 2017, Mr. Heung co-founded D & PARTNERS CPA LIMITED and has become one of the audit partners of the firm. He provided advisory and consulting services in relation to accountancy issues for companies across various industries. Mr. Heung worked at CHENG & CHENG LIMITED as senior audit manager from December 2016 to August 2017. Mr. Heung started to serve as an auditor at Deloitte Touche Tohmatsu in August 2004 and left as senior audit manager in November 2016, and was responsible for auditing and providing business advisory for various listed companies in Hong Kong.

Independent non-executive Directors

Mr. NG Hung Fai Myron (吳鴻揮), aged 50, was appointed as an independent non-executive Director on 11 December 2020.

Mr. Ng obtained a bachelor of arts from University of Western Ontario, Canada in June 1995. In December 2003, he obtained a master of arts in Chinese politics and administrative law from Chinese University of Hong Kong. Mr. Ng further obtained an executive master of business administration from Richard Ivey School of Business in University of Western Ontario in March 2008. In June 2017, Mr. Ng was awarded a master of science in financial analysis from Hong Kong University of Science and Technology.

Mr. Ng’s working experience is as follows:

<u>Name of company</u>	<u>Period of service</u>	<u>Position(s)</u>
The Link Management Limited (a company listed on the Main Board of the Stock Exchange; stock code: 823)	September 2011 to present	Assistant general manager
Hong Kong Police Force	March 1996 to November 2011	Senior inspector

From June 2018 to April 2020, Mr. Ng was appointed as an independent non-executive director of FSM Holdings Limited (stock code: 1721), a company listed on the Main Board of the Stock Exchange.

DIRECTORS AND SENIOR MANAGEMENT

Mr. YEUNG Kwong Wai (楊光偉), aged 47, was appointed as an independent non-executive Director on 11 December 2020.

Mr. Yeung graduated from Concordia University, Montreal, Canada in October 1997 with a major in accounting.

Mr. Yeung has more than 22 years of auditing, accounting, financial management and corporate governance experience. He is a Certified Public Accountant (Practising) of HKICPA and a member of the American Institute of Certified Public Accountants. He is also a CFA charterholder.

From December 1997, he worked at Deloitte Touche Tohmatsu and Ernst & Young in Hong Kong for a total of approximately five years, where he was primarily responsible for performing external financial audit for listed and private companies. He acted as the financial controller and company secretary of Huafeng Textile International Group Limited (now known as Ping Shan Tea Group Limited) (stock code: 364), a company listed on the Main Board of the Stock Exchange, from September 2003 to June 2005, where he was primarily responsible for the company's overall financial management and corporate governance. He joined Hembly International Holdings Limited (now known as Capital Environment Holdings Limited) (stock code: 3989), a company listed on the Main Board of the Stock Exchange, in November 2005 as an assistant to the chairman, and was appointed as a joint company secretary from August 2007 to July 2008, where he was primarily responsible for the company's business development and corporate governance. He had been a director of an accounting firm, CYC CPA Limited (環策會計師事務所有限公司), in Hong Kong from March 2010 to June 2014, where he was primarily responsible for providing corporate advisory services, company secretarial services and external financial audit for companies in Hong Kong and PRC. He is currently a director of an accounting firm, Global Glory CPA Limited (泓譽會計師事務所有限公司), in Hong Kong, where he was primarily responsible for providing corporate advisory services, company secretarial services and external financial audit for companies in Hong Kong and PRC. Mr. Yeung was the company secretary of Nexion Technologies Limited (stock code: 8420), a company listed on GEM of the Stock Exchange, from July 2016 to December 2017. He was also an independent non-executive director of Zhi Cheng Holdings Limited (now known as Dadi International Group Limited) (stock code: 8130), a company listed on GEM of the Stock Exchange from September 2015 to March 2018.

Mr. TAM Ka Hei Raymond (譚家熙), aged 40, was appointed as an independent non-executive Director on 11 December 2020.

Mr. Tam obtained a bachelor of arts degree in accounting and finance with computing from University of Kent, the United Kingdom in July 2002.

Mr. Tam has over 10 years of experience in corporate finance. He has been appointed as an independent non-executive director of Elegance Financial Printing Group Limited, a company listed on GEM of the Stock Exchange (stock code: 8391) since 1 July 2019 and as an independent non-executive director of Til Enviro Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1790) since 4 October 2018. He is currently a director of the corporate finance department at Yu Ming Investment Management Limited, a wholly-owned subsidiary of Da Yu Financial Holdings Limited, which is listed on the Main Board of the Stock Exchange (stock code: 1073), and a licensed holder to carry on Type 1 (dealing in securities), Type 4 (advising

DIRECTORS AND SENIOR MANAGEMENT

on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO. Mr. Tam had previously gained solid corporate finance and accounting experience through his work experience with First Shanghai Capital Limited, a company licensed to carry on Type 6 (advising on corporate finance) regulated activities under the SFO, and Ernst & Young.

Mr. YU Tak Chi Michael (余德智), aged 38, was appointed as an independent non-executive Director on 11 December 2020.

Mr. Yu obtained a bachelor of arts in language studies with business in June 2005 and a postgraduate diploma on accounting in November 2005 from Hong Kong Polytechnic University. In May 2010, he became a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Yu's working experience is as follows:

<u>Name of company</u>	<u>Period of service</u>	<u>Position(s)</u>
Zhonghui Anda CPA Limited	November 2019 to present	Principal
TLP Group Ltd	August 2018 to August 2019	Principal in the assurance and advisory services department
PricewaterhouseCoopers	June 2011 to July 2018	Senior manager
Ernst & Young	October 2010 to June 2011	Manager
	October 2007 to September 2010	Senior accountant
	November 2005 to September 2007	Staff accountant

Disclosure required under Rule 17.50(2) of the GEM Listing Rules

Save as disclosed above, each of our Directors (i) did not hold other position in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or Substantial Shareholders of our Company as at the Latest Practicable Date; and (iii) had not held any other directorships in public listed companies in the three years preceding the Latest Practicable Date. As at the Latest Practicable Date, save as disclosed in the sections headed "Substantial Shareholders" and "Appendix V — Statutory and General Information — C. Further information about Substantial Shareholders, Directors and experts — 1. Disclosure of interests" in this prospectus, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above and elsewhere in this prospectus (if any), each of our Directors has confirmed that there is no other information which is required to be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules, and to the best of the knowledge, 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.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The following sets forth information regarding the senior management of our Group other than our Directors:

Name	Age	Date of joining our Group	Position	Major roles and responsibilities
Mr. LI Chun Fung (李震鋒)	38	20 July 2018	Company secretary	Overall company secretarial matters

Mr. LI Chun Fung (李震鋒), aged 38, joined our Group and was appointed as the company secretary on 20 July 2018. Mr. Li graduated from the Imperial College, University of London with a master degree in chemical engineering in August 2004. Mr. Li became a member of Hong Kong Institute of Certified Public Accountants in October 2014. He is currently a director of APEC Business Consultancy Limited. Mr. Li has been providing corporate services to a variety of Hong Kong listed companies and offshore companies and has extensive experience in corporate governance and compliance matters. Since 21 April 2015, he has also been the company secretary of Nan Nan Resources Enterprise Limited (stock code: 1229), a company listed on the Main Board of the Stock Exchange.

COMPANY SECRETARY

Mr. Li Chun Fung was appointed as our company secretary on 20 July 2018. For his biographical details, please refer to the paragraph headed “Senior Management” in this section.

COMPLIANCE OFFICER

Mr. Chiu was appointed as our compliance officer on 21 July 2018. For his biographical details, please refer to the paragraph headed “Executive Directors” in this section.

COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, our Company has appointed VBG Capital Limited as our compliance adviser, who will have access to all relevant records and information relating to our Company that it may reasonably require to properly perform its duties. Pursuant to Rule 6A.23 of the GEM Listing Rules, our Company must consult with and, if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated by our Company, including share issues and share repurchases;
- (iii) where our Company proposes 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 Company deviate from any forecast, estimate (if any) or other information in this prospectus; and

DIRECTORS AND SENIOR MANAGEMENT

- (iv) where the Stock Exchange makes an inquiry of our Company under Rule 17.11 of the GEM Listing Rules.

The terms of appointment shall 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 its financial results for the second full financial year commencing after the Listing Date, that is, the distribution of our Company's annual report of its financial results for the year ending 31 December 2022, or until the agreement is terminated, whichever is the earlier.

BOARD COMMITTEES

The Board has established the Audit Committee, the Remuneration Committee, the Nomination Committee and the Financial Reporting Committee.

Audit Committee

Our Company established the Audit Committee pursuant to a resolution of the Directors passed on 11 December 2020 in compliance with Rule 5.28 of the GEM Listing Rules. Written terms of reference in compliance with paragraph C.3.3 of the Corporate Governance Code has been adopted. Among other things, the primary duties of the Audit Committee are to make recommendations to the Board on appointment or reappointment and removal of external auditor; review financial statements of our Company and judgments in respect of financial reporting; and oversee the effectiveness of the procedures of the internal control procedures of our Group. The Audit Committee consists of three independent non-executive Directors, namely Mr. Yu Tak Chi Michael, Mr. Tam Ka Hei Raymond and Mr. Yeung Kwong Wai. Mr. Yu Tak Chi Michael is the chairman of the Audit Committee.

Remuneration Committee

Our Company established the Remuneration Committee pursuant to a resolution of the Directors passed on 11 December 2020 in compliance with Rule 5.34 of the GEM Listing Rules with written terms of reference in compliance with paragraph B.1.2 of the Corporate Governance Code. The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors, senior management and general staff of our Group and ensure that none of the Directors or any of their associates determine their own remuneration. The Remuneration Committee consists of three members, namely Mr. Tam Ka Hei Raymond, Mr. Ng Hung Fai Myron and Mr. Yu Tak Chi Michael. Mr. Tam Ka Hei Raymond is the chairman of the Remuneration Committee.

Nomination Committee

Our Company established the Nomination Committee pursuant to a resolution of the Directors passed on 11 December 2020 with written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board annually; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to appointment or reappointment of Directors. The Nomination Committee consists of three members, namely Mr. Ng Hung Fai Myron, Mr. Tam Ka Hei Raymond and Mr. Yu Tak Chi Michael. Mr. Ng Hung Fai Myron is the chairman of the Nomination Committee.

DIRECTORS AND SENIOR MANAGEMENT

Financial Reporting Committee

Our Company established the Financial Reporting Committee pursuant to a resolution of the Directors passed on 11 December 2020. Among other things, the primary duties of the Financial Reporting Committee are to oversee our Group's financial reporting system risk management and internal control systems and review our Group's financial information and application of accounting policies. The Financial Reporting Committee consists of four members, including three independent non-executive Directors, namely Mr. Yu Tak Chi Michael, Mr. Tam Ka Hei Raymond and Mr. Yeung Kwong Wai, and a non-executive Director, namely Mr. Heung Wai Keung. Mr. Yeung Kwong Wai is the chairman of the Financial Reporting Committee.

COMPLIANCE WITH CORPORATE GOVERNANCE

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Company will comply with the Corporate Governance Code (the “Code”) after Listing except for paragraph A.2.1 of the Code, which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The roles of chairman and chief executive officer of our Company are both performed by Mr. Chiu. We consider that having Mr. Chiu acting as both our chairman and chief executive officer will provide a strong and consistent leadership to our Group and allow for more effective strategic planning and management of our Group. Further, in view of Mr. Chiu's experience in the industry, personal profile and role in our Group and the historical development of our Group, we consider it is to the benefit of our Group in the business prospects that Mr. Chiu continues to act as both our chairman and chief executive officer after the Listing. We consider that the balance of power and authority of the present arrangement will not be impaired as the Board comprises seven other experienced and high-caliber individuals including one other executive Director, two non-executive Directors and four independent non-executive Directors, who would be able to offer advice from various perspectives. In addition, for major decisions of our Group, our Company will consult appropriate Board committees and senior management. Considering the present size and the scope of business of our Group, we consider that it is not in best interest of our Company and Shareholders as a whole to separate the roles of the chairman and the chief executive officer, because the separation of which would render the decision-making process of our Company less efficient than the current structure. Therefore, our Directors consider that the present arrangement is beneficial to and in the interest of our Company and our Shareholders as a whole and the deviation from paragraph A.2.1 of the Code is appropriate in such circumstances. Our Directors will review our corporate governance policies and compliance with the Code for each of the financial years. All of our Directors have attended a training regarding the on-going obligations and duties of a director of a listed company and fully understand such obligations and duties and such training will be provided to our Directors from time to time after Listing to keep our Directors familiar with changes to the GEM Listing Rules, if any.

BOARD DIVERSITY POLICY

Our Company has adopted a board diversity policy (the “Board Diversity Policy”) 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.

DIRECTORS AND SENIOR MANAGEMENT

Pursuant to the Board Diversity Policy, we seek to achieve Board diversity through consideration of various factors, including skills, regional and industry experience, background, race, gender and other qualities etc. Board appointments will be made on a merit basis and candidates will be considered against objective criteria, with due regard for the benefits of diversity on our Board.

Our Board comprises eight members, including two executive Directors, two non-executive Directors and four independent non-executive Directors. Our Directors obtained diplomas or degrees in various disciplines, including social studies, arts, business administration and accounting and finance. They also have a balanced mix of professional experience and industry background, including experience and industry background in logistics, credit control, risk management, corporate finance and accounting.

The existing members of our Board were appointed after taking into account the aforesaid factors. We have also taken, and will continue to take steps to promote gender diversity at all levels of our Company, including but without limitation at our Board and senior management levels. In particular, one of the existing board members of our Company is female. We will also ensure that there is gender diversity when recruiting staff at mid to senior level and engage more resources in career development and training female staff with the aim of promoting them to the senior management or directorship of our Company. We will continue to apply the principle of appointments based on merits with reference to our Board Diversity Policy as a whole.

Our Nomination Committee is delegated to be responsible for compliance with the relevant code governing board diversity under the Code. After Listing, our Nomination Committee will review the Board Diversity Policy on a regular basis to ensure its continued effectiveness, and where necessary, will make revisions that may be required and recommend any such revision to our Board for consideration and approval.

DIRECTORS AND SENIOR MANAGEMENT'S REMUNERATION

The aggregate amount of fees, salaries, contributions to pension schemes, housing and other allowances, benefits in kind and discretionary bonuses paid to the Directors for the years ended 31 December 2017, 2018, 2019 and for the eight months ended 31 August 2020 were approximately HK\$2.5 million, HK\$1.8 million, HK\$1.9 million and HK\$6.3 million, respectively.

During the Track Record Period, our Group's five highest paid individuals included two Directors. Excluding those Directors, the aggregate amount of fees, salaries, contributions to pension schemes, housing and other allowances, benefits in kind and discretionary bonuses paid to the remaining three highest paid individuals for the years ended 31 December 2017, 2018, 2019 and for the eight months ended 31 August 2020 were approximately HK\$2.2 million, HK\$2.1 million, HK\$1.9 million and HK\$1.3 million, respectively.

During the Track Record Period, no compensation was paid to, or receivable by, our Directors, past directors or our Group's five highest paid individuals for the 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. During the Track Record Period, no emolument was paid to, or receivable by, our Directors or our Group's five highest paid individuals as an inducement to join or upon joining our Group. During the Track Record Period, none of our Directors had waived or agreed to waive any emolument.

DIRECTORS AND SENIOR MANAGEMENT

Except as disclosed above, no other payments of remuneration have been made, or are payable, in respect of the Track Record Period, by our Group to or on behalf of any of our Directors.

For additional information on our Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to notes 8 and 9 in the Accountants' Report set out in the section headed "Appendix I — Accountants' Report" in this prospectus.

STAFF BENEFITS

Our Group participates in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and our Directors confirm that our Group has made the relevant contributions in accordance with the aforesaid laws and regulations. Save as the aforesaid, our Group did not participate in any other pension schemes during the Track Record Period.

Our Group complied with applicable statutory requirements in the PRC and participated in social security programmes and housing provident funds for our employees.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 11 December 2020 under which certain selected classes of participants (including, among others, full-time employees) may be granted options to subscribe for our Shares. The principal terms of the Share Option Scheme are summarised in the section headed "Appendix V — Statutory and General Information — D. Share Option Scheme" in this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors, the following persons will, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme), have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to our Company 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 nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries:

Interests and long position in our Shares

Name	Capacity/nature	Number of Shares held directly or indirectly immediately following completion of the Share Offer	Percentage of shareholding immediately following completion of the Share Offer
Peak Connect	Beneficial owner	112,500,000	37.5%
Profit Virtue	Beneficial owner	112,500,000	37.5%
Mr. Chiu	Interest in controlled corporations ^(Note 1)	225,000,000	75%
Ms. Wong	Interest of spouse ^(Note 2)	225,000,000	75%

Notes:

1. Peak Connect is owned as to 92.32% and 7.68% by Mr. Chiu and Ms. Wong, respectively, and Profit Virtue is wholly-owned by Mr. Chiu. Therefore, Mr. Chiu is deemed to be interested in all the Shares held by Peak Connect and Profit Virtue for the purpose of the SFO.
2. Ms. Wong is the spouse of Mr. Chiu, and is deemed to be interested in all the Shares in which Mr. Chiu has interest for the purpose of the SFO.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares to be issued upon exercise of any option which may be granted under the Share Option Scheme), have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company 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 nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of our Group.

SHARE CAPITAL

The table below sets out the authorised and issued share capital of our Company before and following the completion of the Capitalisation Issue and the Share Offer:

	Total nominal value (HK\$)
<i>Authorised share capital</i>	
<u>2,000,000,000</u> Shares	<u>20,000,000</u>
<i>Shares issued and to be issued, fully paid or credited as fully paid:</i>	
10,000 Shares in issue as at the date of this prospectus	100
224,990,000 Shares to be issued under the Capitalisation Issue	2,249,900
<u>75,000,000</u> Shares to be issued under the Share Offer	<u>750,000</u>
<i>Total</i>	
<u>300,000,000</u> Shares	<u>3,000,000</u>

ASSUMPTIONS

The above table assumes that the Share Offer and the Capitalisation Issue become unconditional but takes no account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates as described below.

RANKING

The Offer Shares will rank *pari passu* in all respects with all Shares in issue or to be issued as set out in the above table, and will qualify in full for all dividends and other distributions hereafter declared, made or paid on our Shares after the date of this prospectus other than participation in the Capitalisation Issue.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of the total issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the principal terms of which are summarised in the section headed “Appendix V — Statutory and General Information — D. Share Option Scheme” in this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the section headed “Structure and Conditions of the Share Offer — Conditions of the Share Offer” in this prospectus being fulfilled, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or agreed conditionally or unconditionally to allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) with a total nominal value of not more than the aggregate of:

1. 20% of the total nominal amount of our Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme); and
2. the total nominal amount of our Shares repurchased by our Company (if any) pursuant to a separate mandate to repurchase Shares and described more fully in the paragraph headed “General Mandate to Repurchase Shares” in this section below.

This general mandate is in addition to the powers of the Directors to allot, issue or deal with Shares under a rights issue or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme or similar arrangement for the time being adopted by our Company or any Shares allotted in lieu of the whole or part of a dividend on shares of our Company in accordance with its Articles or pursuant to a specific authority granted by our Shareholders in general meeting or pursuant to the Share Offer and the Capitalisation Issue.

This general mandate to issue Shares will remain in effect until:

- (a) the conclusion of our Company’s next annual general meeting;
- (b) the expiration of the period within which our Company’s next general meeting is required to be held by any applicable laws of the Cayman Islands or the Articles; or
- (c) it is varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please see the section headed “Appendix V — Statutory and General Information — A. Further information about our Company — 3. Written resolutions of our Shareholders passed on 11 December 2020” in this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on conditions as stated in the section headed “Structure and Conditions of the Share Offer – Conditions of the Share Offer” in this prospectus being fulfilled, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal amount of not more than 10% of the total nominal amount of our Shares issued and to be issued immediately following the completion of the Share Offer and the Capitalisation Issue (not including Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

This general mandate only relates to repurchases made on the Stock Exchange 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 the GEM Listing Rules and all applicable laws. A summary of the relevant requirements in the GEM Listing Rules is set out in “(a) Provisions of the GEM Listing Rules” in the section headed “Appendix V – Statutory and General Information – A. Further information about our Company – 6. Repurchase of our Shares by our Company” in this prospectus.

This general mandate will expire:

- at the conclusion of our Company’s next annual general meeting; or
- the expiration of the period within which our Company is required by the Articles or any applicable laws of Cayman Islands to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever occurs first.

For further details of this general mandate, please see the section headed “Appendix V – Statutory and General Information – A. Further information about our Company – 3. Written resolutions of our Shareholders passed on 11 December 2020” in this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Companies Act and the terms of the Memorandum and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its 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 Act reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. For details, please refer to the section headed “Appendix IV – Summary of the Constitution of the Company and Cayman Islands Company Law” in this prospectus.

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You should read this section in conjunction with our combined financial information, including the notes thereto, as set out in the section headed “Appendix I — Accountants’ Report” in this prospectus. The combined financial information has been prepared in accordance with HKFRSs.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include those discussed in the section headed “Risk Factors” in this prospectus.

Our financial year begins on 1 January and ends on 31 December. The references to “FY2017”, “FY2018” and “FY2019” mean the financial years ended 31 December 2017, 2018 and 2019, respectively; and “8M2019” and “8M2020” mean the eight months ended 31 August 2019 and 2020, respectively.

OVERVIEW

We are a long-established freight forwarder headquartered in Hong Kong, with sales force in Hong Kong and six regional offices in the PRC, including Shanghai, Shenzhen, Guangzhou, Xiamen, Tianjin and Fuzhou as at the Latest Practicable Date, focusing on the market in Hong Kong, the PRC and Macau. We provide air and ocean export and import freight forwarding services, with optional ancillary logistics services (such as cargo pick up, cargo handling at ports and local transportation) and warehousing related services (such as repackaging, labelling, palletising, customs clearance and warehousing) to meet the requirements of our customers.

We procure cargo spaces directly from airlines and shipping liners as well as from other freight forwarders under different arrangements, including direct booking, block space arrangements and flight charters, and on-sell such cargo spaces or co-load with other freight forwarders to make profit.

For FY2017, FY2018, FY2019, 8M2019 and 8M2020 our total revenue was HK\$425.4 million, HK\$463.1 million, HK\$353.3 million, HK\$214.3 million and HK\$553.4 million. Our profit was HK\$12.6 million, HK\$4.2 million, HK\$0.2 million and HK\$26.3 million for FY2017, FY2018, 8M2019 and 8M2020, respectively, while we recognised a loss of HK\$7.4 million for FY2019.

We define adjusted profit (loss) as profit (loss) for the year adjusted for the Listing expenses which is considered non-recurring and not related to our ordinary course of business. In addition to the HKFRSs measures in our combined financial statements, we also use the non-HKFRSs financial measures of adjusted net profit to evaluate our operating performance. Our Directors believe that this non-HKFRSs measure provides useful information to investors in understanding and evaluating our combined results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies. Our adjusted profit/(loss) (non-HKFRS measure) would be HK\$17.8 million, HK\$15.5 million, HK\$(0.3) million, HK\$4.6 million and HK\$29.5 million, for FY2017, FY2018, FY2019, 8M2019 and 8M2020, respectively.

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We mainly focused on the provision of air freight export services from the PRC, Hong Kong and Macau to over 120 countries in Europe, Asia, North America and other regions (including South America, Oceania and Africa), with revenue amounted to HK\$400.4 million, HK\$447.2 million, HK\$318.7 million, HK\$194.8 million and HK\$536.4 million, respectively, representing approximately 94.1%, 96.6%, 90.2%, 90.9% and 96.9% of our total revenue for FY2017, FY2018, FY2019, 8M2019 and 8M2020, respectively.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 29 March 2018 as an exempted company with limited liability under the Companies Act of the Cayman Islands. In preparing for the Listing, our Company and its subsidiaries now comprising our Group underwent a reorganisation (the “**Reorganisation**”) as set out in the section headed “History, Reorganisation and Corporate Structure — Reorganisation” in this prospectus. As the Reorganisation did not result in any change in the management and the ultimate control of our Group’s business, it is considered as a business combination under common control. The combined financial information of our Company and its subsidiaries is prepared using the carrying values of the entities involved in the Reorganisation for the Track Record Period on a basis in accordance with the principles of merger accounting as set out in Hong Kong Accounting Guideline 5 “Merger accounting for common control combinations” issued by the HKICPA.

The financial information has been prepared in accordance with HKFRSs. All HKFRSs effective for the accounting period commencing from 1 January 2017, together with the relevant transitional provisions, have been adopted by our Group in the preparation of the financial information throughout the Track Record Period.

For details of the basis of presentation and preparation of the financial information included herein, please refer to note 2 in the section headed “Appendix I — Accountants’ Report” in this prospectus.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our Group’s financial condition and results of operations during the Track Record Period have been and will continue to be affected by a number of factors, including but not limited to those set forth in the section headed “Risk Factors” in this prospectus and as set out below:

Market demand for freight forwarding services

Our freight forwarding services are affected by market demand for these services which are in turn driven by international trade activities, global economic conditions and growth of the e-commerce market in the PRC, Hong Kong and worldwide.

International trade activities and global economic conditions

The growth in the freight forwarding industry is driven by the global growth of economic output, and global GDP growth rate is a measure of global economic activity which is the key driver to the cargo throughput volume. As such, a decrease in global GDP growth rate would have a negative impact on the cargo throughput volume and hence demand for freight forwarding services. We provide the vast majority of our freight forwarding services from the PRC, Hong

FINANCIAL INFORMATION

Kong and Macau to Asia, Europe and North America. Accordingly, any material changes in trade activities and/or global economic conditions worldwide, including trades for our major markets, or any fluctuations in global GDP or GDPs of our major markets, could have a significant impact on the demand for our freight forwarding services and our revenue.

Growth of the e-commerce market in the PRC, Hong Kong and worldwide

Our Directors believe the globally flourishing e-commerce market is growing in presence as a result of change in consumers' shopping habits, as they are gradually switching from traditional physical shopping to online shopping with the aid of advances in information technology. Such new business model of e-commerce has profoundly influenced the landscape of customers' consumption.

The gain in prominence and the growth in diversity of online shopping activities regionally and globally are expected to stimulate the demand for freight forwarding services as manufacturers and retailers have to cope with the demand from their end customers. Any changes of the aforesaid circumstances may materially affect our revenue, and consequently, our result of operations.

Competition within the market

The freight forwarding services market is highly fragmented and competitive. Freight forwarders within the industry compete for customers with the price of cargo space and ranges of route destinations they offer. According to the CIC Report, the export values and the demand for freight forwarding services in Hong Kong experienced declines during 2015 to mid 2016 and the PRC experienced declines during 2015 to 2016, which resulted as over supply in the market. As the freight forwarding industry is price-sensitive, the air freight price underwent a general downward trend in 2015 and 2016 and resumed its upward trend in 2017.

Fluctuations in freight forwarding industry resulted in the difficulty for us to mark up the price of cargo space in order to generate a higher profit. According to the CIC Report, in 2019, more than 50,000 freight forwarding companies were registered in the PRC, while more than 1,500 air freight forwarding companies were registered in Hong Kong. Our profitability and performance will depend on our ability to compete for more orders from our customers at the price they accept and the route they select while maintaining the profitability which contributes to our freight forwarding services, so as to capture a bigger market share and foster a larger customer base.

Ability to obtain cargo spaces from our suppliers

Our growth and profitability are significantly dependent on our ability to secure cargo space from suppliers to deliver the consigned shipments to the destinations required by our customers. Leveraging on our Directors' experience and understanding of the freight forwarding industry and benefiting from the established market presence and reputation of our suppliers, we successfully procure and obtain cargo spaces from over 500 cargo space suppliers including 11 airlines and shipping liners as well as other freight forwarders suppliers during the Track Record Period.

We procure cargo spaces directly from airlines, shipping liners or other freight forwarders suppliers under different arrangements, including (i) direct booking; (ii) block space arrangements; and (iii) flight charters. We generally procure our cargo spaces through direct booking on demand basis. To secure committed amount of cargo space for a period of time at

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pre-agreed costs or having been supported by back-to-back orders or charters from our customers, we have entered into block space agreements or flight charter agreements with our suppliers during the Track Record Period. Please see the paragraph headed “Business — Business Model — Procurement of cargo space” in this prospectus for details of our procurement of cargo space.

Our Directors will continue to endeavour to retain business network with our existing suppliers and actively seek for new collaboration opportunities with other market players that would enhance our freight forwarding services as well as profitability. If there is any detrimental change to our business relationship with our major suppliers, we may lose our competitiveness in terms of pricing and our business, financial condition and results of operations could be adversely affected.

Seasonality

Demand for our services is affected by seasonality factors. Our peak season is generally in the fourth quarter of the year, which is driven by a higher demand for freight forwarding services at around “Singles’ Day” on 11 November in the PRC, Thanksgiving Day of the U.S. and Christmas. 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.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGEMENT

We believe the following accounting policies, estimates and judgements are of critical importance to us in the preparation of our combined financial statements.

Significant accounting policies

We have identified certain accounting policies that are significant to the preparation of our Group’s financial statements in accordance with HKFRSs. The section headed “Appendix I — Accountants’ Report” in this prospectus sets forth these significant accounting policies in note 3. Some of our accounting policies involve subjective assumptions and estimates, as well as judgments relating to accounting items.

The HKICPA has issued a number of new/revised HKFRSs during the Track Record Period. For the purpose of the preparation of the Historical Financial Information, our Group has consistently adopted all those new/revised HKFRSs (including HKFRS 9 and HKFRS 15) that are relevant to its operations and are effective prior to/from 1 January 2018 throughout the Track Record Period and initially adopted HKFRS 16 from 1 January 2019. The adoption of those new/revised HKFRSs, in particular, HKFRS 9, HKFRS 15 and HKFRS 16 as compared to HKAS 39, HKAS 18 and HKAS 17, has no significant impact on the financial position and performance of our Group.

Revenue recognition

Revenues are recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete the satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods and services.

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Freight forwarding services income is recognised over time upon the performance obligation is satisfied. Revenue is recognised over time when our Group transfers control of the services over time, based on the actual service provided to date as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously.

For revenue recognised over time under HKFRS 15, provided the outcome of the performance obligation can be reasonably measured, our Group applies the input method (i.e. based on the proportion of the actual inputs deployed to date as compared to the estimated total inputs) to measure the progress towards complete satisfaction of the performance obligation because there is a direct relationship between our Group's inputs and the transfer of control of goods or services to the customers and reliable information is available to our Group to apply the method. Otherwise, revenue is recognised only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation. The input method applies to freight forwarding services is based on the cost incurred.

Dividend income from investments is recognised at a point in time when our Group's rights to receive payment have been established, it is probable that the economic benefits associated with the dividend will flow to our Group and the amount of the dividend can be measured reliably.

Our Group has applied the practical expedient and thus has not adjusted the promised amount of consideration for the effects of any significant financing components because our Group does not expect, at contract inception, the period between the transfer of the provided goods or services to the customer and the payment by the customer exceeds one year.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives at the annual rate/useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Right-of-use assets	Shorter of assets useful lives or the unexpired term of lease
Leasehold properties	Over the lesser of 50 years or the remaining term of the lease
Leasehold improvements	20%
Computer equipment	20% — 33.33%
Furniture and fixtures	10% — 20%
Motor vehicles	20%

Before the adoption of HKFRS 16, assets held under finance leases are depreciated over the shorter of their expected useful lives or the terms of the leases.

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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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Financial Instruments — Impairment

Our Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. The loss allowance for expected credit losses is recognised on the financial assets measured at amortised costs, debt instruments measured at fair value through other comprehensive income, and contract assets recognised under HKFRS 15. The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition. Impairment on these financial assets are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a financial asset has occurred since initial recognition, then impairment is measured as lifetime expected credit losses unless the financial asset is determined to have a low credit risk at the reporting date. Nevertheless, the loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit losses.

Our Group considers the probability of default upon initial recognition of a financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk our Group compares the risk of a default occurring on the asset as at the end of each reporting period with the risk of default as at the date of initial recognition with consideration of available reasonable and supportive forward-looking information.

Irrespective of the outcome of the above assessment, our Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due.

The gross carrying amount of a financial asset is written off (either in its entirety or a portion thereof) to the extent when there is no realistic prospect of recovering the financial asset. In general, this happens when our Group determines that it is likely that the debtor does not have assets or source of income that could generate sufficient cash flows to settle the amounts due. However, in accordance with our Group's policy for recovery, those financial assets that are written off could still be subject to enforcement activities.

Lease

Our Group has adopted HKFRS 16, which replaced HKAS 17, and the related consequential amendments to other HKFRSs from 1 January 2019 which resulted in changes in accounting policies. In accordance with the transitional provisions in HKFRS 16, our Group has elected to apply the new standard retrospectively with the cumulative effect of initial application recognised at 1 January 2019.

Before the adoption of HKFRS 16, commitments under operating leases for future periods were not recognised by our Group as liabilities. Operating lease rental expenses were recognised in profit or loss over the lease period on a straight-line basis.

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On adoption of HKFRS 16, our Group recognised the lease liabilities in relation to leases which had previously been classified as operating leases except for those are otherwise exempted. Our Group did not reassess if a contract was or contained a lease at adoption. These liabilities were initially measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate of respective entities. The difference between the present value and the total remaining lease payments represents the cost of financing. Such finance cost will be charged to profit or loss in the period in which it is incurred on the basis that produces a constant periodic rate of interest on the remaining lease liability balance.

At the inception of a contract that contains a lease component, as a lessee, our Group allocated the consideration in the contract to each lease component on the basis of their relative stand-alone-price. Our Group, as a lessee, assessed its leases for non-lease components and separated non-lease components from lease components for certain classes of assets if the non-lease components were material.

The associated right-of-use assets were measured at the amount equal to the initial measurement of lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the combined statements of financial position immediately before the date of initial application. The right-of-use assets were recognised in the combined statements of financial position.

Depreciation was charged to profit or loss on a straight-line basis over the shorter of the assets' useful lives or the unexpired term of lease.

The adoption of HKFRS 16 does not have any significant impact on our Group's key financial ratios (gearing ratio and current ratio) and our Group's financial position and performance upon the initial application.

Critical accounting estimates and judgements

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. The section headed "Appendix I — Accountants' Report" in this prospectus sets forth these significant estimates and judgements in note 3.

Useful lives of property, plant and equipment

The management determines the estimated useful lives of our Group's property, plant and equipment based on the historical experience of the actual useful lives of assets of similar nature and functions. The estimated useful lives could be different as a result of technical innovations which could affect the related depreciation charges included in profit or loss.

Impairment of property, plant and equipment

The management determines whether our Group's property, plant and equipment are impaired when an indication of impairment exists. This requires an estimation of the recoverable amount of the property, plant and equipment which is equal to the higher of fair value less costs of disposal and value in use. Estimating the value in use requires the management to make an estimate of the expected future cash flows from the property, plant and equipment and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Any impairment will be charged to profit or loss.

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Impairment of trade and other receivables

The provisioning policy for bad debts and loss allowance of our Group is based on the evaluation by the management of the collectability of the trade and other receivable. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness, the past collection history and available reasonable and supportive forward-looking information of each debtor. If the financial conditions of these debtors were to deteriorate, resulting in an impairment of their ability to make payments, allowance will be required.

Income taxes

Our Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain where the final tax outcome of these matters may be different from the amounts that were initially recorded and such differences will affect the income tax and deferred tax provision in the period in which such determination is made.

RESULTS OF OPERATIONS

The following table sets forth the combined statements of profit or loss and other comprehensive income during the Track Record Period, which is extracted from the section headed “Appendix I — Accountants’ Report” in this prospectus.

	Year ended 31 December			Eight months ended 31 August	
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2019 HK\$'000	2020 HK\$'000
Revenue	425,414	463,050	353,341	214,318	553,367
Cost of services	<u>(378,947)</u>	<u>(417,026)</u>	<u>(319,413)</u>	<u>(193,221)</u>	<u>(493,715)</u>
Gross profit	46,467	46,024	33,928	21,097	59,652
Other income	2,731	1,647	829	917	1,451
Administrative and other operating expenses	(23,818)	(26,233)	(23,139)	(14,450)	(23,254)
Provision for impairment loss on trade receivables	(322)	(668)	(8,597)	—	(80)
Finance costs	(2,724)	(2,773)	(3,096)	(2,231)	(1,958)
Listing expenses	<u>(5,201)</u>	<u>(11,304)</u>	<u>(7,058)</u>	<u>(4,418)</u>	<u>(3,191)</u>
Profit (Loss) before income tax	17,133	6,693	(7,133)	915	32,620
Income tax expenses	<u>(4,519)</u>	<u>(2,455)</u>	<u>(306)</u>	<u>(721)</u>	<u>(6,300)</u>
Profit (Loss) for the year	12,614	4,238	(7,439)	194	26,320
Other comprehensive income (loss):					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange difference on consolidation/combination	<u>1,172</u>	<u>163</u>	<u>(541)</u>	<u>(824)</u>	<u>(447)</u>
Total comprehensive income (loss) for the year	<u>13,786</u>	<u>4,401</u>	<u>(7,980)</u>	<u>(630)</u>	<u>25,873</u>

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DESCRIPTION OF SELECTED ITEMS IN COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

We provide export and import freight forwarding services to our customers, which include freight forwarders and direct customers. We derive our revenue from two business segments, namely air freight forwarding services segment and ocean freight forwarding services segment. Our total revenue amounted to HK\$425.4 million, HK\$463.1 million, HK\$353.3 million, HK\$214.3 million and HK\$553.4 million for FY2017, FY2018, FY2019, 8M2019 and 8M2020, respectively. The following table sets forth the breakdown of our revenue by segment for the periods indicated:

	2017		Year ended 31 December				Eight months ended 31 August			
	HK\$'000	%	2018		2019		2019		2020	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Air freight forwarding	400,777	94.2	447,605	96.7	319,217	90.3	195,019	91.0	536,580	97.0
Ocean freight forwarding	24,637	5.8	15,445	3.3	34,124	9.7	19,299	9.0	16,787	3.0
Total	425,414	100.0	463,050	100.0	353,341	100.0	214,318	100.0	553,367	100.0

For FY2018, our revenue increased by HK\$37.7 million or 8.9%, from HK\$425.4 million for FY2017 to HK\$463.1 million. The increase was primarily driven by (i) the increase in revenue contribution by HK\$11.7 million from Customer D; and (ii) our expansion of customer base with sales to a new customer, Customer F, one of China's top e-commerce cross-border solution provider, of HK\$40.2 million.

For FY2019, our revenue decreased by HK\$109.8 million or 23.7%, from HK\$463.1 million for FY2018 to HK\$353.3 million. The decrease was attributable by the decrease in sales volume under the intensified U.S.–China trade war and its negative impact to the overall international trading activities globally which caused a decrease in export value and export volume of Hong Kong in 2019. To the best knowledge of our Directors, the mentioned negative impact burdened some of our competitors, who had committed a significant amount of cargo space from their airline suppliers under block space agreements, to create an extensive cut in their selling prices in order to meet the commitments. In contrast, we had less pressure to reduce freight charges as we generally adopted a prudent approach in entering into block space agreements such as obtaining back-to-back strategic partnership agreements, or committing to only a relatively low amount of our total tonnage carried. Therefore, although our sales volume was affected by the price-cutting strategy proposed by our competitors, our gross profit margin remained relatively stable.

Our average selling price for export of air freight segment decreased from HK\$16.0/kg in FY2018 to HK\$14.6/kg in FY2019, in particular for export to North America. The average selling price of export to North America decreased from HK\$36.7/kg to HK\$19.8/kg in FY2018 and FY2019 was mainly attributable to the decreased freight charges offered by our suppliers, which our average cost in mentioned destination decreased from HK\$33.5/kg to HK\$18.1/kg in respective years.

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For 8M2020, our revenue increased by HK\$339.1 million or 158.2%, from HK\$214.3 million for 8M2019 to HK\$553.4 million for 8M2020. The increase is primarily because our average selling price for export of air freight segment increased from HK\$14.0/kg in 8M2019 to HK\$36.2/kg in 8M2020. In particular, the average selling price of export to Europe and North America increased from HK\$19.9/kg to HK\$41.8/kg and HK\$23.2/kg to HK\$46.2/kg respectively, mainly because of the increase in freight charges that was transferred to our customers, and was caused by the shortage of air cargo space supply during 8M2020 as most of the airlines had partially or fully suspended their passenger flight services under the COVID-19 outbreak. In addition, we had more shipments to Europe and North America, which included but not limited to, 49 charter flights to the U.S. and Europe due to the back-to-back charters from our customers, including customer F, in 8M2020. The above effect on the increase in revenue for 8M2020 was partially offset by the decrease in shipments to Asia for the same period.

Our revenue from ocean freight segment amounted to HK\$24.6 million, HK\$15.4 million, HK\$34.1 million, HK\$19.3 million and HK\$16.8 million, representing 5.8%, 3.3%, 9.7%, 9.0% and 3.0% of our total revenue for FY2017, FY2018 and FY2019, 8M2019 and 8M2020, respectively. The decrease in FY2018 was primarily due to the unsatisfactory performance of the overall ocean freight forwarding market from 2014 onwards, in particular, leading to the decline of business of our Xiamen and Tianjin offices.

Our revenue from ocean freight segment increased by HK\$18.7 million or 121.4% from HK\$15.4 million for FY2018 to HK\$34.1 million for FY2019 was mainly attributable to the increase in revenue contribution by HK\$10.4 million and HK\$5.9 million from Hong Kong and Shanghai offices.

Our revenue from ocean freight segment decreased by HK\$2.5 million or 13.0% from HK\$19.3 million for 8M2019 to HK\$16.8 million for 8M2020 primarily because the outbreak of COVID-19 caused temporary suspension of the operation of factories in the PRC from January to May 2020, which reduced the production of goods as well as the sale and transport of goods overseas, and this drove down the demand for ocean freight and in turn our shipment volume by ocean freight as well as our revenue generated from this segment.

Average Selling Price and Shipment Volume by Destination

The following table sets forth the average selling price and shipment volume by destination from our revenue generated from export of air freight segment:

	Year ended 31 December						Eight months ended 31 August			
	2017		2018		2019		2019		2020	
	Average Price	Volume	Average Price	Volume	Average Price	Volume	Average Price	Volume	Average Price	Volume
	HK\$	000' kg	HK\$	000' kg	HK\$	000' kg	HK\$	000' kg	HK\$	000' kg
	(per kg)		(per kg)		(per kg)		(per kg)		(per kg)	
Europe	21.3	7,648	23.1	6,273	21.0	5,080	19.9	2,612	41.8	7,316
Asia	9.1	17,140	10.5	18,482	10.8	13,329	10.6	9,354	13.4	3,566
North America	29.5	2,608	36.7	2,515	19.8	3,090	23.2	1,672	46.2	3,810
Others (Note)	25.9	219	22.1	736	20.5	341	20.0	270	54.5	130
Total	14.5	27,615	16.0	28,006	14.6	21,840	14.0	13,908	36.2	14,822

Note: Others include South America, Oceania and Africa

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For FY2018, our overall shipment volume remained relatively stable from 27.6 million kilogram for FY2017 to 28.0 million kilogram for FY2018, while our average selling price of North America increased from HK\$29.5/kg for FY2017 to HK\$36.7/kg for FY2018. The increase in average selling price of North America was mainly attributable to the continuous improvement of North America's economic condition.

For FY2019, our overall shipment volume decreased from 28.0 million kilogram for FY2018 to 21.8 million kilogram for FY2019. In particular, the shipment volume in Asia decreased by 5.2 million kilogram to 13.3 million kilogram in FY2019, such decrease was mainly attributable to the global impact on export volume in the face of the difficult external environment under the further escalation of U.S.-China trade war. In addition, our average selling price decreased from HK\$16.0/kg for FY2018 to HK\$14.6/kg for FY2019. In particular, the average selling price of North America decreased from HK\$36.7/kg in FY2018 to HK\$19.8/kg for FY2019 which was mainly attributable to (i) decrease in average cost per kilogram; and (ii) our competitors reduced their freight charges in order to meet the committed cargo tonnage under their respective block space agreements. Please refer to the paragraph headed "Description of selected items in combined statements of profit or loss and other comprehensive income — Revenue" in this section for details.

For 8M2020, our average selling price for export of air freight segment increased from HK\$14.0/kg in 8M2019 to HK\$36.2/kg in 8M2020. In particular, the average selling price of export to Europe and North America increased from HK\$19.9/kg to HK\$41.8/kg and HK\$23.2/kg to HK\$46.2/kg respectively, mainly because of the increase in freight charges that was transferred to our customers, and was caused by the shortage of air cargo space supply during 8M2020 as most of the airlines had partially or fully suspended their passenger flight services under the COVID-19 outbreak. Our overall shipment volume increased from 13.9 million kilogram for 8M2019 to 14.8 million kilogram for 8M2020. The increase is mainly because we had more shipments to Europe and North America, which included but not limited to, 49 charter flights to the U.S. and Europe due to the back-to-back charters from our customers, including customer F, the effect of which was partially offset by the decrease in shipments to Asia for the same period due to the outbreak of COVID-19.

The shipment volume to North America, (i) for FY2018 has decreased by 0.1 million kilogram compared to FY2017, (ii) for FY2019 has increased by 0.6 million kilogram compared to FY2018, primarily due to the increase in demand for cargo spaces from Customer F, one of China's top e-commerce cross-border solution provider, which commenced business with our Group in 2018, and contributed to an increase in shipment volume from approximately 117,000 kilogram for FY2018 to approximately 684,000 kilogram for FY2019, (iii) for 8M2020 has increased by 2.1 million kilogram compared to 8M2019 because we had more shipments to North America, which included but not limited to, eight charter flights to the U.S. due to the back-to-back charters from our customers.

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Revenue by destination

During the Track Record Period, our Group mainly focused on provision of air freight export shipments from the PRC, Hong Kong and Macau to over 120 countries in Europe, Asia and North America. The following table sets forth our revenue breakdown by destination for the periods indicated:

	2017		Year ended 31 December				Eight months ended 31 August			
	HK\$'000	%	2018	%	2019	%	2019	%	2020	%
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Export Shipments										
Europe	164,535	38.7	148,726	32.1	115,235	32.6	59,021	27.5	308,687	55.8
Asia	157,789	37.1	195,085	42.1	146,510	41.5	99,748	46.6	48,520	8.8
North America	91,747	21.6	97,039	21.0	69,848	19.8	41,219	19.2	180,569	32.6
Others (Note)	10,472	2.4	20,691	4.5	19,475	5.5	12,592	5.9	14,220	2.6
Sub-total	424,543	99.8	461,541	99.7	351,068	99.4	212,580	99.2	551,996	99.8
Import Shipments	871	0.2	1,509	0.3	2,273	0.6	1,738	0.8	1,371	0.2
Total	<u>425,414</u>	<u>100.0</u>	<u>463,050</u>	<u>100.0</u>	<u>353,341</u>	<u>100.0</u>	<u>214,318</u>	<u>100.0</u>	<u>553,367</u>	<u>100.0</u>

Note: Others include South America, Oceania and Africa

The international trading activities are in an era of globalization, whereas supply chains among different countries rely more on trading from other countries. The intensified trade war between U.S. and China, being two of the world largest trading entities, has (i) weakened business confidence and deferring the decision to invest and buy across global markets, and (ii) adversely affected the supply chain in turn and therefore weakened the overall international trading activities which resulted in decrease in export volume and export value in Hong Kong.

According to the CIC Report, in 2018, the tension with trading agreements between China and the U.S. has resulted some punitive tariffs. The ongoing trade war brings pressure for trading activities and causes uncertainties for the global economy and the global trade landscape. With the imminent trade war and the underperformance of global trade, the export volume to different locations, including Europe has been negatively impacted. In 2019, Hong Kong's total air cargo export volume decreased by 4.3% as compared to 2018. The total export value to Europe, Asia and North America decreased by approximately 5.0%, 3.2%, 14.0% respectively as compared to 2018. The total export value by air recorded a decrease of approximately 3.0% in 2019.

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The following table sets forth our revenue breakdown from export shipments, including air freight and ocean freight by destinations in North America for the periods indicated:

	2017		Year ended 31 December				Eight months ended 31 August			
	HK\$'000	%	2018		2019		2019		2020	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Export Shipments										
U.S.	74,361	81.0	95,396	98.3	68,457	98.0	40,779	98.9	178,354	98.8
Canada	2,267	2.5	669	0.7	1,027	1.5	127	0.3	240	0.1
Other North American countries	15,119	16.5	974	1.0	364	0.5	313	0.8	1,975	1.1
Total	91,747	100.0	97,039	100.0	69,848	100.0	41,219	100.0	180,569	100.0

Europe

Revenue from our export shipments to Europe comprised a significant portion of our total revenue, amounting to HK\$164.5 million, HK\$148.7 million, HK\$115.2 million, HK\$59.0 million and HK\$308.7 million for FY2017, FY2018, FY2019, 8M2019 and 8M2020, respectively.

The slight decrease in revenue for FY2018 as compared to FY2017 was mainly because certain customers reduced orders from us for shipment to Europe, which was reflected by, in particular, the decrease in revenue contribution by HK\$10.0 million from Customer D and the decrease in revenue contribution by HK\$5.6 million from Guangdong Hanstong International Logistics Co., Ltd. for their respective export shipments to Europe during FY2018.

The decline in revenue for FY2019 was mainly attributable to (i) the impact on global export volume in the face of the difficult external environment under the further escalation of the U.S.–China trade war, which the total export value of Hong Kong by air to Europe decreased by approximately 5% in FY2019 according to the CIC Report; (ii) our competitors largely reduced their freight charges as compared to our Group in order to secure cargo tonnage which they had committed a significant amount of cargo space from their airline suppliers under block space agreements; and (iii) our average selling price slightly decreased from HK\$23.1/kg to HK\$21.0/kg due to the intensified market competition in FY2019.

The increase in revenue for 8M2020 as compared to 8M2019 was mainly attributable to (i) the increase in average selling price from HK\$19.9/kg to HK\$41.8/kg, representing an increase of approximately 110.1%, due to the increase in freight charges that was transferred to our customers, and was caused by the shortage of air cargo space supply during 8M2020 as most of the airlines had partially or fully suspended their passenger flight services under the COVID-19 outbreak; and (ii) the increase in shipments to Europe from 2.6 million kilogram to 7.3 million kilogram, representing an increase of approximately 180.8%, as Customer F and Customer J, both of which are freight forwarders with business focus on e-commerce, had a increased demand on shipments to Europe.

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Asia

Revenue from our export shipments to Asia amounted to HK\$157.8 million, HK\$195.1 million, HK\$146.5 million, HK\$99.7 million and HK\$48.5 million, for FY2017, FY2018, FY2019, 8M2019 and 8M2020, respectively.

For FY2018, the increase in revenue was primarily attributable to (i) the continuous improvement of economy in Asia that drove up our average selling price; and (ii) the increase in revenue contribution from Customer F by HK\$29.6 million with majority of its shipments designated to Asia; and (iii) the increase in revenue contribution by HK\$14.1 million from Customer D for its Asia export shipments.

For FY2019, the decrease in revenue was mainly attributable to the impact on export volume in the face of the difficult external environment and the further escalation of U.S.–China trade war and our competitors reduced their freight charges to secure cargo tonnage; whilst the average selling price remained relatively stable for the respective years.

For 8M2020, the decrease in revenue as compared to 8M2019 was mainly attributable to the decrease in trading volume from 9.4 million kilogram to 3.6 million kilogram due to cancellation of most passenger flights in Asia, which is the main type of flights for delivery of cargos in Asia.

North America

Revenue from our export shipments to North America amounted to HK\$91.7 million, HK\$97.0 million, HK\$69.8 million, HK\$41.2 million and HK\$180.6 million for FY2017, FY2018, FY2019, 8M2019 and 8M2020, respectively.

For FY2018, the increase in revenue was primarily attributable to (i) the increase in average selling price driven by continuous improvement of the North America economy; and (ii) the increase in revenue contribution by HK\$6.8 million from Customer D for its North America export shipments; which was partially offset by the decline from its ocean freight segment due to one major non-recurring ocean freight customer in FY2018.

For FY2019, the decrease in revenue was mainly attributable to (i) the negative impact to the overall international trading activities globally, in particular on global export volume in the face of the different external environment under the further escalation of U.S.–China trade war, according to the CIC Report, the total air cargo export volume of Hong Kong decreased by 4.3%, and total export value to Europe, Asia and North America decreased by approximately 5.0%, 3.2% and 14.0%, respectively, in 2019 as compared to 2018, which affected our export volume and value during FY2019; (ii) decrease in average selling price mainly due to decrease in average cost per kilogram; and (iii) our competitors reduced their freight charges in order to meet the committed cargo tonnage under respective block space agreements. In particular, our revenue from UGS (NY) decreased by HK\$8.9 million due to lower selling prices for cargo spaces offered by our competitors; which partially offset by the increase in export volume from 2.5 million kilogram for FY2018 to 3.1 million kilogram for FY2019 primarily due to the increase in demand for cargo spaces from a customer, which commenced business with our Group in 2018, and contributed to an increase in shipment volume from approximately 117,000 kilogram for FY2018 to approximately 684,000 kilogram for FY2019.

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For 8M2020, the increase in revenue as compared to 8M2019 was mainly attributable to (i) the increase in average selling price from HK\$23.2/kg to HK\$46.2/kg, representing an increase of approximately 99.1%, due to the increase in freight charges that was transferred to our customers, and was caused by the shortage of air cargo space supply during 8M2020 as most of the airlines had partially or fully suspended their passenger flight services under the COVID-19 outbreak; and (ii) the increase in trading volume in North America from 1.7 million kilogram to 3.8 million kilogram, representing an increase of approximately 123.5%, due to our customers' higher demand on shipments North America.

Revenue by type of customers

The following table sets forth a breakdown of our revenue by type of customers for the periods indicated:

	2017		Year ended 31 December				Eight months ended 31 August			
	HK\$'000	%	2018		2019		2019		2020	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Freight forwarders	400,421	94.1	447,230	96.6	318,938	90.3	194,881	90.9	536,592	97.0
Direct customers	24,993	5.9	15,820	3.4	34,403	9.7	19,437	9.1	16,775	3.0
Total	425,414	100.0	463,050	100.0	353,341	100.0	214,318	100.0	553,367	100.0

We focus on provision of freight forwarding services to freight forwarders with revenue amounting to HK\$400.4 million, HK\$447.2 million, HK\$318.9 million, HK\$194.9 million and HK\$536.6 million, representing 94.1%, 96.6%, 90.3%, 90.9% and 97.0% for FY2017, FY2018, FY2019, 8M2019 and 8M2020, respectively.

We provided air freight forwarding services to substantially all of our freight forwarders customers. The increase in revenue generated from freight forwarders for FY2017, FY2018 and 8M2020 was generally in line with the increase in revenue generated from air freight forwarding segment. In FY2019, our decreased revenue from air freight forwarding segment primarily resulting from the decrease in trading activities.

Majority of our direct customers are from ocean freight forwarding services and the decrease in revenue for FY2017 and FY2018 was generally in line with the decreased trend in revenue generated from ocean freight forwarding services. Our ocean freight revenue increased to HK\$34.1 million for FY2019 was mainly attributable to the increase in revenue contribution by HK\$10.4 million and HK\$5.9 million from Hong Kong and Shanghai offices. Our revenue from ocean freight segment decreased by HK\$2.5 million or 13.0% from HK\$19.3 million for 8M2019 to HK\$16.8 million for 8M2020, such decrease was mainly attributable to the decrease in shipment volume due to temporary suspension of factories caused by the outbreak of COVID-19.

Cost of services

Our cost of services comprises mainly freight charges, surcharges and transportation and warehouse. Freight charges represent costs of cargo spaces supplied by airlines and freight forwarders, which accounted for the most significant part of our cost of services. Surcharges include terminal charges, fuel surcharges, security surcharges and other miscellaneous charges. Transportation and warehouse represent costs for warehouse rental payments and ground transportation.

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The following table sets forth a breakdown of our cost of services by nature for the periods indicated:

	Year ended 31 December						Eight months ended 31 August			
	2017		2018		2019		2019		2020	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Freight charges	283,127	74.7	301,232	72.2	234,872	73.5	140,516	72.7	417,435	84.5
Surcharges	78,339	20.7	99,284	23.8	71,076	22.3	45,692	23.7	48,727	9.9
Transportation and warehouse	17,481	4.6	16,510	4.0	13,465	4.2	7,013	3.6	27,553	5.6
Total	378,947	100.0	417,026	100.0	319,413	100.0	193,221	100.0	493,715	100.0

Our cost of services increased from HK\$378.9 million for FY2017 to HK\$417.0 million for FY2018. The increase was mainly attributable to (i) the increase in freight charges by HK\$18.1 million or 6.4%, primarily attributable to the increase in our revenue during the same period; and (ii) the increase in surcharges by HK\$20.9 million or 26.7%, mainly due to the increase in fuel surcharges with the resumption of levy of cargo fuel surcharges by airlines that was allowed by the Civil Aviation Department for flights originating from Hong Kong since April 2017.

Our cost of services decreased from HK\$417.0 million for FY2018 to HK\$319.4 million for FY2019. The decrease of cost of services by HK\$97.6 million or 23.4%, which mainly attributable to (i) the decrease in freight charges by HK\$66.3 million or 22.0%; and (ii) the decrease in surcharges by HK\$28.2 million or 28.4%, which in line with the decreased export volume for the respective years.

Our cost of services increased from HK\$193.2 million for 8M2019 to HK\$493.7 million for 8M2020, which was generally in line with increase in revenue generated from air freight forwarding segment and as a result of (i) the increase in freight charges by HK\$276.9 million or 197.1%, which was driven by the shortage of supply of cargo spaces from airlines due to cancellation of flights under the COVID-19 outbreak; (ii) the increase in surcharges by HK\$3.0 million or 6.6%, and (iii) the increase in transportation and warehouse services by HK\$20.5 million or 292.9% in response to the increase in air freight forwarding business.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in freight charges on our profit before tax during the Track Record Period, while all other factors remain unchanged. Fluctuations are assumed to be approximately 5% and 10% for FY2017, FY2018, FY2019 and 8M2020, respectively, with reference to the historical and anticipative fluctuations of our freight charges during and after the Track Record Period.

Hypothetical fluctuations	Increase/decrease in freight charges	
	+/-5% HK\$'000	+/-10% HK\$'000
Decrease/increase in profit before tax		
FY2017	-/+14,156	-/+28,313
FY2018	-/+15,062	-/+30,123
FY2019	-/+11,744	-/+23,487
8M2020	-/+20,872	-/+41,744

Prospective investors should note that the above analysis on the historical financials is based on assumptions and is for reference only and should not be viewed as actual effect.

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Gross profit and gross profit margin

The following table sets forth a breakdown of gross profit and gross profit margin by segment for the periods indicated:

	2017		Year ended 31 December 2018		2019		Eight months ended 31 August 2019		Eight months ended 31 August 2020	
	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %
Air freight	45,077	11.2	44,646	10.0	31,505	9.9	19,677	10.1	59,499	11.1
Ocean freight	1,390	5.6	1,378	8.9	2,423	7.1	1,420	7.4	153	0.9
Total	46,467	10.9	46,024	9.9	33,928	9.6	21,097	9.8	59,652	10.8

Our gross profit was HK\$46.5 million, HK\$46.0 million, HK\$33.9 million, HK\$21.1 million and HK\$59.7 million for FY2017, FY2018, FY2019, 8M2019 and 8M2020, respectively. Our gross profit margin was 10.9%, 9.9%, 9.6% for FY2017, FY2018 and FY2019, respectively which remained relatively stable for the respective years, while our gross profit margin increased from 9.8% for 8M2019 to 10.8% for 8M2020.

Our gross profit margin decreased in FY2018, which was mainly attributable to decrease in our price mark-up for export shipments to Europe to remain competitive after the levy of fuel surcharge in April 2017. Our gross profit margin for air freight segment remained relatively stable from 10.0% for FY2018 to 9.9% for FY2019, which was mainly because the majority of our Group's cargo spaces are non-committed, thus the Group has no pressure in fulfilling committed tonnage requirements by reducing profit margin during the year. Our gross profit margin for air freight increased from 10.1% for 8M2019 to 11.1% for 8M2020, which was mainly driven by the overall increase in our price mark-up of air-cargo spaces for export shipments, in particular to North America and Europe, as a result of the increase of our customers' demand.

In contrast, gross profit contributed by ocean freight segment remained insignificant despite gross profit margin experienced notable fluctuations during Track Record Period. Our gross profit margin for ocean freight segment increased from 5.6% for FY2017 to 8.9% for FY2018, mainly because one of our major ocean freight segment customers, whom we have ceased business relationship within FY2018, has a non-recurring low gross profit margin in FY2018. Our gross profit margin for ocean freight segment slightly decreased to 7.1% for FY2019 mainly attributable to the lower gross profit margin contributed by our major ocean freight customers from both Hong Kong and Shanghai offices. Our gross profit margin for ocean freight decreased significantly from 7.4% for 8M2019 to 0.9% for 8M2020. The outbreak of COVID-19 caused temporary suspension of the operation of factories in the PRC from January to May 2020, which reduced the production of goods as well as the sale and transport of goods overseas, and this drove down the demand for ocean freight and in turn the ocean freight rates. Our average selling price for ocean freight and the gross profit margin were then adversely affected.

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Gross profit and gross profit margin by destination

The following table sets forth a breakdown of gross profit and gross profit margin by destination for the periods indicated:

	2017		Year ended 31 December 2018		2019		Eight months ended 31 August 2019		2020	
	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %
Export Shipments										
Europe	20,324	12.4	11,490	7.7	7,602	6.6	3,627	6.1	37,536	12.2
Asia	18,677	11.8	24,173	12.4	19,502	13.3	12,425	12.5	6,247	12.9
North America	6,390	7.0	8,357	8.6	5,680	8.1	3,732	9.1	15,110	8.4
Others (Note)	942	9.0	1,789	8.7	825	4.2	948	7.5	653	4.6
Sub-total	46,333	10.9	45,809	9.9	33,609	9.6	20,732	9.8	59,546	10.8
Import Shipments	134	15.4	215	14.3	319	14.0	365	21.0	106	7.7
Total	46,467	10.9	46,024	9.9	33,928	9.6	21,097	9.8	59,652	10.8

Note: Others include South America, Oceania and Africa

Overall

For FY2018, our gross profit slightly decreased by HK\$0.5 million or 1.1% from HK\$46.5 million for FY2017 to HK\$46.0 million, which was primarily reflected by the decrease in gross profit by HK\$8.8 million from export shipments to Europe partially offset by increase in gross profit by HK\$5.5 million from export shipments to Asia, whilst our gross profit margin decreased from 10.9% to 9.9% for the respective periods.

For FY2019, our gross profit decreased by HK\$12.1 million or 26.3%, from HK\$46.0 million for FY2018 to HK\$33.9 million, which was primarily reflected by the decrease in gross profit by HK\$4.7 million, HK\$3.9 million and HK\$2.7 million from export shipments to Asia, Europe and North America. The decrease in gross profits for shipments to Asia and Europe was in line with the decrease in revenue caused by (i) the impact on export volume in the face of the difficult external environment and the further escalation of U.S.–China trade war; and (ii) our competitors reduced their freight charges to secure cargo tonnage under their respective block space agreements, while the decrease in gross profits for shipments to North America was primarily attributable to the lower average selling price in the same period due to (i) decrease in average cost per kilogram; and (ii) our competitors reduced their freight charges in order to meet the committed cargo tonnage under their respective block space agreements; whilst our overall gross profit margin decreased slightly from 9.9% to 9.6% for the respective years.

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Our gross profit increased by HK\$38.6 million or 182.9%, from HK\$21.1 million for 8M2019 to HK\$59.7 million for 8M2020, which was primarily reflected by the increase in gross profit by HK\$33.9 million and HK\$11.4 million from export shipments to Europe and North America. During 8M2020, the outbreak of COVID-19 had caused full or partial suspension of passenger flights and resulted a shortage of the overall air cargo space supply and increase of freight charges across the industry. With the continuous demand from our customers, our export tonnage had increased and we were able to transfer the increased freight charges to our customers with additional price mark-up. Accordingly, both of our gross profit and gross profit margin increased; whilst our gross profit margin increased from 9.8% to 10.8% for the respective periods.

Europe

Our gross profit from export shipments derived from Europe decreased by HK\$8.8 million or 43.3% from HK\$20.3 million for FY2017 to HK\$11.5 million for FY2018. The decrease in gross profit in FY2018 was primarily attributable to the decrease in revenue due to certain customers reduced orders from us for shipment to Europe, because of the increase in air freight charges, leading to certain ultimate customers switching to other transportation such as ocean freight, in particular, the decrease in revenue contributed by HK\$10.0 million from Customer D and HK\$5.6 million from Guangdong Hanstong International Logistics Co., Ltd. during the year, and increase in cost charged by airlines for the respective periods. Our gross profit margin from Europe decreased from 12.4% to 7.7% for the respective years which was primarily attributable to (i) freight charges offered by our suppliers which driven up our average freight cost to Europe from HK\$18.6/kg in FY2017 to HK\$21.4/kg in FY2018; and (ii) the decrease in our price mark-up to remain competitive after the levy of fuel surcharge in April 2017.

Our gross profit from export shipments derived from Europe decreased by HK\$3.9 million or 33.9%, from HK\$11.5 million for FY2018 to HK\$7.6 million primarily due to the U.S.–China trade war cast a negative impact on both export value and export volume of the overall international trade activities during FY2019. Our gross profit margin decreased from 7.7% to 6.6% for the respective years mainly due to our competitors reduced their freight charges to secure cargo tonnage in order to meet their commitment, which slightly driven down our profit margin under the intensified market competition.

Our gross profit from export shipments derived from Europe increased by HK\$33.9 million or 941.7%, from HK\$3.6 million for 8M2019 to HK\$37.5 million for 8M2020. Our gross profit margin increased from 6.1% to 12.2% for the respective periods, which was mainly driven by the overall increase in our price mark-up of air-cargo spaces for export shipments as a result of the increase of our customers' demand.

Asia

Our gross profit from export shipments to Asia amounted to HK\$18.7 million and HK\$24.2 million for FY2017 and FY2018, respectively. The increase was attributable to the increase in revenue.

Our gross profit margin from Asia was 11.8% and 12.4% for FY2017 and FY2018, respectively. The increasing trend of our gross profit margin was mainly due to (i) more cargo spaces purchased from airlines instead of freight forwarders as the latter imposed price mark-up of cargo space to retain the gross profit margin we could possibly achieve; (ii) the increase in price mark-up of cargo space we offered to our customers along with the increase in trading activities and demand for our services in Asia.

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Our gross profit from export shipments derived from Asia decreased by HK\$4.7 million or 19.4%, from HK\$24.2 million for FY2018 to HK\$19.5 million for FY2019; whilst our gross profit margin from Asia remained competitive from 12.4% and 13.3% in respective years, due to the higher gross profit margin contributed by the short haul shipments to our Group.

Our gross profit from export shipments derived from Asia decreased by HK\$6.2 million or 50.0%, from HK\$12.4 million for 8M2019 to HK\$6.2 million for 8M2020 due to cancellation of most passenger flights in Asia, which is the main type of flights for delivery of cargos in Asia; whilst our gross profit margin from Asia remained stable at 12.5% and 12.9% in respective periods.

North America

Our gross profit increased from HK\$6.4 million for FY2017 to HK\$8.4 million for FY2018 and our gross profit margin increased from 7.0% to 8.6% for the same periods. The increase in our gross profit margin was mainly due to one of our major ocean freight customers in North America that has a low gross profit margin was non-recurring in FY2018.

Our gross profit from export shipments derived from North America decreased by HK\$2.7 million or 32.1%, from HK\$8.4 million for FY2018 to HK\$5.7 million for FY2019, which was primarily due to decrease in revenue from North America. Our gross profit margin slightly decreased by 0.5% from 8.6% in FY2018 to 8.1% in FY2019 despite the significant decrease of average selling price from HK\$36.7/kg to HK\$19.8/kg in FY2018 and FY2019, as the freight charges offered by our suppliers was also decreased from HK\$33.5/kg to HK\$18.1/kg in respective years.

Our gross profit from export shipments derived from North America increased by HK\$11.4 million or 308.1%, from HK\$3.7 million for 8M2019 to HK\$15.1 million for 8M2020, which was in line with our increase in revenue generated from the air freight forwarding segment; whilst our gross profit margin slightly decreased by 0.7% from 9.1% to 8.4% for the respective periods. Our revenue and cost of sales attributable to North America increased significantly in 8M2020 by 338.1% and 341.4% respectively, largely due to the shortage of air cargo space supply in 8M2020 under the COVID-19 pandemic. As our cost of sales increased at a slightly higher rate as compared to our revenue generated from North America, despite our gross profit per kg in North America increased by 83.2%, our gross profit margin of North America had slightly decreased.

Other income

Other income mainly represents net fair value gain on mutual fund units, dividend income, interest income from bank deposits and one of our Group's related company and customers, exchange gain attributable to our financial assets and liabilities denominated in foreign currencies, recovery of bad debts previously written-off, reversal of impairment loss of trade and other receivables, gain on disposal of property, plant and equipment, gain on redemption of mutual fund units and sundry income.

Mutual fund units represented unlisted investments managed by a bank in Hong Kong which mainly invested in treasury bonds, debt securities, equity linked instruments and cash in global market with high credit rating with no maturity date, which were denominated in US\$ and non-principal guaranteed with expected return up to 6.19% per annum.

Our Group held such mutual fund units as one of the pledges for our interest-bearing borrowings which do not serve any trading purpose during the Track Record Period.

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

	2017		Year ended 31 December				Eight months ended 31 August			
	HK\$'000	%	2018		2019		2019		2020	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Net fair value gain on mutual fund units	982	36.0	—	—	—	—	—	—	—	—
Dividend income	906	33.2	888	53.9	73	8.8	73	8.0	—	—
Interest income	553	20.2	311	18.9	179	21.6	92	10.0	32	2.2
Exchange gain, net	—	—	143	8.7	—	—	203	22.1	757	52.2
Recovery of bad debts previously written-off	83	3.0	58	3.5	39	4.7	27	2.9	24	1.6
Reversal of impairment loss of other receivables	33	1.2	—	—	—	—	—	—	—	—
Sundry income	138	5.1	138	8.4	57	6.9	41	4.5	135	9.3
Reversal of impairment loss of trade receivables	36	1.3	21	1.3	28	3.4	28	3.1	503	34.7
Gain on disposal of property, plant and equipment	—	—	88	5.3	—	—	—	—	—	—
Gain on redemption of mutual fund units	—	—	—	—	453	54.6	453	49.4	—	—
Total	2,731	100.0	1,647	100.0	829	100.0	917	100.0	1,451	100.0

Other income amounted to HK\$2.7 million, HK\$1.6 million, HK\$0.8 million, HK\$0.9 million and HK\$1.5 million for FY2017, FY2018, FY2019, 8M2019 and 8M2020.

The decrease by HK\$1.1 million or 40.7% for FY2018 as compared to the previous year was mainly attributable to (i) the decrease in net fair value gain on mutual fund units by HK\$1.0 million; and (ii) the decrease in interest income by HK\$0.2 million due to the decrease in late payment charges from our customers; partially offset by the increase in exchange gain by HK\$0.1 million.

Other income decreased by HK\$0.8 million or 50.0%, from HK\$1.6 million for FY2018 to HK\$0.8 million for FY2019, which was primarily attributable to (i) the decrease in dividend income by HK\$0.8 million partially offset by the gain on redemption of mutual fund units by HK\$0.5 million due to the redemption of mutual fund units in FY2019; (ii) the decrease in exchange gain by HK\$0.1 million; and (iii) the decrease in gain on disposal of property, plant and equipment by HK\$0.1 million.

Other income increased by HK\$0.6 million or 66.7%, from HK\$0.9 million for 8M2019 to HK\$1.5 million for 8M2020, which was primarily attributable to (i) the increase in net exchange gain by HK\$0.6 million; (ii) the increase in reversal of impairment loss of trade receivables by HK\$0.5 million due to a balance written off in prior year was recovered by our Group; and (iii) the decrease in gain on redemption of mutual fund units by HK\$0.5 million as we did not hold any mutual fund unit after the redemption in 8M2019.

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With respect to the late payment charges, the outstanding receivables of the said customers amounted to HK\$12.0 million, HK\$3.9 million, HK\$2.8 million and HK\$0.6 million as at 31 December 2017, 2018, 2019 and 31 August 2020, respectively, which was significantly settled as at the Latest Practicable Date.

Administrative and other operating expenses

Administrative and other operating expenses primarily comprise staff costs, entertainment and travelling expenses, depreciation, office expenses, rent and rates, legal and professional fees, bank charges, internet and computer expenses, net fair value loss on mutual funds unit and others such as travelling and storage charges.

The following table sets forth a breakdown of our administrative and other operating expenses for the periods indicated:

	2017		Year ended 31 December				Eight months ended 31 August			
	HK\$'000	%	2018	2019	2019	%	2019	%	2020	%
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Staff costs	12,179	51.1	11,402	43.5	11,147	48.2	7,616	52.7	12,103	52.0
Entertainment and travelling expenses	4,012	16.8	4,577	17.4	4,166	18.0	1,628	11.3	6,152	26.4
Depreciation	2,893	12.1	2,878	11.0	3,640	15.7	2,445	16.9	1,952	8.4
Office expenses	1,491	6.3	1,675	6.4	1,660	7.2	1,232	8.5	1,149	4.9
Rent and rates	517	2.2	969	3.7	181	0.8	125	0.9	107	0.5
Legal and professional fees	1,006	4.2	851	3.2	560	2.4	315	2.2	628	2.7
Bank charges	443	1.9	529	2.0	453	2.0	394	2.7	340	1.5
Internet and computer expenses	398	1.7	767	2.9	532	2.3	373	2.6	390	1.7
Net fair value loss on mutual fund units	—	—	1,889	7.2	—	—	—	—	—	—
Others	879	3.7	696	2.7	800	3.4	322	2.2	433	1.9
Total	23,818	100.0	26,233	100.0	23,139	100.0	14,450	100.0	23,254	100.0

Administrative and other operating expenses amounted to HK\$23.8 million, HK\$26.2 million, HK\$23.1 million, HK\$14.5 million and HK\$23.3 million for FY2017, FY2018, FY2019, 8M2019 and 8M2020, respectively, accounting for 5.6%, 5.7%, 6.5%, 6.8% and 4.2% of our revenue during the respective years and periods.

The increase of HK\$2.4 million or 10.1% for FY2018 as compared to previous year was mainly attributable to (i) the increase in entertainment and travelling expenses by HK\$0.6 million incurred with the expansion of our business; and (ii) the net fair value loss on mutual fund units of HK\$1.9 million as the fair value of mutual fund units decreased from HK\$19.7 million as at 31 December 2017 to HK\$17.8 million as at 31 December 2018.

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Administrative and other operating expenses decreased by HK\$3.1 million or 11.8%, from HK\$26.2 million for FY2018 to HK\$23.1 million for FY2019, which was primarily attributable to (i) the decrease in net fair value loss on mutual fund units of HK\$1.9 million due to the redemption of mutual fund units in FY2019; (ii) the decrease in rent and rates by HK\$0.8 million due to adoption of HKFRS 16 as at 1 January 2019 which fully offset by the increase in depreciation by HK\$0.7 million; and (iii) the decrease in entertainment and travelling expenses by HK\$0.4 million due to down trend of business environment, resulting in less business development activities, in particular in exploring new customers and to tighten cost control.

Administrative and other operating expenses increased by HK\$8.8 million or 60.7%, from HK\$14.5 million for 8M2019 to HK\$23.3 million for 8M2020, which was primarily attributable to the increase in entertainment expenses by HK\$4.5 million incurred for the more business development activities to explore business opportunities and increase in staff cost due to a discretionary bonus of HK\$5.0 million paid during the period.

During the Track Record Period, our Group recognised certain administrative and other operating expenses attributable to the sales function of our Group's forwarding business conducted by seven employees that were formerly employed by excluding companies that were formerly controlled by our Controlling Shareholders. Given that the sales function of these employees was an integral part of our forwarding business, and some of these employees were subsequently transferred to our Group, for the preparation of our Historical Financial Information, the direct costs arising from the sales activities from these employees that were originally recognised by these excluding companies, which are clearly identifiable, are recognised in our Group's profit or loss and treated as contributions made by our Controlling Shareholders. This arrangement was ceased from 1 May 2018 onwards subsequent to the transferal of these staff to our Group.

Set forth below are the details of the direct costs arising from these staff:

	Contract period with related companies		HK\$'000	Annual salaries (including contributions to defined contribution plans)	
				FY2017 HK\$'000	FY2018 HK\$'000
	From	To			
Staff costs					
Staff A	Sep-2015	Apr-2018	(Note i)	961	274
Staff B	Sep-2015	Feb-2016	(Note ii)	—	—
Staff C	Jan-2016	Apr-2018	(Note i)	134	67
Staff D	Sep-2016	Feb-2017	(Note ii)	18	—
Staff E	Aug-2016	Aug-2016	(Note ii)	—	—
Staff F	Jan-2016	Aug-2016	(Note ii)	—	—
Staff G	Jun-2017	Apr-2018	(Note i)	222	134
Total staff costs				1,335	475
Entertainment expenses				517	88
Other expenses, including travelling expenses, motor expenses and others				148	32
Total direct costs				2,000	595

Note (i): These staff were transferred to our Group from 1 May 2018.

Note (ii): These staff resigned on the respective dates as indicated above.

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The above direct costs formed part of the below administrative and other operating expenses during the Track Record Period.

Provision for impairment loss on trade receivables

We recognise provision for impairment loss on trade receivables under HKFRS 9. Accordingly, impairment on trade receivables are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of the trade receivables has occurred since initial recognition, then impairment is measured as lifetime expected credit losses unless the financial asset is determined to have a low credit risk at the reporting date. Nevertheless, the loss allowance for trade receivables is always measured at an amount equal to lifetime expected credit losses. For FY2017, FY2018, FY2019, 8M2019 and 8M2020, our provision for impairment loss on trade receivables amounted to HK\$0.3 million, HK\$0.7 million, HK\$8.6 million, nil and HK\$80,000, respectively.

As for FY2019, the provision for impairment loss of HK\$8.6 million were mainly attributable to a debtor with trade receivables amounting to HK\$8.1 million overdue.

In April 2019, our Group started to conduct business with this customer, engaging in the business of freight forwarding in Hong Kong. During April to August 2019, this customer placed 178 purchase orders to us for procurement of cargo space amounting to a total of approximately HK\$8.7 million. Among these 178 purchases, this customer failed to settle payment for 158 purchase orders of approximately HK\$8.1 million to our Group within the prescribed credit period. We took a chain of discussion with this customer in respect of settlement of the outstanding payment during June to November 2019 and ceased to trade with this customer since August 2019 after it had failed to settle the trade receivables within the credit period. On 7 November 2019, our Group (as creditor) entered into a deed of settlement (the “**Deed**”) with this customer (as the debtor) and its sole shareholder pursuant to which they agreed to make the overdue payment to our Group by three instalments in December 2019, January 2020 and February 2020 respectively and three post-dated cheques were delivered to us upon signing of the Deed. The first cheque for HK\$2.0 million was dishonoured and our Group received a sum of HK\$50,000 from this customer instead. As such, in January 2020, we lodged a claim to the Court of First Instance of Hong Kong against the customer and its sole shareholder for the repayment of trade receivables of HK\$8.1 million with overdue interest in accordance to the relevant clause stipulated in the Deed.

Pursuant to a letter dated 7 May 2020 from the lawyer representing the customer and its sole shareholder, a bankruptcy petition was made by the sole shareholder against himself. The official receiver’s office informed that a bankruptcy order was made against the sole shareholder on 23 June 2020. On 13 July 2020, our Group instructed its lawyer to lodge a winding up petition to the Court of First Instance against the customer as it was insolvent and unable to pay its outstanding debts to our Group. As such, save from the subsequent settlement of HK\$50,000 received, the trade receivables due from this customer as at 31 December 2019 was fully impaired.

Save for the above, our Group has no disputes with this customer up to the Latest Practicable Date.

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	Year ended 31 December			Eight months ended
	2017	2018	2019	31 August 2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at beginning of the reporting period	576	906	1,503	10,059
Increase in loss allowances	322	668	8,597	80
Amounts recovered	(36)	(21)	(28)	(503)
Amounts written off	—	(2)	—	(8,960)
Exchange realignments	44	(48)	(13)	11
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at the end of the reporting period	<u> 906</u>	<u> 1,503</u>	<u> 10,059</u>	<u> 687</u>

Enhanced internal control measures

In the light of the above impairment loss on trade receivables, in order to minimise the credit risk brought by a customer which may result in a loss and reduction in net equity in the future, our Group has adopted the following measures:

- Enhanced the Company's sale and collection policy and procedures regarding customer credit management and credit control

We established the following procedures in the existing sales and collection management policy and implemented them in September 2020:

- (i) granting of temporary credit to customer during peak season – according to the policy, we should assess the needs to extend customer credit limit temporarily during peak season, and indicate the reasons of such extension in the credit limit extension application form. The form will be approved by the authorised person according to the approval matrix;
- (ii) assessment of bad debt provision/ECL and write-off – according to the policy, our financial controller should review the weekly accounts receivable aging analysis with evidence retained including the assessment on bad debt provision/ECL and write off. Bad debt provision/ECL should be made on a collective assessment if the outstanding accounts receivable balance is overdue for 90 days after the credit period; and
- (iii) annual customer credit review – according to the policy, the original and the new proposed customer credit limit should be presented in the customer credit review form with the reason documented for the review of our executive Director.

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- Established formal mechanism to suspend customer account when customer credit limit is exceeded

We updated the existing sales and collection management policy and implemented the procedures of suspending customer account when its customer credit limit is exceeded in August 2020. The written procedures require that upon the receipt of the email notification of exceeded credit limit sent out from the freight operations and accounting system, the financial controller should manually deactivate the customer account and document the reasons when customer accounts are not suspended.

- Retained documentation and review evidence over (i) granting of credit limit and payment terms to new customers and (ii) accounts receivable aging analysis

We updated the existing sales and collection management policy and implemented the procedures of documenting the final credit limit and payment terms into the freight operations and accounting system and the requirement of retaining the review evidence of the weekly accounts receivable aging analysis by the financial controller in August 2020.

- Segregated duties over the maintenance of customer master files

The access right to approve customer credit limits was re-assigned from the financial controller to the executive Director.

- Appointed a non-executive Director and three independent non-executive Directors with accounting qualification, experience and/or expertise

Our Group appointed a non-executive Director and three independent non-executive Directors with professional accounting qualifications or related financial management expertise, namely Mr. Heung Wai Keung, Mr. Tam Ka Hei Raymond, Mr. Yu Tak Chi Michael and Mr. Yeung Kwong Wai respectively. Mr. Heung supervises our Group's financial reporting matters, such as preparation of financial statements, interim, quarterly and annual reports and accounts, and is designated to approve those financial statements and reports, as well as give accounting advice with appropriate professional judgment to the Board on financial reporting matters of our Company. The three independent non-executive Directors supervise our Group's compliance and corporate governance matters, give independent advice with appropriate judgment to the Board on financial matters and corporate governance of our Company.

Please refer to the section headed "Directors and Senior Management" in this prospectus for details of their biographical information.

- Established the Financial Reporting Committee of the Board

The Financial Reporting Committee was established to focus on the supervision of the accounting and financial reporting function of our Group. It comprises the aforementioned three independent non-executive Directors and one non-executive Director, who can bring professional accounting advice and judgment in the preparation of financial statements, interim, quarterly and annual reports and accounts.

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The primary duties of the Financial Reporting Committee are (i) to oversee our Group's financial reporting system, risk management and internal control systems; and (ii) review our Group's financial information and application of accounting policies. Please refer to the section headed "Directors and Senior Management — Financial Reporting Committee" for further details.

In addition, to prevent reoccurrence of any major accounting issues in the future such as ECL valuations, our Directors and our Company will implement the following measures upon Listing:

1. to engage an international reputable and professional valuation firm approved by our independent non-executive Directors to conduct ECL valuation for at least two full financial years after Listing;
2. to engage an international reputable audit firm (one of the big-4 audit firms) approved by our independent non-executive Directors to review on our Company's internal control for at least two full financial years after Listing;
3. any changes in our Company's accounting policies would be implemented after being reviewed and agreed by our Company's independent external auditor; and
4. on best endeavours basis, to appoint an international reputable audit firm (one of the big-4 audit firms) as the auditor of our Company to audit the financial statements of our Company published subsequent to the Listing.

Finance costs

Finance costs comprise mainly interest charges on interest-bearing bank borrowings and bank overdrafts, finance charges on obligations under finance leases/lease liabilities. Finance costs amounted to HK\$2.7 million, HK\$2.8 million, HK\$3.1 million, HK\$2.2 million and HK\$2.0 million for FY2017, FY2018, FY2019, 8M2019 and 8M2020, respectively, accounting for 0.6%, 0.6%, 0.9%, 1.0% and 0.4% of our revenue during the respective years and periods. Our finance costs remained relatively stable at HK\$2.8 million for FY2018.

Finance costs increased by HK\$0.3 million or 10.7%, from HK\$2.8 million for FY2018 to HK\$3.1 million for FY2019, which was primarily attributable to the increase in interest expense amount on additional inception of interest-bearing borrowings which partially repaid during the year. Finance costs decreased by HK\$0.2 million or 9.1%, from HK\$2.2 million for 8M2019 to HK\$2.0 million for 8M2020, due to decreased interest expenses on bank overdrafts by HK\$0.1 million and decreased interest expenses on interest-bearing borrowings by HK\$0.2 million for the period.

Income tax expenses

Our Group is subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which companies comprising our Group domicile or operate.

- (i) Cayman Islands and BVI income tax

Our Group's entities established in the Cayman Islands and the BVI are exempted from income tax of those jurisdictions.

FINANCIAL INFORMATION

(ii) Hong Kong Profits Tax

In March 2018, the two-tiered profits tax rates regime was signed into law of Hong Kong, under which, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of corporations in our Group not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

For FY2018, FY2019, 8M2019 and 8M2020, Hong Kong Profits Tax for the qualifying company is calculated in accordance with the two-tiered profits tax rates regime. The income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income.

During the Track Record Period, Hong Kong Profits Tax was calculated at a flat rate of 16.5% of the estimated assessable profits, taking into account a reduction of 75% of the tax payable subject to a maximum reduction of HK\$20,000 for FY2018 and HK\$30,000 for FY2017 and a reduction of 100% of the tax payable subject to a maximum reduction of HK\$20,000 for FY2019 and 8M2019.

Our income tax expenses is based on the results for each year/period as adjusted for items that are non-deductible or exempted. During the Track Record Period, our non-deductible and exempted items are mainly represented by our Listing expenses, gain on redemption of mutual fund units, dividend income and/or gain on fair value changes on mutual fund units.

(iii) PRC enterprise income tax

Our Group's entities established in the PRC are subject to enterprise income tax of the PRC at a statutory rate of 25% during the Track Record Period.

(iv) Macau complementary tax and USA income tax

No Macau complementary tax and USA income tax have been provided as our Group had no estimated assessable profits exceeding MOP600,000 arising in or derived from Macau and no taxable income arising from the USA for the Track Record Period, respectively.

Our total income tax expenses amounted to HK\$4.5 million and HK\$2.5 million for FY2017 and FY2018, respectively, and our effective tax rate for the respective was 26.3% and 37.3%.

The decrease in the income tax expenses as compared to the previous year was mainly due to (i) the decrease in income tax at statutory tax rate due to the decrease in our profit before tax by HK\$10.4 million; (ii) the tax impact on dissolved subsidiaries of HK\$1.1 million during FY2018, partially offset by the increase in non-deductible expenses, amongst others, the increase in non-recurring Listing expenses during FY2018, and the increase in effective tax rate was mainly caused by the increase in non-deductible expenses, amongst others, the non-recurring Listing expenses, partially offset by the tax impact on dissolved subsidiaries during FY2018.

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Our total income tax expenses amounted to HK\$0.3 million for FY2019, and our effective tax rate for FY2019 was more than 100%. The decrease in the income tax expenses was mainly attributable to (i) our Group has recognised a loss before income tax of approximately HK\$7.1 million in FY2019 compared to a profit before income tax of approximately HK\$6.7 million in FY2018; (ii) the decrease in non-deductible expenses, amongst others, non-recurring Listing expenses; and (iii) the tax impact on dissolved subsidiaries of HK\$1.1 million during FY2018.

Our total income tax expenses amounted to HK\$0.7 million and HK\$6.3 million for 8M2019 and 8M2020, respectively. The increase in the income tax expenses was mainly due to the increase in our profit before tax by HK\$31.7 million. Our effective tax rate for 8M2019 and 8M2020 were 77.8% and 19.3%, respectively.

REVIEW OF HISTORICAL RESULTS OF OPERATION

8M2020 compared to 8M2019

Revenue

Our revenue increased by HK\$339.1 million or 158.2%, from HK\$214.3 million for 8M2019 to HK\$553.4 million for 8M2020. The increase is primarily because our average selling price for export of air freight segment increased from HK\$14.0/kg in 8M2019 to HK\$36.2/kg in 8M2020. In particular, the average selling price of export to Europe and North America increased from HK\$19.9/kg to HK\$41.8/kg and HK\$23.2/kg to HK\$46.2/kg respectively, mainly because of the increase in freight charges that was transferred to our customers, and was caused by the shortage of air cargo space supply during 8M2020 as most of the airlines had partially or fully suspended their passenger flight services under the COVID-19 outbreak. In addition, we had more shipments to Europe and North America, which included but not limited to, 49 charter flights to the U.S. and Europe due to the back-to-back charters from our customers, including customer F, in 8M2020. The above effect on the increase in revenue for 8M2020 was partially offset by the decrease in shipments to Asia for the same period.

Cost of services

Our cost of services increased by HK\$300.5 million or 155.5% from HK\$193.2 million for 8M2019 to HK\$493.7 million for 8M2020. The increase was generally in line with the increase in revenue generated from air freight forwarding segment and was a result of (i) the increase in freight charges by HK\$276.9 million or 197.1%, which was driven by the shortage of supply of cargo spaces from airlines due to cancellation of flights under the COVID-19 outbreak; (ii) the increase in surcharges by HK\$3.0 million or 6.6%; and (iii) the increase in transportation and warehouse services by HK\$20.5 million or 292.9% in response to the increase in air freight forwarding business.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by HK\$38.6 million or 182.9% from HK\$21.1 million for 8M2019 to HK\$59.7 million for 8M2020, which was primarily reflected by the increase in gross profit from export shipments to Europe and North America. Our gross profit margin increased from 9.8% to 10.8% for the respective periods, and was largely driven by our air freight segment. The increase in our gross profit margin for air segment was mainly due to the overall increase in our price mark-up of air-cargo spaces for export shipments, in particular to North America and Europe, as a result of the increase of our customers' demand.

FINANCIAL INFORMATION

Other income

Other income amounted to HK\$0.9 million and HK\$1.5 million for 8M2019 and 8M2020, respectively. The increase by HK\$0.6 million or 66.7% was mainly attributable to (i) the increase in net exchange gain by HK\$0.6 million; (ii) the increase in reversal of impairment loss of trade receivables by HK\$0.5 million due to a balance written off in prior year was recovered by our Group; and (iii) the decrease in gain on redemption of mutual fund units by HK\$0.5 million as we did not hold any mutual fund units after the redemption in 8M2019.

Administrative and other operating expenses

Administrative and other operating expenses increased from HK\$14.5 million for 8M2019 to HK\$23.3 million for 8M2020. The increase was mainly attributable to the increase in (i) a discretionary bonus paid to a director due to his management effort for our Group; and (ii) entertainment expenses by HK\$4.5 million incurred for the more business development activities to explore business opportunities. For the outbreak of COVID-19, one of our executive Directors did not travel between Hong Kong and Shenzhen and has stationed in Shenzhen during 8M2020. He then spent much more time to do business development activities with the contact persons of our Group's customers stationed in Shenzhen, which customers include the top five customers during the Track Record Period, such as Customer F and Customer J, and new and potential customers.

Provision for impairment loss on trade receivables

Provision for impairment loss on trade receivables increased by HK\$80,000 or 100.0%, from nil for 8M2019 to HK\$80,000 for 8M2020.

Listing expenses

Our Group recorded non-recurring Listing expenses of HK\$3.2 million for 8M2020.

Finance costs

Finance expenses decreased by HK\$0.2 million or 9.1% from HK\$2.2 million for 8M2019 to HK\$2.0 million for 8M2020. The decrease was mainly due to (i) the decrease in interest expense amount on bank overdrafts by HK\$0.1 million; and (ii) the decrease in interest-bearing borrowings by HK\$0.2 million in 8M2020.

Income tax expenses

Income tax expenses increased by HK\$5.6 million or 800.0% from HK\$0.7 million for 8M2019 to HK\$6.3 million for 8M2020. The increase was mainly due to the increase in our profit before tax by HK\$31.7 million.

Profit for the year

As a result of the foregoing, profit for the period increased from HK\$0.2 million for 8M2019 to HK\$26.3 million for 8M2020, and our net profit margin increased from 0.1% for 8M2019 to 4.8% for 8M2020.

FINANCIAL INFORMATION

FY2019 compared to FY2018

Revenue

Our revenue decreased by HK\$109.8 million or 23.7% from HK\$463.1 million for FY2018 to HK\$353.3 million for FY2019. The decrease was attributable by the decrease in sales volume under the intensified U.S.–China trade war and its negative impact to the overall international trading activities globally which caused a decrease in export value and export volume of Hong Kong in 2019. To the best knowledge of our Directors, the mentioned negative impact burdened some of our competitors, who had committed a significant amount of cargo space from their airline suppliers under block space agreements, to create an extensive cut in their selling prices in order to meet the commitments. In contrast, we had less pressure to reduce freight charges as we generally adopted a prudent approach in entering into block space agreements such as obtaining back-to-back strategic partnership agreements, or committing to only a relatively low amount of our total tonnage carried. Therefore, although our sales volume was affected by the price-cutting strategy proposed by our competitors, our gross profit margin remained relatively stable.

Our average selling price for export of air freight segment decreased from HK\$16.0/kg in FY2018 to HK\$14.6/kg in FY2019, which in particular for export to North America. The average selling price of export to North America decreased from HK\$36.7/kg to HK\$19.8/kg in FY2018 and FY2019 was mainly attributable to the decreased freight charges offered by our suppliers, which our average cost in mentioned destination decreased from HK\$33.5/kg to HK\$18.1/kg in respective years.

Cost of services

Cost of services decreased by HK\$97.6 million or 23.4% from HK\$417.0 million for FY2018 to HK\$319.4 million for FY2019, which was in line with the decreased trend in revenue for the respective years. The decrease mainly attributable to (i) the decrease in freight charges by HK\$66.3 million or 22.0%; and (ii) the decrease in surcharges by HK\$28.2 million or 28.4%, which in line with the decreased export volume in Europe, Asia and Others regions except North America for the respective years.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit declined by HK\$12.1 million or 26.3% from HK\$46.0 million for FY2018 to HK\$33.9 million for FY2019, whilst our gross profit margin remained relatively stable from 9.9% for FY2018 to 9.6% for FY2019.

Other income

Other income decreased by HK\$0.8 million or 50.0% from HK\$1.6 million for FY2018 to HK\$0.8 million for FY2019. The decrease was mainly attributable to (i) the decrease in dividend income by HK\$0.8 million partially offset by the gain on redemption of mutual fund units by HK\$0.5 million due to the redemption of mutual fund units in FY2019; (ii) the decrease in exchange gain by HK\$0.1 million; and (iii) the decrease in gain on disposal of property, plant and equipment by HK\$0.1 million.

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Administrative and other operating expenses

Administrative and other operating expenses decreased by HK\$3.1 million or 11.8%, from HK\$26.2 million for FY2018 to HK\$23.1 million for FY2019. The decrease was mainly attributable to (i) the decrease in net fair value loss on mutual fund units of HK\$1.9 million due to the redemption of mutual fund units in FY2019; and (iii) the decrease in rent and rates by HK\$0.8 million due to adoption of HKFRS 16 as at 1 January 2019 which fully offset by the increase in depreciation by HK\$0.7 million; and the decrease in entertainment and travelling expenses by HK\$0.4 million due to down trend of business environment, resulting in less business development activities, in particular in exploring new customers and to tighten cost control.

Provision for impairment loss on trade receivables

Provision for impairment loss on trade receivables increased by HK\$7.9 million or 1128.6%, from HK\$0.7 million for FY2018 to HK\$8.6 million for 2019. The increase was mainly due to a customer's sole shareholder, who provided personally guarantee on that customer's trade receivable balance, had filed a bankruptcy petition against himself subsequently in May 2020. The official receiver's office informed that a bankruptcy order was made against the sole shareholder on 23 June 2020. On 13 July 2020, our Group instructed its lawyer to lodge a winding up petition to the Court of First Instance against the customer as it was insolvent and unable to pay its outstanding debts to our Group. For details of the court case, please refer to the section headed "Business — Legal Proceedings and Compliance" in this prospectus.

Listing expenses

Our Group recorded non-recurring Listing expenses of HK\$7.1 million for FY2019.

Finance costs

Finance costs increased by HK\$0.3 million or 10.7% from HK\$2.8 million for FY2018 to HK\$3.1 million for FY2019. The increase was mainly due to the increase in interest expense amount on additional inception of interest-bearing borrowings which partially repaid during the year.

Income tax expenses

Income tax expenses decreased by HK\$2.2 million or 88.0% from HK\$2.5 million for FY2018 to HK\$0.3 million for FY2019. The decrease was mainly due to (i) the decrease in our profit before tax by HK\$13.8 million; and (ii) the tax impact on dissolved subsidiaries of HK\$1.1 million during FY2018.

Loss for the year

As a result of the foregoing, we recorded loss for the year of HK\$7.4 million for FY2019.

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FY2018 compared to FY2017

Revenue

Our revenue increased by HK\$37.7 million or 8.9% from HK\$425.4 million for FY2017 to HK\$463.1 million for FY2018. The increase in revenue for FY2018 was primarily attributable to (i) the increase in revenue contribution by HK\$11.7 million from Customer D; and (ii) our expansion of customer base with sales to a new customer, Customer F, one of China's top e-commerce cross-border solution provider, of HK\$40.2 million.

Cost of services

Cost of services increased by HK\$38.1 million or 10.1% from HK\$378.9 million for FY2017 to HK\$417.0 million for FY2018, which was mainly attributable to (i) the increase in freight charges by HK\$18.1 million or 6.4%, which was attributable to the increase in our revenue during the same period; and (ii) the increase in surcharges by HK\$20.9 million or 26.7%, mainly due to the increase in fuel surcharges with the resumption of levy of cargo fuel surcharges by airlines that was allowed by the Civil Aviation Department for flights originating from Hong Kong since April 2017.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit slightly decreased by HK\$0.5 million or 1.1% from HK\$46.5 million for FY2017 to HK\$46.0 million for FY2018, and our gross profit margin decreased from 10.9% for FY2017 to 9.9% for FY2018.

Other income

Other income decreased from HK\$2.7 million for FY2017 to HK\$1.6 million for FY2018. The decrease by HK\$1.1 million or 40.7% was mainly attributable to (i) the decrease in net fair value gain on mutual fund units by HK\$1.0 million; and (ii) the decrease in interest income by HK\$0.2 million due to the decrease in late payment charges from our customers; partially offset by the increase in exchange gain by HK\$0.1 million.

Administrative and other operating expenses

Administrative and other operating expenses increased from HK\$23.8 million for FY2017 to HK\$26.2 million for FY2018. The increase was mainly attributable to (i) the increase in business development expenses by HK\$0.6 million incurred with the expansion of our business; and (ii) the increase in net fair value loss on mutual fund units of HK\$1.9 million as the fair value of mutual fund units decreased from HK\$19.7 million as at 31 December 2017 to HK\$17.8 million as at 31 December 2018.

Listing expenses

Our Group record non-recurring Listing expenses of HK\$11.3 million for FY2018.

FINANCIAL INFORMATION

Finance costs

Finance costs remained relatively stable at HK\$2.7 million and HK\$2.8 million for FY2017 and FY2018, respectively.

Income tax expenses

Income tax expenses decreased by HK\$2 million or 44.4% from HK\$4.5 million for FY2017 to HK\$2.5 million for FY2018. The decrease was mainly due to (i) the decrease in income tax at statutory tax rate due to the decrease in our profit before tax by HK\$10.4 million; (ii) the tax impact on dissolved subsidiaries of HK\$1.1 million during FY2018, partially offset by the increase in non-deductible expenses, amongst others, the increase in non-recurring Listing expenses during FY2018.

Profit for the year

As a result of the foregoing, profit for the year decreased from HK\$12.6 million for FY2017 to HK\$4.2 million for FY2018, and our net profit margin decreased from 3.0% for FY2017 to 0.9% for FY2018.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Our use of cash primarily relates to purchases of cargo spaces and various operating expenses. We have historically financed our operations primarily through a combination of cash flow generated from our operations, interest-bearing bank borrowings and bank overdrafts. Except for one factoring arrangement mutually terminated with one licensed bank in July 2018, we did not experience any difficulties in rolling over our bank borrowings during the Track Record Period. For details, please see section headed “Business — Customers — Banking facilities” in this prospectus. We currently expect that there will not be any material change in the sources and uses of cash of our Group, except that we would have additional funds from proceeds of the Share Offer for implementing our future plans as detailed under the section headed “Future Plans and Use of Proceeds” in this prospectus.

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The following table summarises, for the periods indicated, our statements of cash flows:

	For the year ended 31 December			Eight months ended 31 August	
	2017	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Operating cash inflows before movements in working capital	23,345	15,424	7,456	5,073	35,802
Changes in working capital	(19,043)	6,453	7,328	31,895	1,728
Cash generated from operations	4,302	21,877	14,784	36,968	37,530
Income tax paid	(1,769)	(5,645)	(668)	(665)	(3,353)
Interest paid	(2,724)	(2,773)	(3,096)	(2,231)	(1,958)
Net cash (used in)/from operating activities	(191)	13,459	11,020	34,072	32,219
Net cash from/(used in) investing activities	1,419	(21,701)	12,315	12,300	32
Net cash from/(used in) financing activities	14,273	4,834	(12,747)	(19,378)	(22,232)
Cash and cash equivalents at end of year/period (netting-off bank overdrafts)	20,496	16,094	26,141	42,112	35,901

Operating activities

During our Track Record Period, our cash inflow from operating activities was principally from the receipt of payments for forwarding services providing to customers. Our cash outflow used in operating activities was principally for purchases of cargo spaces and operating expenses such as staff costs and business development expenses.

For 8M2020, our Group had net cash from operating activities amounting to HK\$32.2 million, which was primarily a combined result of operating cash inflow before movements in working capital of HK\$35.8 million, interest paid of HK\$2.0 million, income tax paid of HK\$3.3 million and change in working capital of HK\$1.7 million. Movements in working capital were primarily reflected by the increase in trade and other receivables of HK\$18.0 million, which was partially offset by the increase in trade and other payables of HK\$19.7 million.

For 8M2019, our Group had net cash from operating activities amounting to HK\$34.1 million, which was primarily a combined result of operating cash inflow before movements in working capital of HK\$5.1 million, interest paid of HK\$2.2 million, income tax paid of HK\$0.7 million and change in working capital of HK\$31.9 million. Movements in working capital were primarily reflected by decrease in trade and other receivables of HK\$59.4 million, partially offset by decrease in trade and other payables of HK\$27.5 million.

FINANCIAL INFORMATION

For FY2019, our Group had net cash from operating activities amounting to HK\$11.0 million, which was primarily a combined result of operating cash inflow before movements in working capital of HK\$7.5 million, interest paid of HK\$3.1 million, income tax paid of HK\$0.7 million and change in working capital of HK\$7.3 million. Movements in working capital were primarily resulted from the combination effect of decrease in trade and other receivables of HK\$17.9 million and decrease in trade and other payables of HK\$10.6 million.

For FY2018, our Group had net cash from operating activities amounting to HK\$13.5 million, which was primarily a combined result of operating cash inflow before movements in working capital of HK\$15.4 million, interest paid of HK\$2.8 million, income tax paid of HK\$5.6 million and change in working capital of HK\$6.5 million. Movements in working capital were primarily reflected by decrease in trade and other receivables of HK\$2.1 million and increase in trade and other payables of HK\$4.4 million.

For FY2017, our Group had net cash used in operating activities amounting to HK\$0.2 million, which was primarily a combined result of operating cash inflow before movements in working capital of HK\$23.3 million, interest paid of HK\$2.7 million, income tax paid of HK\$1.8 million and change in working capital of HK\$19.0 million.

Investing activities

During the Track Record Period, our cash inflow from investing activities was principally proceeds from disposal of property, plant and equipment, dividend income and interest income. Our cash outflow used in investing activities was principally for purchase of property, plant and equipment.

For 8M2020, our Group had net cash from investing activities of HK\$32,000 which was primarily attributable to interest received of HK\$32,000.

For 8M2019, our Group had net cash from investing activities of HK\$12.3 million, primarily attributable to proceeds from redemption of mutual fund units of HK\$18.2 million, which partially offset by increase in pledged bank deposits of HK\$5.9 million and purchase of property, plant and equipment of HK\$0.2 million.

For FY2019, our Group had net cash from investing activities of HK\$12.3 million, primarily attributable to proceeds from redemption of mutual fund units of HK\$18.2 million and interest received of HK\$0.2 million, which partially offset by increase in pledged bank deposits of HK\$6.0 million, and purchase of property, plant and equipment of HK\$0.2 million.

For FY2018, our Group had net cash used in investing activities of HK\$21.7 million, primarily attributable to increase in pledged bank deposits of HK\$23.0 million which were pledged as securities in favour of banks, partially offset by dividend received of HK\$0.9 million, interest received of HK\$0.3 million and proceeds from disposal of property, plant and equipment of HK\$0.1 million.

For FY2017, our Group had net cash from investing activities of HK\$1.4 million, primarily attributable to dividend received of HK\$0.9 million, interest received of HK\$0.4 million, proceeds from disposal of property, plant and equipment of HK\$0.3 million, partially offset by purchase of property, plant and equipment of HK\$0.2 million.

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Financing activities

During the Track Record Period, our cash inflow from financing activities was principally from inception of interest-bearing bank borrowings and repayment from the Ultimate Controlling Party and related companies. Our cash outflow used in financing activities was principally for the repayment of interest-bearing bank borrowings, advance to the Ultimate Controlling Party and related companies.

For 8M2020, our Group had net cash used in financing activities of HK\$22.2 million, primarily attributable to repayment of interest-bearing borrowings of HK\$84.6 million and repayment of lease liabilities of HK\$0.5 million, partially offset by the inception of interest-bearing borrowings of HK\$62.9 million.

For 8M2019, our Group had net cash used in financing activities of HK\$19.4 million, primarily attributable to repayment of interest-bearing borrowings of HK\$68.8 million and repayment of lease liabilities of HK\$0.8 million, partially offset by the inception of interest-bearing borrowings of HK\$50.3 million.

For FY2019, our Group had net cash used in financing activities of HK\$12.7 million, primarily attributable to repayment of interest-bearing borrowings of HK\$102.7 million and repayment of leases liabilities of HK\$1.2 million, partially offset by inception of interest-bearing borrowings of HK\$91.2 million.

For FY2018, our Group had net cash from financing activities of HK\$4.8 million, primarily attributable to inception of interest-bearing borrowings of HK\$142.3 million, partially offset by repayment of obligations under finance leases of HK\$0.4 million and repayment of interest-bearing borrowings of HK\$137.1 million.

For FY2017, our Group had net cash from financing activities of HK\$14.3 million, primarily attributable to inception of interest-bearing bank borrowings of HK\$241.3 million, repayment from related companies of HK\$14.0 million and repayment from the Ultimate Controlling Party of HK\$7.0 million; partially offset by repayment of interest-bearing borrowings of HK\$246.9 million, repayment of obligations under finance lease of HK\$0.8 million and cash outflows to the non-core assets of HK\$0.3 million.

FINANCIAL INFORMATION

Net Current Assets and Liabilities

We recorded net current assets of HK\$23.4 million, HK\$50.5 million, HK\$44.3 million, HK\$71.4 million and HK\$75.6 million as at 31 December 2017, 2018, 2019, 31 August 2020 and 31 October 2020, respectively. The table below sets out selected information for our current assets and current liabilities as at the dates indicated, respectively:

	As at 31 December			As at 31 August	As at 31 October
	2017	2018	2019	2020	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					<i>(Unaudited)</i>
Current Assets					
Trade and other receivables	127,440	124,716	98,227	116,687	108,640
Tax recoverable	—	—	89	169	172
Financial assets at fair value through profit or loss	—	17,778	—	—	—
Pledged bank deposits	687	23,694	29,685	29,695	29,695
Bank balances and cash	27,763	27,791	26,141	35,901	52,480
	<u>155,890</u>	<u>193,979</u>	<u>154,142</u>	<u>182,452</u>	<u>190,987</u>
Current Liabilities					
Trade and other payables	56,714	61,062	50,457	70,211	74,460
Bank overdrafts	7,267	11,697	—	—	—
Tax payables	3,282	199	—	3,230	3,821
Interest-bearing borrowings	64,877	70,095	58,576	36,911	36,465
Obligations under finance leases	384	377	—	—	—
Lease liabilities	—	—	771	720	664
	<u>132,524</u>	<u>143,430</u>	<u>109,804</u>	<u>111,072</u>	<u>115,410</u>
Net current assets	<u><u>23,366</u></u>	<u><u>50,549</u></u>	<u><u>44,338</u></u>	<u><u>71,380</u></u>	<u><u>75,577</u></u>

Our Group's net current assets increased from HK\$23.4 million as at 31 December 2017 to HK\$50.5 million as at 31 December 2018. The increase was primarily due to (i) the increase in pledged bank deposits by HK\$23.0 million which were pledged as securities for a bank facility of HK\$40.8 million and (ii) assets at fair value through profit or loss that was reclassified as current assets of HK\$17.8 million as at 31 December 2018; which was partially offset by (i) the increase in trade and other payables by HK\$4.3 million mainly due to the increase in cost of services in the fourth quarter of FY2018; and (ii) the increase in interest-bearing borrowings and bank overdrafts by HK\$9.6 million.

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Our Group's net current assets decreased from HK\$50.5 million as at 31 December 2018 to HK\$44.3 million as at 31 December 2019, which resulted from the combination effect of (i) the decrease in trade and other payables by HK\$10.6 million mainly attributable to payments to our suppliers; (ii) the decrease in bank overdrafts by HK\$11.7 million and the decrease in interest-bearing borrowings by HK\$11.5 million due to the repayment of such items during FY2019; and (iii) the increase in pledged bank deposits by HK\$6.0 million which were pledged as securities for a bank facility of HK\$6.6 million; which was partially offset by (i) the decrease in trade and other receivables by HK\$26.5 million due to decreased revenue in the fourth quarter of FY2019 compared to FY2018; (ii) the decrease in financial assets at fair value through profit or loss by HK\$17.8 million as all mutual fund units were released from the security of banking facilities and redeemed by our Group during FY2019.

Our Group's net current assets increased from HK\$44.3 million as at 31 December 2019 to HK\$71.4 million as at 31 August 2020, which resulted from the combination effect of (i) increase in trade and other receivable by HK\$18.5 million which was mainly attributable to the increase in our revenue for 8M2020; (ii) the increase in bank balances and cash by HK\$9.8 million and (iii) the decreased in interest-bearing borrowings by HK\$21.7 million due to the repayment of such items during 8M2020, partly offset by (i) increase in trade and other payables by HK\$19.8 million and (ii) the increase in tax payables by HK\$3.2 million.

Our Group's net current assets increased from HK\$71.4 million as at 31 August 2020 to HK\$75.6 million as at 31 October 2020, which was resulted from the increase in bank balances and cash by HK\$16.6 million, partly offset by (i) the decrease in trade and other receivables by HK\$8.0 million; (ii) the increase in trade and other payables by HK\$4.2 million and (iii) the increase in tax payables by HK\$0.6 million.

Working Capital

Our Directors confirm that, taking into consideration the financial resources presently available to us, including banking facilities and other internal resources, and the estimated net proceeds from the Share Offer (after a possible Downward Offer Price Adjustment setting the final Offer Price up to 10% below the bottom end of the indicative Offer Price range), we have sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this prospectus.

Our Directors are not aware of any other factors that would have a material impact on our Group's liquidity. For details on liquidity risks, please see paragraph headed "Quantitative and qualitative disclosures about financial risks — Liquidity risk" in this section. 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

DESCRIPTION OF CERTAIN ITEMS OF COMBINED STATEMENTS OF FINANCIAL POSITION

Trade and other receivables

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

	As at 31 December			As at
	2017	2018	2019	31 August
	HK\$'000	HK\$'000	HK\$'000	2020
				HK\$'000
Trade receivables	124,673	120,427	99,565	106,326
Loss allowances	(906)	(1,503)	(10,059)	(687)
	<u>123,767</u>	<u>118,924</u>	<u>89,506</u>	<u>105,639</u>
Other receivables				
Prepayments	1,728	3,949	6,887	9,505
Deposits and other receivables	1,945	1,843	1,834	1,543
	<u>3,673</u>	<u>5,792</u>	<u>8,721</u>	<u>11,048</u>
Total	<u>127,440</u>	<u>124,716</u>	<u>98,227</u>	<u>116,687</u>

Trade receivables

Our trade receivables represented receivables of freight forwarding services income from our customers.

Our net trade receivables decreased from HK\$123.8 million as at 31 December 2017 to HK\$118.9 million as at 31 December 2018, which was primarily due to the acceleration of cash settlement for trade receivables, in particular, the past due balances which decreased from HK\$4.0 million as at 31 December 2017 to HK\$0.2 million as at 31 December 2018. Our net trade receivables decreased to HK\$89.5 million as at 31 December 2019, which was primarily due to decreased revenue in the fourth quarter of FY2019 compared to FY2018 coupled with the increase in provision for impairment loss in trade receivable by HK\$7.9 million. Our net trade receivables increased to HK\$105.6 million as at 31 August 2020, which was in line with the increase in our revenue for 8M2020 in particular, for the period from June 2020 to August 2020.

The credit terms granted to customers are varied and are generally the result of negotiations between individual customers and our Group. The average credit period granted was up to 90 days for our customers. Each customer has a maximum credit limit. Our Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise the credit risk. Overdue balances are reviewed regularly by senior management. We typically do not hold any collateral as security, except that a customer with gross trade receivables of approximately HK\$8.1 million included in the total trade receivables at 31 December 2019 had been guaranteed by the customer's sole shareholder. At 31 December 2019, an impairment of approximately HK\$8.1 million was made in respect of the trade receivables from this customer because a winding up petition and bankruptcy petition were filed on the customer and its sole shareholder respectively. For 8M2020, the impaired trade receivable of approximately HK\$8.1 million was fully written off as the customer was wound up by the court in October 2020 and the bankruptcy order in respect of the sole shareholder of the customer was made in June 2020.

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Our Group determines the provision for expected credit losses by grouping together trade receivables with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions. For trade receivables relating to accounts which are long overdue with significant amounts with known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance.

For the purposes of estimating the expected credit losses, the trade receivables are grouped according to the nature of the credit risk, i.e. whether it is principally a risk of non-payment or a risk of late-payment only. Our Group applies a provision matrix to those groups which is based on the historical observed loss rates over the expected life of the trade receivables which is adjusted for forward-looking estimates; and/or with reference to the subsequent settlement received. In addition, our Group adopted a simplified approach to recognise full provision on individually insignificant and unguaranteed trade receivables with more than 90 days past due (net of subsequent settlement received) as our Group considers the expected costs to be incurred for the debt recovery actions would out-weight the expected recoverable amount. At the end of each reporting period, the grouping and the historical observed loss rates are updated in light of the latest information that is relevant for the credit risk assessment and changes in the forward-looking estimates are analysed. As at 31 December 2017, 2018, 2019 and 31 August 2020, allowance for doubtful debts were HK\$0.9 million, HK\$1.5 million, HK\$10.1 million and HK\$0.7 million, respectively. The changes in the loss allowances were driven by the changes in the credit risk profile of the outstanding trade debtors. Notwithstanding full provision had been made on certain trade receivables, our Group would write-off the relevant balances when the debtors are unreachable or evidences were available to prove the debtors do not have any assets or source of income/cash flows to settle the amounts due. The trade receivables with the contractual amount outstanding of approximately nil, HK\$20,000, nil and HK\$9.0 million were written off during the Track Record Period, respectively. For the written off made of approximately HK\$9.0 million at 31 August 2020, our Group has provided provision for impairment loss on trade receivables in prior periods. The amounts written off are still subject to enforcement actions. For provision for impairment loss, please refer to the paragraph headed “Description of selected items in combined statements of profit or loss and other comprehensive income - Provision for impairment loss on trade receivables” in this section.

The following table sets forth the aging analysis (net of loss allowances) based on invoice date of our trade receivables, as at the dates indicated:

	As at 31 December			As at
	2017	2018	2019	31 August
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	48,944	42,962	38,357	43,848
31 to 60 days	55,493	55,846	32,972	45,009
61 to 90 days	15,385	19,952	16,778	15,476
Over 90 days	3,945	164	1,399	1,306
	<u>123,767</u>	<u>118,924</u>	<u>89,506</u>	<u>105,639</u>

FINANCIAL INFORMATION

The following table sets forth the aging analysis (net of loss allowances) by due date of our trade receivables, as at the dates indicated:

	As at 31 December			As at
	2017	2018	2019	31 August
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2020</i>
				<i>HK\$'000</i>
Not yet due	119,816	118,760	88,106	104,333
Past due:				
Within 30 days	2,748	96	1,131	1,306
31 to 60 days	205	1	204	—
61 to 90 days	46	52	59	—
Over 90 days	952	15	6	—
	<u>3,951</u>	<u>164</u>	<u>1,400</u>	<u>1,306</u>
	<u>123,767</u>	<u>118,924</u>	<u>89,506</u>	<u>105,639</u>

As at 31 December 2017, 2018, 2019 and 31 August 2020, trade receivables of, HK\$4.0 million, HK\$0.2 million, HK\$1.4 million and HK\$1.3 million, respectively, were past due but not impaired. These related to customers for whom there is no significant financial difficulty and based on our experience, our Directors were of the view that no impairment allowance was necessary in respect of these overdue balances as there had not been significant change in credit quality of our customers and the balances were considered fully recoverable. Please also refer to the paragraph headed “Description of selected items in combined statements of profit or loss and other comprehensive income - Provision for impairment loss on trade receivables” in this section.

Our Directors consider, and the Reporting Accountants concur, that adequate provision has been made on the impairment loss on trade receivables during the Track Record Period because:

- a) provision for a specific debtor with known insolvencies issues and were classified as non-repayment as the principal risk has been made with reference to the subsequent settlement received from a debtor;
- b) full provision has been made on the individual debtor with insignificant balance and without guarantee executed that past due for more than 90 days and were classified as non-repayment as the principal risk;
- c) the remaining balances of the trade receivables that were past due and classified as late-payment only as the principal risk were materially subsequently settled; and
- d) the historical settlement record and the business and industry outlook of the trade receivables that were not yet past due and were classified as late-payment only as the principal risk indicated there is no significant change in their credit quality.

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Approximately HK\$62.2 million included in the trade receivables were in connection with factoring arrangements as at 31 December 2017. Our Group has no factoring arrangements for its trade receivables as at 31 December 2018 and 2019 and 31 August 2020.

As at Latest Practicable Date, HK\$105.6 million or 100% of our trade receivables outstanding as at 31 August 2020 were settled.

The table below sets forth a summary of average turnover days of trade receivables as at the dates indicated:

	Year ended 31 December			Eight months ended 31 August 2020
	2017	2018	2019	2020
Average turnover days of trade receivables ⁽¹⁾	94.0	95.7	107.7	43.0

(1) Average turnover days of trade receivables for FY2017, FY2018, FY2019 and 8M2020 are derived by dividing the arithmetic mean of the opening and closing balances of trade receivables (net of loss allowance) for the respective year/period by revenue and multiplying by 365/244 days.

Trade receivable turnover days were relatively stable at approximately 94.0 days and 95.7 days in FY2017 and FY2018, respectively. Our average turnover days of trade receivables increased to 107.7 days in FY2019. Our average turnover days of trade receivables decreased to 43.0 days in 8M2020, mainly because we procured more charter flights for our customers, from whom we usually required full or partial payment in advance.

Other receivables

Our other receivables included mainly prepayments for Listing expenses and deposits paid to our airline and other suppliers. The balance increased from HK\$3.7 million as at 31 December 2017 to HK\$5.8 million as at 31 December 2018, primarily due to the increase in prepaid Listing expenses by HK\$2.0 million. The balance increase to HK\$8.7 million as at 31 December 2019, primarily due to the increase in prepaid Listing expenses by HK\$2.1 million. The balance increased to HK\$11.0 million as at 31 August 2020, primarily attributable to the increase in prepayment by HK\$2.6 million due to the increase in prepaid Listing expenses.

FINANCIAL INFORMATION

Trade and other payables

The following table sets forth our trade and other payables as at the dates indicated:

	As at 31 December			As at
	2017	2018	2019	31 August
	HK\$'000	HK\$'000	HK\$'000	2020 HK\$'000
Trade payables	54,375	56,717	47,069	65,628
Other payables				
Accruals and other payables	2,060	2,922	1,990	3,151
Contract liabilities	279	1,423	1,398	1,432
	<u>2,339</u>	<u>4,345</u>	<u>3,388</u>	<u>4,583</u>
Total	<u>56,714</u>	<u>61,062</u>	<u>50,457</u>	<u>70,211</u>

Trade payables

Our trade payables are derived primarily from payables relating to the costs of purchasing air and ocean cargo space.

Our trade payables increased to HK\$56.7 million as at 31 December 2018, which was generally in line with the increase in our cost of services during the fourth quarter of FY2018. Our trade payables decreased to HK\$47.1 million as at 31 December 2019, which was primarily due to the decrease in our cost of services in line with decreased trend in revenue during the year. Our trade payables increased to HK\$65.6 million as at 31 August 2020, which was generally in line with the increase in our cost of services and the increased trend in revenue during 8M2020.

Our trade payables are non-interest bearing and our suppliers generally grant us with credit terms ranging from 15 to 60 days. The table below sets forth, as at the end of reporting periods indicated, the aging analysis based on the invoice date of our trade payables:

	As at 31 December			As at
	2017	2018	2019	31 August
	HK\$'000	HK\$'000	HK\$'000	2020 HK\$'000
Within 30 days	43,018	40,266	37,545	40,605
31 to 60 days	9,890	15,108	7,114	19,472
61 to 90 days	747	798	1,364	4,924
Over 90 days	720	545	1,046	627
	<u>54,375</u>	<u>56,717</u>	<u>47,069</u>	<u>65,628</u>

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

	Year ended 31 December			Eight months ended
	2017	2018	2019	31 August 2020
Average turnover days of trade payables ⁽¹⁾	<u>48.5</u>	<u>48.6</u>	<u>59.3</u>	<u>27.8</u>

(1) Average turnover days of trade payables for FY2017, FY2018, FY2019 and 8M2020 are derived by dividing the arithmetic mean of the opening and closing balances of trade payables for the respective year/period by cost of services and multiplying by 365/244 days.

Our average turnover days of trade payables remained relatively stable from 48.5 days in FY2017 to 48.6 days in FY2018. Our average turnover days of trade payables increased to 59.3 days in FY2019 was primarily due to (i) the increased revenue of ocean freight segment resulted from more purchases from shipping liners, and the credit period offered by shipping liners and freight forwarders, which ranged from 30 to 60 days, are generally longer than that offered by our airline suppliers, which ranged from 15 to 30 days; and (ii) a slightly increased portion of cargo space purchases from freight forwarders. Our average turnover days of trade payables decreased to 27.8 days in 8M2020 primarily because we procured more charter flights for customers and were required to pay the suppliers in advance.

As at Latest Practicable Date, HK\$65.4 million or 99.7% of trade payables outstanding as at 31 August 2020 were settled.

Other payables

Our other payables mainly represent accrued Listing expenses, accrued staff costs and receipt in advances for deposits from customers that presented as contract liabilities. The balance increased from HK\$2.3 million as at 31 December 2017 to HK\$4.3 million as at 31 December 2018, primarily due to (i) the increase in contract liabilities by HK\$1.2 million from Customer D, a new customer since FY2017 and the largest customer in FY2017 and FY2018, whom our Group required Customer D to provide security of the increasing trade receivables from Customer D and (ii) the increase in accruals mainly due to increase in accrued staff costs by HK\$0.9 million as at 31 December 2018. The balance decreased to HK\$3.4 million as at 31 December 2019, primarily due to the decrease in accrued staff related costs by HK\$0.5 million. The balance increased from HK\$3.4 million as at 31 December 2019 to HK\$4.6 million as at 31 August 2020 primarily due to increase in accrued Listing expenses by HK\$1.7 million.

CAPITAL EXPENDITURES

Our Group's capital expenditures have principally consisted of expenditures on acquisitions of property, plant and equipment in our operations. During the Track Record Period, our Group incurred capital expenditures of HK\$0.9 million, HK\$9,000 and HK\$177,000 for FY2017, FY2018 and FY2019, respectively, which came from acquisition of computer equipment, furniture and fixtures and motor vehicles primarily used for our daily operations. Between 31 August 2020 and the Latest Practicable Date, we did not make any material capital expenditures.

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For the year ending 31 December 2020, we estimate that the material capital expenditures will be approximately HK\$1.7 million for setting up new regional offices in the PRC for our Group.

Our Group's projected capital expenditures are subject to revision based upon any future changes in our business plan, market conditions, and economic and regulatory environment. Please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus for further information. Apart from the net proceeds from the Share Offer, we may also fund our future plans with our retained earnings. No assurance can be given that any of our planned capital expenditures will proceed as planned. We may adjust our capital expenditure plan based on our future results of operations, cash flows, and overall financial condition.

CONTRACTUAL AND CAPITAL COMMITMENTS

Operating lease commitments — our Group as lessee

Our Group leases a number of properties under operating leases with leases negotiated for terms ranging from one to three years. None of the leases includes contingent rentals. As at 31 December 2017, 2018, 2019 and 31 August 2020, our Group had total future minimum lease payments in respect of premises under non-cancellable operating leases, which are payable as follows:

	As at 31 December			As at
	2017	2018	2019	31 August
	HK\$'000	HK\$'000	HK\$'000	2020
				HK\$'000
Within one year	161	363	—	—
In the second to third years inclusive	15	333	—	—
	<u>176</u>	<u>696</u>	<u>—</u>	<u>—</u>

After initial application of HKFRS 16 at 1 January 2019, the total minimum future lease payments for the non-cancellable operating leases was nil. In accordance with the transition provision in HKFRS 16, comparative information is not restated.

FINANCIAL INFORMATION

INDEBTEDNESS

The following table sets out our total debts including the bank overdrafts, interest-bearing borrowings and obligations under finance leases/lease liabilities of our Group as at 31 December 2017, 2018, 2019, 31 August 2020 and 31 October 2020:

	As at 31 December			As at	As at
	2017	2018	2019	31 August	31 October
	HK\$'000	HK\$'000	HK\$'000	2020	2020
				HK\$'000	HK\$'000
					(Unaudited)
Bank overdrafts – secured	7,267	11,697	–	–	–
Interest-bearing borrowings – secured	64,877	70,095	58,576	36,911	36,465
Obligations under finance leases	824	440	–	–	–
Lease liabilities	–	–	1,298	874	736
Total	72,968	82,232	59,874	37,785	37,201

Our total debt increased from HK\$73.0 million as at 31 December 2017 to HK\$82.2 million as at 31 December 2018, which was primarily attributable to (i) the increase of our bank overdrafts during the peak season in FY2018, and (ii) several new arrangements of our banking facilities as stated below. Our total debt decreased to HK\$59.9 million as at 31 December 2019, which was primarily attributable to (i) repayment of interest-bearing borrowings according to repayment schedule during the year; and (ii) the decrease in the use of bank overdrafts and interest-bearing borrowings, as we retained more excess cash generated from operations to better manage our working capital needs. Our total debts decreased from HK\$59.9 million as at 31 December 2019 to HK\$37.8 million as at 31 August 2020, which was primarily attributable to repayment of interest-borrowings during the period, as we continued to retain excess cash generated from operations and required full or partial payment in advance from our customers for charter flights during the period to better manage our working capital needs; and the decrease in lease liabilities due to amortisation annually over the term. In addition, due to the impact of seasonality and credit mismatch of our business, our interest-bearing borrowings are generally higher in December as compared to August.

In July 2018 we have mutually terminated the factoring agreement in the sum of HK\$60 million with a licensed bank due to its tightened policies by only agreeing to purchase trade receivables of our customers shortlisted by it, and have entered into (i) a facility agreement under The Small and Medium Enterprises Loan Guarantee Scheme for an instalment loan of HK\$12 million effective in July 2018; (ii) a facility agreement with a licensed bank for a facility limit of HK\$28.0 million effective in May 2018; and (iii) a facility agreement with a licensed bank for a revolving loan in the sum of HK\$10 million effective in July 2018 resulting in a shortfall of HK\$10 million in our banking facilities, which the Directors confirm had no material adverse impact on our financial condition and results of operations due to low season during this period.

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Bank overdrafts and Interest-bearing borrowings

The secured bank overdrafts carried interest rate at best lending rate, cost of finance +3% or 3 months Hong Kong Interbank Offer Rate +3.25%, as the case may be, during the Track Record Period, and the weighted average annual effective interest rates of the interest-bearing borrowings were 4.32%, 4.72%, 4.51%, 4.27% and 4.25% for FY2017, FY2018, FY2019, 8M2020 and the ten months ended 31 October 2020, respectively.

The bank overdrafts and interest-bearing borrowings are secured by:

- leasehold properties/right-of-use assets with aggregate net carrying amount of HK\$36.1 million, HK\$34.9 million, HK\$33.6 million and HK\$32.8 million as at 31 December 2017, 2018, 2019 and 31 August 2020, respectively;
- properties insurance on the pledged leasehold properties executed by our Group in favour of the bank with coverage amounting to HK\$11.0 million, HK\$14.2 million, HK\$14.2 million and HK\$14.2 million as at 31 December 2017, 2018, 2019 and 31 August 2020, respectively;
- mutual fund units with fair value of approximately HK\$19.7 million, HK\$17.8 million, nil and nil as at 31 December 2017, 2018, 2019 and 31 August 2020, respectively;
- trade receivables in connection with factoring arrangement of HK\$62.2 million, nil, nil and nil as at 31 December 2017, 2018, 2019 and 31 August 2020, respectively;
- pledged bank deposits with carrying amount of HK\$0.7 million, HK\$23.7 million, HK\$29.7 million and HK\$29.7 million as at 31 December 2017, 2018, 2019 and 31 August 2020, respectively;
- guarantees provided by the Ultimate Controlling Party and a related company ultimately controlled by the Ultimate Controlling Party as at 31 December 2017, 2018, 2019 and 31 August 2020; and/or
- guarantee provided by the Government of the Hong Kong Special Administrative Region.

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All of the banking facilities are subject to the fulfilment of covenants relating to certain subsidiaries' financial ratios based on its statements of financial position, as are commonly found in lending arrangements with financial institutions. If the subsidiaries were to breach the covenants, the drawn down facilities would become repayable on demand. In addition, the subsidiaries' loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the subsidiaries have complied with the covenants and met the scheduled repayment obligations. There are no restrictions on dividend distribution in the covenants. Details of the respective banking facilities' financial covenants imposed on our Group and our Group's relevant financial positions during the Track Record Period are as follows:

		Tangible net worth (Note 1)	Adjusted tangible net worth (Note 2)	Loan-to-value ("LTV") ratio (Note 3)	External gearing (Note 4)
Banking facility granted by Bank A to Grand Power Express International Limited	Financial covenant	The tangible net worth of the borrower is not and will not be at any time less than HK\$25 million.	The adjusted tangible net worth of the borrower is not and will not be at any time less than HK\$60 million.	To restore LTV ratio to 100% or lower once LTV ratio rises above 120%.	External gearing of the borrower(s) not to exceed 1x.
	As at 31 December 2017	Approximately HK\$47.0 million	Approximately HK\$88.4 million	37%	0.39x
	As at 31 December 2018	Approximately HK\$41.4 million	Approximately HK\$92.6 million	66%	0.77x
	As at 31 December 2019	(Note 5)			
Banking facility granted by Bank D to United Air Cargo & Express Limited	Financial covenant	Nil	Nil	LTV ratio not to exceed 70% at all times	Nil
	As at 31 December 2017	Nil	Nil	68%	Nil
	As at 31 December 2018	Nil	Nil	69%	Nil
	As at 31 December 2019	Nil	Nil	68%	Nil
	As at 31 August 2020	Nil	Nil	68%	Nil

Notes:

- Pursuant to the facility agreement with Bank A, "tangible net worth" means the aggregate of the amount paid up on the issued share capital (other than any redeemable share capital) of the borrower(s); and the capital and revenue reserves (including but not limited to the share premium account, revaluation and retained profits or losses); but after deducting from such sum goodwill and all other intangible assets, all minority interests in subsidiaries, all amounts set aside for tax, any dividend or other distribution declared/recommended, the excess of the book value to the market value of the listed investments, any amount standing to the debit of the borrower(s)'s capital and reserves (including profit and loss account), and any amount due from the shareholders, directors, and/or related companies.
- Pursuant to the facility agreement with Bank A, "adjusted tangible net worth" means tangible net worth net off inter companies, related companies, shareholders and directors transaction/investments.
- Pursuant to the facility agreements with Bank D, "loan-to-value ratio" means the ratio of (a) the total amount of undrawn facility (if any) made available plus the outstanding (if any) under the facility at that time to (b) the current market value (as determined by the bank) of the property(ies) mortgaged to the bank in supporting the facility.
- Pursuant to the facility agreement with Bank A, "gearing" means the ratio of total interest bearing debt to tangible net worth plus non-redeemable preference shares and minority interest.
- Pursuant to the facility agreement with Bank A, "tangible net worth", "adjusted tangible net worth", "loan-to-value" and "external gearing" are to be cancelled upon the renewal of facility agreement in February 2019.

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Our Group regularly monitors its compliance with these covenants and does not consider it probable that the banks will exercise its discretion to demand repayment so long as our Group continues to make payments according to the schedule of the loans. As at 31 December 2017, 2018, 2019, 31 August 2020 and 31 October 2020, none of the covenants relating to drawn down facilities had been breached.

The collaterals and guarantees provided by the Ultimate Controlling Party and/or the related company are expected to be released and replaced by a corporate guarantee to be given by our Company upon the Listing and the banks have provided their consent in this regard.

The utilised and unutilised facilities as at 31 December 2017, 2018, 2019, 31 August 2020 and 31 October 2020 were as follows:

	As at 31 December			As at	As at
	2017	2018	2019	31 August 2020	31 October 2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(Unaudited)
Utilised facility	87,749	98,209	76,496	56,579	56,579
Unutilised facility	26,930	9,249	17,134	37,051	35,421
Total facility	114,679	107,458	93,630	93,630	92,000

Obligations under finance leases

Our Group leases certain motor vehicles under finance leases with initial lease term ranging from 32 months to 60 months and are secured by the lessor's charge over the leased assets. As at 31 December 2017 and 2018, our Group had obligations under finance leases repayable as follows:

	Minimum lease payments		Present value of minimum lease payments	
	At 31 December		At 31 December	
	2017	2018	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	413	389	384	377
In the second to fifth years inclusive	454	64	440	63
Less: finance charges	(43)	(13)	—	—
Present value of lease obligations	824	440	824	440
Amount due for settlement within 12 months (shown under current liabilities)			384	377
Amount due for settlement after 12 months			440	63
			824	440

FINANCIAL INFORMATION

The weighted average effective interest rate for the obligations under finance leases were 4.80% per annum at 31 December 2017 and 4.64% per annum at 31 December 2018.

Upon the initial adoption of HKFRS 16, the balance recognised under “Obligations under finance leases” was reclassified as “Lease liabilities”.

Lease liabilities

Upon the initial adoption of HKFRS 16 on 1 January 2019, our Group measures the right-of-use assets and lease liabilities by using the incremental borrowing rate at initial application date. As at 31 October 2020, our Group recognised lease liabilities of approximately HK\$0.7 million, of which approximately HK\$0.7 million had been classified under current liabilities.

	At 31 December 2019 <i>HK'000</i>	At 31 August 2020 <i>HK'000</i>	At 31 October 2020 <i>HK'000</i> <i>(Unaudited)</i>
Right-of-use assets			
Motor vehicles	22	—	—
Furniture and fixtures	9	6	5
Leasehold properties	33,619	32,781	32,572
Leased office	1,218	851	715
	34,868	33,638	33,292
	34,868	33,638	33,292
	At 31 December 2019 <i>HK'000</i>	At 31 August 2020 <i>HK'000</i>	At 31 October 2020 <i>HK'000</i>
Lease liabilities			
Current	771	720	664
Non-current	527	154	72
	1,298	874	736
	1,298	874	736

Contingent liabilities

Save as otherwise disclosed in subsection “indebtedness” in this prospectus, as at the Latest Practicable Date, we were not involved in any legal proceedings pending or, to our knowledge, threatened against our Group which could have a material adverse effect on our business or operations. Our Directors confirm that as at the Latest Practicable Date, we did not have any significant contingent liabilities.

FINANCIAL INFORMATION

Statement of indebtedness

As at the Latest Practicable Date, save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, our Group did not have outstanding any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENT

As at the Latest Practicable Date, we had not entered into any off-balance sheet transaction.

TRANSACTIONS WITH RELATED PARTIES

With respect to the related party transactions set forth in the section headed “Appendix I — Accountants’ Report” in this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms or such terms that were no less favourable to our Group than those available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as at each of the dates indicated:

	Year ended 31 December			Eight months ended 31 August
	2017	2018	2019	2020
Gross Profit Margin (%) ⁽¹⁾	10.9	9.9	9.6	10.8
Net Profit (Loss) Margin (%) ⁽²⁾	3.0	0.9	(2.1)	4.8
Return on equity (%) ⁽³⁾	16.8	5.0	(8.9)	28.4
Return on total assets (%) ⁽⁴⁾	6.0	1.9	(3.5)	12.9
	As at 31 December			As at 31 August
	2017	2018	2019	2020
Current ratio ⁽⁵⁾	1.2	1.4	1.4	1.6
Gearing ratio (%) ⁽⁶⁾	88.2	93.8	75.1	35.8
Net debt to equity ratio (%) ⁽⁷⁾	63.5	75.4	42.3	1.8

FINANCIAL INFORMATION

Notes:

- (1) Gross profit margin for FY2017, FY2018, FY2019 and 8M2020 was calculated on gross profit divided by revenue for the respective years or periods and multiplied by 100%. See the paragraph headed “Review of Historical Results of Operation” in this section for more details on our gross profit margins.
- (2) Net profit (loss) margin for FY2017, FY2018, FY2019 and 8M2020 was calculated on profit (loss) for the year divided by revenue for the respective years or periods and multiplied by 100%. See the paragraph headed “Review of Historical Results of Operation” in this section for more details on our net profit (loss) margins.
- (3) Return on equity for FY2017, FY2018, FY2019 and 8M2020 was calculated based on the profit (loss) for the year for the respective years or periods divided by the average equity of the respective years or periods (sum of opening and closing balances of the total equity of the respective years or periods and then divided by two) and multiplied by 100%.
- (4) Return on total assets for FY2017, FY2018, FY2019 and 8M2020 was calculated based on the profit (loss) for the year for the respective years or periods divided by the average assets of the respective years or periods (sum of opening and closing balances of the total assets of the respective years or periods and then divided by two) and multiplied by 100%.
- (5) Current ratios as at 31 December 2017, 2018, 2019 and 31 August 2020 were calculated based on the total current assets as at the respective dates divided by the total current liabilities as at the respective dates.
- (6) Gearing ratios as at 31 December 2017, 2018, 2019 and 31 August 2020 were calculated based on the total debts as at the respective dates divided by total equity as at the respective dates and multiplied by 100%.
- (7) Net debt to equity ratios as at 31 December 2017, 2018, 2019 and 31 August 2020 was calculated based on net debts (being total debts net of cash and cash equivalents) as at the respective dates divided by total equity as at the respective dates and multiplied by 100%.

Return on equity

Our return on equity was 16.8% and 5.0% in FY2017 and FY2018, respectively. The decrease in FY2018 was mainly attributable to increase of Listing expenses by HK\$6.1 million incurred in FY2018. We recorded negative return on equity of 8.9% in FY2019 was mainly attributable to decrease in profit for the year by HK\$11.6 million as compared to the previous year and our total equity decreased from HK\$87.7 million in FY2018 to HK\$79.7 million in FY2019. Our return on equity increased to 28.4% in 8M2020, mainly attributable to the profit-making position of our Group for the period.

Return on total assets

Our return on total assets was 6.0% and 1.9% in FY2017 and FY2018, respectively. The decrease in FY2018 was mainly attributable to increase of Listing expenses by HK\$6.1 million in FY2018. We recorded negative return on total assets of 3.5% in FY2019 was mainly attributable to decrease in profit for the year by HK\$11.6 million as compared to the previous year, while our total assets reduced by HK\$41.2 million largely derived from decreased current assets by HK\$39.9 million as at 31 December 2019. Our return on total assets increased to 12.9% in 8M2020, mainly attributable to the increase in our profit for the period.

FINANCIAL INFORMATION

Current ratio

Our current ratio was 1.2, 1.4, 1.4 and 1.6 as at 31 December 2017, 2018, 2019 and 31 August 2020, respectively, which remained relatively stable.

Gearing ratio

Our gearing ratio was 88.2% and 93.8% as at 31 December 2017 and 2018, respectively. The increase was mainly due to the increase in our total debts to HK\$82.2 million as at 31 December 2018. Our gearing ratio decreased to 75.1% as at 31 December 2019. The decrease was mainly due to the decrease in our total debts to HK\$59.9 million as at 31 December 2019. Our total debt decreased to HK\$59.9 million as at 31 December 2019 primarily because of (i) the repayment of interest-bearing borrowings according to repayment schedule during the year; and (ii) the decrease in the use of bank overdrafts and interest-bearing borrowings, as we received proceeds of approximately HK\$18.2 million upon redemption of mutual funds units held by us in January 2019 and retained more excess cash generated from operations to better manage our working capital needs. Our gearing ratio decreased to 35.8% as at 31 August 2020, mainly due to (i) the increase in equity attributable to the comprehensive income generated in 8M2020 and (ii) the decrease in our total debts to HK\$37.8 million as at 31 August 2020. The decrease in our total debts to HK\$37.8 million as at 31 August 2020 was in turn attributable to (a) the repayment of interest-bearing borrowings during the period, as we continued to retain excess cash generated from operations and required full or partial payment in advance from our customers for charter flights during the period in order to better manage our working capital needs; and (b) the decrease in lease liabilities due to amortisation annually during the term. In addition, due to the impact of seasonality and credit mismatch of our business, our interest-bearing borrowings are generally higher in December as than in August.

Net debt to equity ratio

Our net debt to equity ratio was 63.5% and 75.4% as at 31 December 2017 and 2018 respectively. The increase was mainly due to the increase in our net debts to HK\$66.1 million. Our net debt to equity ratio decreased to 42.3% as at 31 December 2019, which was mainly due to the decrease in our net debts to HK\$33.7 million. Our net debt to equity ratio decreased to 1.8% as at 31 August 2020, which was mainly due to the significant increase of our equity as our Group was in a profit-making position for the period and significant decrease in our net debts to HK\$1.9 million.

FINANCIAL INFORMATION

PROPERTY VALUATION

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, has valued (i) the property owned and occupied by our Group in Hong Kong (“**Property A**”); and (ii) the property owned and occupied by our Group in Macau (“**Property B**”), as of 31 October 2020 and is of the opinion that the value of such properties as of such date was HK\$43,200,000. The full text of the letter, summary of values and valuation certificate issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited is set out in Appendix III to this prospectus.

The statement below shows the reconciliation of aggregate amounts of our properties as at 31 August 2020 as set forth in “Appendix I — Accountants’ Report” to this Prospectus with the valuation of our properties as at 31 October 2020 as set forth in “Appendix III — Property Valuation” to this Prospectus:

	<i>HK\$’000</i>	<i>HK\$’000</i>
Carrying amount of our property interests of the following as at 31 August 2020		
— Property A ⁽¹⁾	27,250	
— Property B ⁽¹⁾	5,531	
	32,781	32,781
Less: Depreciation for the two months ended 31 October 2020		209
Carrying amount of our property interests of the following as at 31 October 2020		
— Property A ⁽¹⁾	27,084	
— Property B ⁽¹⁾	5,488	
	32,572	32,572
Net revaluation surplus ⁽²⁾		10,628
Market value as at 31 October 2020 as set out in the property valuation report in Appendix III in this prospectus		43,200

Notes:

- (1) Property A and Property B were classified as “property, plant and equipment” as at 31 December 2017, 2018, 2019 and 31 August 2020.
- (2) The revaluation surplus has not been recorded in the historical financial information of our Group as at the end of respective years and period and will not be recorded in the combined financial statements of our Group in future periods as our Group’s property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any. If the valuation surplus were recorded in our Group’s combined financial statements, addition annual depreciation and amortisation would be charged against the profit in the future periods.

Please see the section headed “Appendix III — Property Valuation” to this prospectus for further details.

FINANCIAL INFORMATION

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL RISKS

Our Group is exposed to risks associated with financial instruments. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner. There has been no change to the types of our Group's exposure in respect of financial instruments or the manner in which it managers and measures the risks throughout the Track Record Period.

Price risk

Our Group is exposed to price risk arising from its unlisted investments in mutual fund units which are classified as financial assets at fair value through profit or loss.

At the end of each reporting period, if the fair value of the unlisted investments in mutual fund units has been 5% higher/lower with all other variables held constant, our Group's pre-tax results would increase/decrease by HK\$983,000, HK\$889,000, nil and nil for FY2017, FY2018, FY2019 and 8M2020, respectively.

The sensitivity analysis has been determined assuming that the reasonably possible changes in the fair value of the unlisted investments in mutual fund units had occurred at the end of the reporting period and had been applied to the exposure to price risk in existence at that date. The stated changes represent the management's assessment of reasonably possible changes in the fair value of the unlisted investments in mutual fund units over the next 12 months after the end of each reporting period.

Interest rate risk

Our Group's exposure to market risk for changes in interest rates relates primarily to our Group's bank overdrafts and interest-bearing borrowings of approximately HK\$72.1 million, HK\$81.8 million, HK\$43.9 million and HK\$24.0 million with floating interest rates as at 31 December 2017, 2018, 2019 and 31 August 2020, respectively. Our Group currently does not have a policy to hedge against the interest rate risk as the management does not expect any significant interest rate risk at the end of each reporting period.

At the end of each reporting period, if interest rate has been 1% higher/lower and all other variables were held constant, our Group's pre-tax results would decrease/increase by approximately HK\$721,000, HK\$818,000, HK\$439,000 and HK\$160,000 for FY2017, FY2018, FY2019 and 8M2020, respectively.

FINANCIAL INFORMATION

The sensitivity analysis above has been determined assuming that the change in interest rate had occurred throughout the Track Record Periods and had been applied to the exposure to interest rate risk for the closing balance of interest-bearing borrowings and bank overdrafts in existence at the end of each reporting period. The stated changes represent management's assessment of a reasonably possible change in interest rates over the next 12 months after the end of each reporting period.

In the opinion of the management, the sensitivity analysis is unrepresentative of the inherent interest rate risk because the exposure at the end of each reporting period does not reflect the exposure during the Track Record Period.

Foreign currency risk

Our Group's transactions are mainly denominated in HK\$, US\$ and RMB. Certain financial assets and financial liabilities of our Group are denominated in currencies other than the functional currency of the respective group entities and therefore exposed to foreign currency risk. For details of the analysis of sensitivity analysis of financial assets and liabilities in relation to the foreign currency risk, please see note 27 in the section headed "Appendix I — Accountants' Report" in this prospectus.

Credit risk

Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Our Group's credit risk is mainly attributable to trade and other receivables, pledged bank deposits and bank balances and cash. Our Group limits its exposure to credit risk by selecting the counterparties with reference to their past credit history and/or market reputation. For details with respect to our Group's maximum exposure to the credit risk, please see note 27 in the section headed "Appendix I — Accountants' Report" in this prospectus.

Our Group trades with recognised and creditworthy third parties. It is our Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

The management limits our Group's exposure to credit risk by taking timely actions once there is any indication of recoverability problem of each individual debtor.

The management also reviews the recoverable amount of each individual debtor, including related and third parties, at the end of each reporting period to ensure adequate allowance is made for irrecoverable amount.

As at 31 December 2017, 2018, 2019 and 31 August 2020, our Group had a concentration of credit risk as approximately 13%, 12%, 20% and 47% of the total trade receivables was due from our Group's largest trade debtor, respectively, and approximately 42%, 39%, 50% and 77% of the total trade receivables was due from our Group's five largest trade debtors, respectively.

The management considers that other receivables have low credit risk based on the borrowers' strong capacity to meet its contractual cash flow obligations in the near term and low risk of default.

FINANCIAL INFORMATION

The management considers the credit risk in respect of pledged bank deposits and bank balances and cash is minimal because the counter-parties are authorised financial institution with high credit ratings.

Liquidity risk

Our Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial liabilities and financial assets (e.g. trade and other receivables) and projected cash flows from operations.

Our Group's policy is to regularly monitor its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and cash equivalents as well as adequate banking facilities to meet its operation needs at any time.

For details of the maturity profile of our Group's financial liabilities, please see note 27 in the section headed "Appendix I — Accountants' Report" in this prospectus.

DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 17.15 to 17.21 of the GEM Listing Rules.

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. Assuming an Offer Price of HK\$0.84 per Share (being the mid-point of the indicative Offer Price range), our total Listing expenses is estimated to be approximately HK\$46.2 million, which are estimated to be approximately 73.3% to the gross proceeds from the Share Offer, of which HK\$17.1 million is directly attributable to the issue of new Shares and to be accounted for as a deduction from the equity, and the remaining amount of HK\$29.1 million has been or will be reflected in our combined statements of profit or loss. Listing expenses, of HK\$5.2 million, HK\$11.3 million, HK\$7.1 million and HK\$3.2 million, in relation to services already performed by relevant parties, were reflected in our combined statements of profit or loss in FY2017, FY2018, FY2019 and 8M2020, respectively, and an additional of HK\$2.3 million is expected to be recognised in our combined statements of profit or loss subsequent to the Track Record Period and upon Listing.

The Listing expenses above are the latest practicable estimate and are for reference only. The actual amount may differ from this estimate. Our Directors confirm that such expenses will not have any material adverse change in our Group's financial or trading position or prospects since 31 August 2020 and up to the date of the Prospectus.

FINANCIAL INFORMATION

DIVIDEND

During the Track Record Period, no dividend has been paid or declared by our Company. The declaration of dividends is subject to the discretion of our Board and the approval of our Shareholders. Our Company does not have a specific dividend policy with any pre-determined dividend distribution ratio. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents and the Companies Act, including the approval of our Shareholders. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors.

Future dividend payments will also depend upon the availability of dividends received from our operating subsidiaries in the PRC. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including HKFRSs. PRC laws also require foreign-invested enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our PRC operating subsidiaries may also be subject to any restrictive covenant in bank credit facilities or loan agreements, convertible bond instruments or other agreements that we or they may enter into in the future.

Any dividends declared will be in Hong Kong dollars with respect to our Shares on a per share basis, and our Company will pay such dividends in Hong Kong dollars.

Any distributable profits that are not distributed in any given year will 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.

DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

Our Directors have confirmed that as at 31 August 2020, they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 29 March 2018 and is an investment holding company. There were no reserves available for distribution to our Shareholders as at the Latest Practicable Date.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Please refer to the section headed "Appendix II — Unaudited Pro Forma Financial Information" in this prospectus for our unaudited pro forma adjusted combined net tangible assets.

FINANCIAL INFORMATION

RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period, our Directors assessed the impact of the U.S.–China trade war, social unrest in Hong Kong and the outbreak of COVID-19. For details, please refer to the section headed “Summary — Recent development and material adverse change” in this prospectus.

Our business model has remained unchanged since 31 August 2020. Our Directors confirm that to their best knowledge and belief, there had been no material adverse change in our financial or trading position or prospects since 31 August 2020 and up to the date of this prospectus, and that there has been no event since 31 August 2020 which would materially affect the information shown in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus. Our Directors also confirm that there has not been any material change in our indebtedness and contingent liabilities since 31 August 2020.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS OBJECTIVES AND STRATEGIES

For a detailed discussion of our business strategies, please see the section headed “Business — Strategies on Future Business Development” in this prospectus.

REASONS FOR THE SHARE OFFER

Our Directors consider that the Share Offer and the use of proceeds on the implementation plans for our business strategies are beneficial to us and our Shareholders as a whole because:

- According to the CIC Report, although there have been fluctuations in the air freight forwarding industry and Hong Kong economy in the past, the air freight forwarding logistics industry in Hong Kong remains an enormous industry and given the fundamental strength of the Hong Kong International Airport and the market drivers as mentioned in the section headed “Industry Overview — Freight Forwarding Logistics Industry in Hong Kong — Market Drivers” in this prospectus, it is expected that the market size of the air freight forwarding industry in Hong Kong and in terms of revenue will maintain a general growth trend in the next few years and reach HK\$54.5 billion in 2024, representing a CAGR of 4.6% between 2020 to 2024, thus rendering the market sufficiently huge to allow our expansion plans. Further, over our 18 years track record in the freight forwarding industry, our Group has weathered various crisis in the global economy, in particular, the global financial crisis in 2008 and in 2012 and successfully operated in the past difficult business/financial environments. Over the years, our Group has adapted to the ever-changing global economy by establishing a sustainable and proven business model to position our Group to meet the demands of the freight forwarding market in Hong Kong and to strive for a larger market share when the opportunities arise and to maintain a sustainable business and operation when the market condition is challenging. We consider that Listing will enhance our Group’s profile and will strengthen our capital base and provide funding to our Group for achieving our business strategies and future plans as set out in the section headed “Business — Strategies on Future Business Development” and this section in the prospectus;
- our expansion plan is designed on the basis of our competitive edges, which edges promise the feasibility of our expansion plan;
- although our financial performance in FY2019 has been adversely impacted primarily by the intensified U.S.–China trade war, on 15 January 2020, the U.S. and China entered into a phase one trade agreement aimed at easing the U.S.–China trade war. According to the CIC Report, (i) after signing the phase one trade agreement and before the outbreak of COVID-19 worldwide, the International Monetary Fund expected that the phase one trade agreement would promote China’s GDP growth by 6% for 2020; (ii) the phase one trade agreement is expected to benefit, among other things, the freight forwarding logistics industry since it will restore the trading activities between the U.S. and China, as well as international trading activities, in the coming years. For further details, please refer to the section headed “Industry Overview — Potential effect on trading activities from U.S. tariffs against China” in this prospectus; and
- our expansion plan, which is feasible and not aggressive as mentioned above, is trusted to improve our financial performance.

FUTURE PLANS AND USE OF PROCEEDS

Our Directors believe that the growing prevalence of cross-border e-commerce activities will drive the air freight forwarding market to achieve a continuous growth. In order for us to increase our market share and further expand our freight forwarding business, we believe it is vital for us to increase our capital and funding base. We consider the Listing not only provides net proceeds to cope with our expansion plans, but also provides other intangible benefits such as a convenient fund raising platform, which is only available to listed companies, for our Group to obtain both equity and debt financing in the future.

As stated in the section headed “Business — Business Strategies” in this prospectus, we intend to achieve an increase in market share and further develop our freight forwarding business by expanding our reach to potential customers and improving our ability to provide cargo spaces through closer collaboration with suppliers. The procurement of cargo spaces from airlines requires bank guarantees and a relatively short credit period of 15 to 30 days, against a credit term of up to 90 days provided to our customers, which results in a credit mismatch. We generally experience a greater effect of credit mismatch during the peak season of the freight forwarding industry in the fourth quarter of the year, as we are required to provide extra bank guarantees and cash to procure more cargo spaces from airlines to accommodate the peak season demand. Taken into consideration of the historical settlement pattern of our customers, our Directors believe, on each sales we made, we are required to fulfil our payments obligation approximately 45 days before receiving settlement from our customer. Therefore, the net proceeds from the Share Offer will allow us to take on more orders.

As stated in the section headed “Business — Banking Facilities” in this prospectus, we were granted with various facilities, including factoring arrangements and other recurrent loan such as overdraft, revolving loan during the Track Record Period. However, the maximum aggregate facility limit granted to us has been reduced from approximately HK\$170.6 million as at 31 December 2016 to approximately HK\$93.6 million as at 31 August 2020 mainly because in July 2018, we have mutually terminated the factoring agreement with a licensed bank due to its internal policies by only agreeing to purchase trade receivables of our customers shortlisted by it. To maintain our current scale of operations, and capture the business opportunities by implementing our business strategies, we would have a stronger funding need from 2021 onward. While we have explored debt financing from our two principal banks for working capital purposes, we were rejected by: (i) one bank on the ground that we did not have any sufficient amount of security or pledge to secure further banking facilities; and (ii) another bank on the ground that they would only consider granting further banking facilities to us if we are listed. Our Controlling Shareholders are not able to provide further personal guarantee to obtain debt financing. In 8M2020, given the freight charges have substantially increased, we therefore negotiated with the banks which had provided banking facilities to us for additional loans but were only able to obtain two temporary loans of HK\$6.0 million each for a term of two and three months from two banks in May and June 2020 respectively. Based on our Directors’ best understanding, the banks granted the temporary loans to us after they took into account our Group’s increased revenue and cost of services for the first quarter of 2020 as compared to the corresponding period in 2019. Given the two loans were temporary, there was no indication that the banks would grant another loan to our Group. In light of the said limitation on additional debt financing we faced in FY2018 and FY2019, without such additional temporary loans in May 2020, we would not have been able to seize the business opportunities to cater for our customers’ back to back orders for the procurement of charter flights. There is a risk that we may not be able to obtain future debt financing on commercially acceptable terms or at all, our Directors consider that our Group has strong and genuine funding needs, and the Listing could provide our Group immediate and necessary financial resources for its business activities and business development.

FUTURE PLANS AND USE OF PROCEEDS

We believe that banks and financial institutions are more willing to establish business relationship with companies with a listing status as a listing status can generate reassurance among our Group's existing banks with enhanced transparency. The regular financial reporting requirement under GEM Listing Rules can enable the bank to evaluate and monitor our Group's financial position more effectively and therefore is expected to smoothen the approval process for any future additional bank borrowings. The better accessibility to banking facilities allow us more flexibility in management of the cashflow of our business that can be affected by factors including those set out in the section headed "Risk factors" in this prospectus.

Further, our Directors consider that the Listing and the Share Offer will provide us with access to capital market for future corporate finance exercises to assist in our future business development and further strengthen and enhance our competitiveness. The Directors believe that the Listing could bring in the necessary resources, which provides more flexibility in management of the cash flow of our business to achieve our goals and overcome the hurdles faced by us.

As stated in the section headed "Business — Strategies on Future Business Development" in this prospectus, we require net proceeds from the Share Offer to implement our expansion plans set out in this section. As explained in the above paragraphs, we are exposed to additional credit mismatch in our business arrangement when we take on new orders from our customers. Therefore, we may have the necessity of further funding if we intend to grow beyond the scale permitted by the net proceeds from the Share Offer. There is a risk that future funding, whether equity or debt, may not be available on commercially acceptable terms or at all. However, our Directors consider that the Listing will provide liquidity to and create a market for the trading of our Shares which will be freely traded on the Stock Exchange when compared to the limited liquidity of shares that are privately held before the Listing. The Directors believe that the highly liquid Hong Kong stock market allows our Group to expand and diversify its capital base and shareholders base as institutional funds and retail investors in Hong Kong can participate in the equity of our Company, through which the true value of our Group can also be reflected.

BUSINESS SUSTAINABILITY

Due to the nature of air freight forwarding industry, the business of air freight forwarders is affected by regional and global political and economic conditions, and thus our Group's business is correlated to the fluctuations of the local and global economies.

Our Group has experienced a decrease in revenue, gross profit and adjusted profit (non-HKFERS measure) for FY2019 when compared to FY2018. Such decrease was largely due to the decrease in sales volume as a result of (i) the intensified U.S.-China trade war and its negative impact to the overall international trading activities globally which caused a decrease in export value and export volume of Hong Kong in 2019; (ii) the price-cutting strategy proposed by our Group's competitors, which had committed a significant amount of cargo spaces from their airline suppliers under block space agreements, and had to create an extensive cut in their selling prices in order to meet the commitments; and (iii) decrease in average selling price attributed to the decreased freight charges offered by the airlines.

Nevertheless, our Directors are of the view that our Group's business, financial conditions or growth prospects will continue to be sustainable amid the impact of current market conditions based on the following reasons:

FUTURE PLANS AND USE OF PROCEEDS

I. The U.S.-China phase one trade agreement

The U.S. and China entered into a phase one trade agreement on 15 January 2020 aimed at easing the U.S.–China trade war. According to the phase one agreement, both countries agreed on, inter alia, expanding trade in the future through cutting U.S. tariffs and boosting China’s purchases of U.S. products. On 6 February 2020, the Chinese government announced that it would halve its tariff on US\$75 billion worth of goods effective from 14 February 2020, to reciprocate the fulfillment of commitment by the U.S. to slash its tariffs from 15.0% to 7.5% on US\$120 billion worth of Chinese goods on the same date. On 17 February 2020, China has granted tariff exemptions on about 700 U.S. items to support purchase effective from 2 March 2020. Further, on 21 February 2020, China has unveiled two new tariff exemption lists for U.S. imports from 28 February 2020. On 12 May 2020, China announced a new list of 79 U.S. products eligible to be excluded from retaliatory tariffs. In July, China booked its biggest single-day U.S. corn purchase, buying 1.762 million metric tons of American corn. This favourable development between these two largest economies, with commitments on both sides, should bring positive effect on global trade in the near future.

Further, according to the CIC Report, after the signing of the phase one trade agreement and before the outbreak of COVID-19 worldwide, the International Monetary Fund expected the phase one trade agreement would promote the PRC’s GDP growth by 6% for the year of 2020. In 2020, the COVID-19 pandemic has led to a tremendous disruption to the world trade and air transportation. In the first six months, the exported air freight forwarding volume in Hong Kong decreased by approximately 7% as compared to the same period in 2019. Meanwhile, the air freight price recorded significant increase, which partly offset the decrease in air freight forwarding volume. It is expected that the market size of the air freight forwarding logistics industry will decrease to approximately HK\$45.6 billion in 2020. Nevertheless, according to the CIC Report, the market size of the air freight forwarding industry in Hong Kong in terms of revenue will maintain a general growth trend in the next few years and reach HK\$54.5 million in 2024, representing a CAGR of 4.6% between 2020 to 2024. Our Directors are of the view that given the enormous size of the air freight forwarding market and the market drivers as mentioned in the section headed “Industry Overview — Freight Forwarding Logistics Industry in Hong Kong — Market Drivers” in this prospectus, there is still an ample space in the market to allow our Group to grow.

II. Sustained growth of market size and market opportunities

According to the CIC Report:

- i. Hong Kong is the regional hub for import and export and the air freight forwarding logistics industry in Hong Kong is enormous, with an estimated size of HK\$45.6 billion in 2020. In the long run, Hong Kong International Airport is constructing its third runway which is estimated to be completed by 2024, which will largely boost the capacity of cargo throughput, and further drive the development of air freight forwarding logistics industry in Hong Kong. Furthermore, a joint venture led by Cainiao Network (the logistics arm of Alibaba Group), with shareholders including China National Aviation Corporation (Group) and YTO Express, will develop the premium logistics centre at Kwo Lo Wan in the South Cargo Precinct of the Hong Kong International Airport, which is scheduled to be completed and put into operation in 2023, making the Hong Kong International Airport a more competitive air cargo terminal in the future;
- ii. from 2020 to 2024, the market size of air freight forwarding services in Hong Kong will increase from HK\$45.6 billion to HK\$54.5 billion at a CAGR of 4.6%, while the market size of air freight forwarding services in the PRC increases from RMB55.4 billion to RMB70.4 billion at a CAGR of 6.1%. The booming of cross border e-commerce is one of the key factors driving such growth;

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- iii. cross-border e-commerce has become as a new pillar for the PRC's foreign trade and will help to stabilize the fundamental landscape of foreign trade and investment and subsequently stimulate the freight forwarding logistics industry in the long run. The State Council Information Office of the People's Republic of China released a circular on May 6, 2020 confirming the approval to establish pilot zones for cross-border e-commerce in 46 cities and areas, together with new pilot zones for cross-border e-commerce already in existence, bringing the total to 105 cross-border e-commerce comprehensive pilot zones nationwide, covering 30 provinces (there are a total of 31 provinces in China). The new zones should adhere to new development concepts and draw experience from existing zones to drive industrial upgrading and transformation, boost brand building, and propel cross-border e-commerce across the board. The circular pinpointed cross-border e-commerce as a new pillar for China's foreign trade and will help stabilize the fundamental landscape of foreign trade and investment, and catalyze higher-quality development of trade;
- iv. despite COVID-19 has caused an unprecedented negative impact on the worldwide economic in 2020, it has favoured and speeded up the further growth of the e-commerce sector because lockdowns, quarantines and social distancing boost demand for online shopping and express delivery services;
- v. both of the historical and future growth of cross-border e-commerce in the PRC have and will be expected to outpace the growth of the real GDP growth rate. For example, the export value of cross-border e-commerce of the PRC has increased from approximately RMB4.6 trillion to RMB8.0 trillion (representing CAGR of 15.3%) from 2015 to 2019 and is expected to further increase from approximately RMB9.0 trillion to RMB13.2 trillion (representing CAGR of 10.2%) from 2020 to 2024, while the real GDP growth rate is expected to remain stable between 3.0% to 3.6% from 2019 to 2023. Hong Kong, as a regional hub for import and export, has strong synergy between cross-border e-commerce industry and Hong Kong International Airport. It is expected that Hong Kong air freight forwarding industry will benefit under the continuous growth of the PRC cross-border e-commerce.

Our Directors are of the view that the further growth of the Hong Kong and China air freight forwarding market and the cross-border e-commerce market are beneficial to the further growth and development of our Group's air freight business.

III. Our Group's ability to grow

- During the Track Record Period, our Group transacted with over 950 customers, of which freight forwarders are the major customers and contributed to approximately 94.1%, 96.6%, 90.3% and 97.0% of our Group's total revenue for FY2017, FY2018, FY2019 and 8M2020 respectively. According to CIC Report, (i) in Hong Kong, there were more than 1,500 freight forwarding companies registered in 2019 and most of them are in both air freight and ocean logistics industry; (ii) in Guangdong province, there were more than 20,000 freight forwarders in 2019. Having taken into account the number of freight forwarding companies in Hong Kong and in Guangdong provinces as mentioned above together with the total number of 950 customers of our Group during the Track Record Period, our Directors are of the view that there is sufficient growth potential for our Group to gain further market share.
- According to the CIC Report, in 2018, the major destinations for cross-border e-commerce export are the U.S., Europe, and 10 countries of the Association of Southeast Asian Nations (i.e. Thailand, Indonesia, Malaysia, Singapore, etc). Given our Group has experience in dealing with shipments to Europe, Asia and North America and ability to procure cargo

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space to these regions, which is evidenced by the 90% of its revenue generated from shipments to these regions, our Group's experience and ability as mentioned above could facilitate our Group to conduct business with customers/potential customers who request air cargo spaces to the U.S., Europe and Asia.

- Our Group has already tapped into the e-commerce sector by providing services to freight forwarders which are focusing on e-commerce logistics services since FY2018. In FY2018, FY2019 and 8M2020 revenue contributed by Customer F accounted for approximately HK\$40.2 million, HK\$47.6 million and HK\$207.3 million (equivalent to 8.7%, 13.5% and 37.5% of its total revenue for the respective years/period). To the best knowledge of our Directors, for the eight months ended 31 August 2020, our revenue contributed by freight forwarders who are focusing on e-commerce logistics (comprising Customer F, Customer J and other customers of our Group) amounted to approximately HK\$375.5 million, equivalent to 67.9% of our total revenue as compared to the eight months ended 31 August 2019 of approximately HK\$54.0 million, equivalent to 25.2% of our total revenue.
- Among our Group's top five largest customers during the Track Record Period, three of them have maintained business relationships with our Group for 10 years. In addition, for each of FY2017, FY2018, FY2019 and 8M2020, major recurring customers (i.e. customers generating sales amount in the preceding year) accounted for approximately 57.3%, 72.5%, 76.0% and 81.4% of our Group's total revenue. Based on the above, our Directors are of the view that even though our Group does not enter into fixed-term contracts with its customers, our Group, with its good reputation and track record, is able to retain existing customers and attract new customers.
- Having established a foothold in the freight forwarding market in Hong Kong since 2002 and expanded our Group's presence into the PRC since 2004, our Directors believe that our Group's established reputation and track record of over 18 years are important factors affecting customers' choice over freight forwarders. Furthermore, over these 18 years track record, our Group has weathered various crisis in the global economy, in particular, the global financial crisis in 2008 and in 2012 and successfully operated in the past difficult business/financial environments. Over the years, our Group has adapted to the ever-changing global economy by establishing a sustainable and proven business model to position our Group to meet the demands of the freight forwarding market in Hong Kong and to strive for a larger market share when the opportunities arise and to maintain a sustainable business and operation when the market condition is challenging.

IV. Our Group's future plan

Our Group has planned to use part of its proceeds from the Share Offer to open one new office in the southern part of the PRC, i.e. city in Guangdong Province in the Greater Bay Area or in a place in the eastern part of the PRC (i.e. a city in Jiangsu Province) where a large number of production factories are located, to tap into new pool of customers which require air export freight forwarding services.

Please refer to the section headed "Business — Strategies on Future Business Development — Expanding our reach to potential customers in the PRC by establishing new offices in the PRC" in this prospectus for further details on our expansion plan in the PRC.

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V. Measures taken to alleviate the risk of market fluctuation

To manage the impact of market fluctuation and maintain our profitability, our Group has adopted the following measures:

- Under our Group's business model, our Group is able to flexibly switch its focus on the ever-changing demand of the market.

For example, it had proactively responded to the trade war between China and the U.S. in FY2018 which the executive Directors at that time expected to have an adverse impact on our Group's financial results. Our Group mitigated the impact brought by the trade war between China and US., and diverted our Group's business and resources to intra-Asia routes. As a result, the increase in our Group's revenue for FY2018 was primarily contributed by the increase in revenue from export shipments to Asia. In FY2019 when the U.S.-China trade was intensified and adversely affected the overall international trading activities and decreased the export value and volume of Hong Kong, the percentage of our Group's revenue contribution by export shipments to other Asian countries increased from 37.1% in FY2017 (the first year of our Group's Track Record Period) to 41.5% in FY2019, and the percentage of gross profit contribution export shipments to other Asian countries increased from 40.2% in FY2017 to 57.5% in FY2019.

Furthermore, for 8M2020, despite the outbreak of COVID-19, we had increased shipments by 4.7 million kilogram or 180.1% to Europe and by 2.1 million kilogram or 127.9% to North America as compared to 8M2019 to cater our customers' demand. Further, we procured 49 charter flights to the U.S. and Europe due to the back-to-back charters from our customers, including customer F.

- In addition to exploring the business opportunities to sustain our Group's business and operation, our Group also target to maintain the profitability of the business. Our Group once focused on the export shipments to Asia not only because it expected that the demand in relation to export shipments to Europe and North America would be adversely affected by the U.S.-China trade war for certain period of time but also because our Group then considered the potential of intra-Asia trade in light of the fast economic growth in Asia. In fact, our Group's gross profit margin in relation to shipments to Asia were the highest in FY2018 and FY2019 and 8M2020.

Moreover, our Group recorded an increase in revenue, gross profit and net profits for 8M2020 when compared to 8M2019. Our Directors considered that the increase in revenue was primarily as a result of the sustainable business model of our Group and, in particular, due to:

- i. our Group's ability to identify the demand of its customers by leveraging its broad client base comprising other freight forwarders and direct customers. The growing prevalence of cross-border e-commerce activities have led to and will keep on to drive a continuous growth in the air freight forwarding market. Our Group started to commence business relationship with Customer F, which primarily engages in the business of freight forwarding focusing on cross-border e-commerce, at the end of FY2017. Customer F is our Group's second and first largest customer in FY2018 and FY2019, which contributed a revenue of approximately HK\$40.2 million and HK\$47.6 million for the respective years. For 8M2020, our Group has generated a revenue of approximately HK\$207.3 million from Customer F, representing an increase of 753.1% when compared to the revenue of approximately HK\$24.3 million for the corresponding period in FY2019;

FUTURE PLANS AND USE OF PROCEEDS

In addition, our Group started to commence business relationship with Customer J, which also engages in the business of freight forwarding focusing on cross-border e-commerce, in FY2019. Customer J is our Group's fifth largest customer in FY2019, and contributed revenue of approximately HK\$15.6 million for FY2019. For 8M2020, our Group has generated revenue of approximately HK\$62.9 million from Customer J, which is far more than the amount of approximately HK\$4.0 million for the corresponding period in FY2019; and

- ii. our Group's ability to source the routes in demand from our Group's suppliers competitively. Due to the COVID-19 pandemic, most airlines have suspended partly or all services, especially services for passengers flights. The significant decrease in passenger flight movements led to short supply of air cargo space and increase in the air freight price. To ease the bottleneck of capacity supplied by passenger flights, freight forwarders may choose air cargo charter services. To this end, our Group has entered into charter flight agreements with (i) three airlines, namely Supplier A, Supplier B and Supplier E, who are our top five suppliers during the Track Record Period, for a total of five, 33 and seven charter flights to the U.S. and Europe in April, May and June 2020, respectively; and (ii) supplier J, one of our top five suppliers in 8M2020, for a total of three and one charter flights to the U.S. in April and May 2020, respectively in response to the back-to-back charters of our customers, in particular, Customer F.

Taking into consideration the above factors, our Directors are of the view and the Sole Sponsor concurs that our Group has established a sustainable business model positioned not only to capitalise on forthcoming opportunities in the freight forwarding market but also to weather any adverse market condition in medium and long run. Our Directors consider that our Group will be primed to build on the signs of improvement in our Group's financial performance for the eight months ended 31 August 2020 as described above and regain growth momentum after the COVID-19 outbreak recedes. Our Group remain resolved to continue to pursue the business strategies set out in the section headed "Business — Strategies on Future Business Development" in this prospectus after Listing and apply all of the net proceeds from the Share Offer in accordance with the intended uses as disclosed in the paragraph headed "Use of Proceeds" in this section.

FUTURE PLANS AND USE OF PROCEEDS

USE OF PROCEEDS

The net proceeds of the Share Offer, after deducting the underwriting fees and estimated expenses payable in connection thereto, are estimated to be approximately HK\$16.8 million (without taking into account any option(s) which may be granted under the Share Option Scheme and assuming an Offer Price of HK\$0.84 per Share, being the mid-point of the indicative Offer Price range). Such net proceeds are intended to be used as follows:

	For the six months ending				Total HK\$ million	Approximate percentage of the total net proceeds %
	30 June 2021	31 December 2021	30 June 2022	31 December 2022		
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>		
Further developing our air freight forwarding business						
– Financing our additional payment obligation to procure new cargo spaces	1.4	4.2	1.4	3.1	10.1	60.1%
– Placing bank guarantee	3.1	–	–	–	3.1	18.5%
Open new regional office in the PRC						
– Initial setup costs	1.2	–	–	–	1.2	7.1%
– Recurring costs	–	0.3	0.3	–	0.6	3.6%
Undertaking charter flights	–	1.7	–	–	1.7	10.1%
General working capital	0.1	–	–	–	0.1	0.6%
Total	<u>5.8</u>	<u>6.2</u>	<u>1.7</u>	<u>3.1</u>	<u>16.8</u>	<u>100.0%</u>

If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the net proceeds of the Share Offer will increase by approximately HK\$6.4 million or decrease by approximately HK\$6.4 million, respectively. In such event, we will adjust the application of net proceeds pro rata to the proposed application as stated in herein.

If we make a Downward Offer Price Adjustment, the estimated net proceeds we will receive from the Share Offer will be further reduced by HK\$4.5 million. Under such circumstances, we will decrease the allocation of such net proceeds to the above purpose on a pro-rata basis.

IMPLEMENTATION PLANS

We set forth below our implementation plans for our business strategies. Prospective investors should note that the following implementation plans are formulated on the bases and assumptions as referred to in the paragraph headed “Bases and key assumptions” in this section. These bases and assumptions are inherently subject to many 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 the business objectives set out in this prospectus. There can be no assurance that our plans will materialise in accordance with the expected time frame or that our objectives will be accomplished at all.

FUTURE PLANS AND USE OF PROCEEDS

Implementation activities

	For the six months ending			
	30 June 2021	31 December 2021	30 June 2022	31 December 2022
Further developing our air freight forwarding business	Expansion of our air freight business and utilise HK\$1.4 million from the net proceeds to finance our Group's obligations at the time of making booking for new cargo spaces.	Expansion of our air freight business and utilise HK\$4.2 million from the net proceeds to finance our Group's obligations at the time of making booking for new cargo spaces.	Expansion of our air freight business and utilise HK\$1.4 million from the net proceeds to finance our Group's obligations at the time of making booking for new cargo spaces.	Expansion of our air freight business and utilise HK\$3.1 million from the net proceeds to finance our Group's obligations at the time of making booking for new cargo spaces.
	Placing additional bank guarantee of HK\$3.1 million to cope with our continuous expansion.			
Open new regional office in the PRC	Set up one new regional office in Eastern or Southern China by utilising HK\$1.2 million from the net proceeds for the initial paid up capital and purchases of office furnitures, computers and motor vehicle.	Support the newly set up regional office by utilising HK\$0.3 million from the net proceeds for recurring costs including rental, utilities and the staff costs to employ three staff for the new regional office with monthly salary ranged from RMB6,500 to RMB12,000.	Support the newly set up regional office by utilising HK\$0.3 million from the net proceeds for recurring costs including rental, utilities and the staff costs to employ three staff for the new regional office with monthly salary ranged from RMB6,500 to RMB12,000.	
Secure stable cargo space during peak season		Payment of the charter flights from Hong Kong to Europe and/or North America with HK\$1.7 million from the net proceeds.		
		Charter flights from Hong Kong to Europe and/or North America.		

FUTURE PLANS AND USE OF PROCEEDS

BASES AND KEY ASSUMPTIONS

Prospective investors should note that the attainability of our business objectives depends on the following general assumptions and specific assumptions:

- we are not materially or adversely affected by any change(s) in existing governmental policies or political, legal (including changes in legislations, regulations or rules), fiscal or economic conditions in Hong Kong or any other countries or territories in which we carry or will carry on business;
- we are not materially or adversely affected by any change(s) in bases or rates of taxation or duties in Hong Kong or any other countries or territories in which we carry or will carry on business or is incorporated;
- there will be no disasters, natural, political or otherwise, which would materially disrupt our business or operations or cause substantial loss, damage or destruction to our properties or facilities;
- our operating activities will not be adversely affected by critical labour shortages and disputes, or any other factors outside the control of our management such as government act;
- we are not adversely affected by any of the risk factors set out in the section headed “Risk Factors” in this prospectus;
- there will be no change in the funding requirements for each of the near term business objectives described in this section from the amount as estimated by our Directors;
- there will be no significant changes in our Group’s business relationship with its existing strategic and business partners;
- there will be no significant changes in our Group’s business relationship with its major customers and suppliers; and
- we will continue to be able to renew all licences; and we will be able to continue our operations in substantially the same manner as it has been operating during the Track Record Period and we will also be able to carry out our development plans without disruptions.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS AND PLACING UNDERWRITERS

VBG Capital Limited
Wealth Link Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement.

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is offering initially 7,500,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price on and subject to the terms and conditions in the Public Offer Underwriting Agreement and this prospectus.

The Public Offer Underwriting Agreement is conditional upon and subject to, among others, the Placing Underwriting Agreement becoming unconditional and not having been terminated in accordance with its terms.

Subject to, among other conditions, the Stock Exchange granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may fall to be issued pursuant to the Capitalisation Issue and options that may be granted under the Share Option Scheme) and to certain other conditions set out in the Public Offer Underwriting Agreement being fulfilled or waived on or before the dates and times specified in the Public Offer Underwriting Agreement, the Public Offer Underwriters have agreed to subscribe or procure subscribers for the Public Offer Shares on the terms and conditions of the Public Offer Underwriting Agreement and this prospectus.

Grounds for Termination

The obligations of the Public Offer Underwriters to subscribe or procure subscribers for the Public Offer Shares are subject to termination if certain events, including force majeure, shall occur at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date. The Sole Sponsor and/or the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) shall be entitled, in their sole and absolute discretion to terminate the Public Offer Underwriting Agreement with immediate effect by notice in writing given to our Company at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (the “**Termination Time**”), if any of the following events shall occur prior to the Termination Time:

- (a) there shall develop, occur, exist or come into effect:

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- (i) any change or prospective change (whether or not permanent) in the business or in the business or in the financial or trading position of the Group; or
- (ii) any change or development involving a prospective change or development, or any event or series of events resulting or representing or likely to result in any change or development involving a prospective change or deterioration (whether or not permanent) in local, national, regional or international financial, political, military, industrial, economic, legal framework, regulatory, fiscal, currency, credit or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting any of the Cayman Islands, the BVI, Hong Kong or any other jurisdictions where any member of the Group is incorporated or operates (collectively, the “**Relevant Jurisdictions**”); or
- (iii) any deterioration of any pre-existing local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions in or affecting any of the Relevant Jurisdictions; or
- (iv) any new laws or any change or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or governmental authority in or affecting any of the Relevant Jurisdictions; or
- (v) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (vi) a change or development or event involving a prospective change in taxation or exchange control (or the implementation of any exchange control) or foreign investment regulations in or affecting any of the Relevant Jurisdictions adversely affecting an investment in shares; or
- (vii) 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 any of the Relevant Jurisdictions; or
- (viii) any event, act or omission which gives rise or is likely to give rise to any liability of any of the Company, the Controlling Shareholders and the executive Directors under the Public Offer Underwriting Agreement pursuant to the indemnities contained therein; or
- (ix) (i) any suspension or restriction on dealings in shares or securities generally on the Stock Exchange or (ii) any moratorium on commercial banking activities or disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or
- (x) the imposition of economic or other sanctions, in whatever form, directly or indirectly, in or affecting any of the Relevant Jurisdictions; or

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- (xi) any event or series of events, in the nature of force majeure (including without limitation, any acts of God, acts of government, declaration of a national or international emergency or war, acts or threats of war, calamity, crisis, economic sanction, riot, public disorder, civil commotion, fire, flooding, explosion, epidemic (including but not limited to severe acute respiratory syndrome or avian flu), pandemic, outbreak of disease, coronavirus or such related or mutated forms, terrorism, strike or lockout) in or affecting any of the Relevant Jurisdictions; or
- (xii) any change or development involving a prospective change, or a materialisation of any of the risks set out in the section headed “Risk factors” in this prospectus; or
- (xiii) any change in the system under which the value of the Hong Kong dollar is linked to that of the U.S. dollar or a material devaluation of the Hong Kong dollar against any foreign currency; or
- (xiv) any 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
- (xv) a contravention by any member of the Group of the GEM Listing Rules or applicable Laws; or
- (xvi) a prohibition on the Company for whatever reason from allotting the Shares pursuant to the terms of the Share Offer; or
- (xvii) non-compliance of this prospectus or any aspect of the Share Offer with the GEM Listing Rules or any other applicable Laws; or
- (xviii) an order or petition is presented for the winding-up or liquidation of any member of the Group or any member of the Group making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or
- (xix) any loss or damage sustained by any member of the Group; or
- (xx) any litigation or claim of material importance of any third party being instigated against any member of the Group; or
- (xxi) a Director being charged with an indictable offence or prohibited by the operation of law or otherwise disqualified from taking part in the management of a company; or

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- (xxii) the chairman or president of the Company vacating his office; or
- (xxiii) the commencement by any governmental, regulatory or judicial body or organisation of any action against a Director or an announcement by any governmental, regulatory or judicial body or organisation that it intends to take any such action; or
- (xxiv) any matter or event resulting in a breach of any of the warranties, representations or undertakings contained in the Public Offer Underwriting Agreement or there has been a material breach of any other provisions thereof; or
- (xxv) the issue or requirement to issue by the Company of a supplement or amendment to this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) pursuant to the Companies Ordinance, the Companies (Miscellaneous Provisions) Ordinance or the GEM Listing Rules or any requirement or request of the Stock Exchange and/or the SFC,

which in the joint and absolute opinion of the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters):

- (A) is or will or may individually or in the aggregate have a Material Adverse Effect on the business, financial, trading or other condition or prospects of the Group taken as a whole; or
- (B) has or will or may have a Material Adverse Effect on the success of the Share Offer or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares; or
- (C) is or will or may make it impracticable, inadvisable, inexpedient or not commercially viable (i) for any material part of the Public Offer Underwriting Agreement, the Placing Underwriting Agreement, and/or the Share Offer to be performed or implemented in accordance with its terms or (ii) to proceed with or to market the Share Offer on the terms and in the manner contemplated in this prospectus; or
- (D) has or will or may have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof.

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- (b) the Joint Lead Managers or any of the Public Offer Underwriters shall become aware of the fact that, or have cause to believe that:
 - (i) any of the warranties given by the Company, Controlling Shareholders and executive Directors under the Public Offer Underwriting Agreement or pursuant to the Placing Underwriting Agreement is untrue, inaccurate, misleading or breached in any material respect when given or as repeated as determined by the Joint Lead Managers (in their joint and absolute discretion), or has been declared or determined by any court or governmental authorities to be illegal, invalid or unenforceable in any material respect; or
 - (ii) any statement contained in this prospectus, the Application Forms, the Formal Notice and/or any announcement or advertisement issued by or on behalf of the Company in connection with the Public Offer (including any supplement or amendment thereto) was or is untrue, incorrect or misleading in any material respect, or any matter arises or is discovered which would, if the relevant document was to be issued at that time, constitute a material omission therefrom, or that any forecasts, expressions of opinion, intention or expectation expressed in the relevant document are not, in all material aspects, fair and honest and based on reasonable assumptions, when taken as a whole; or
 - (iii) there has been a material breach on the part of any of the Company, the Controlling Shareholders and the executive Directors of any of the obligations of the Public Offer Underwriting Agreement or the Placing Underwriting Agreement; or
 - (iv) any event, act or omission which gives or is likely to give rise to any liability of any of our Company, our Controlling Shareholders, and executive Directors under the Public Offer Underwriting Agreement or the Placing Underwriting Agreement; or
 - (v) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, constitute a material omission therefrom; or
 - (vi) any material adverse change or development involving a prospective change in the assets, liabilities, conditions, business affairs, prospects, profits, losses or financial or trading position or performance of any member of the Group; or
 - (vii) approval by the Stock Exchange of the listing of, and permission to deal in, the Offer Shares to be issued or sold under the Share Offer 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) the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Share Offer) or the Share Offer; or

UNDERWRITING

- (ix) any person (other than the Sole Sponsor) has withdrawn or sought to withdraw its consent to being named in any of the offer documents or to the issue of any of the offer documents; or
- (x) that a petition or an order is presented for the winding-up or liquidation of any member of our Group or any member of our 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 our 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 our Group or anything analogous thereto occurs in respect of any member of our Group; or
- (xi) an authority or a political body or organisation in any relevant jurisdiction has commenced any investigation or other action, or announced an intention to investigate or take other action, against any of our Directors as set out in the section headed “Directors and Senior Management” of this prospectus; or
- (xii) any loss or damage has been sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person) which is considered by the Sole Sponsor and/or the Joint Lead Managers in their sole absolute opinion to have a material adverse effect, in the condition (financial, operational or otherwise), on the due incorporation, or in the earnings, affairs or prospects, assets or liabilities of our Group as a whole, whether or not arising in the ordinary course of business.

Undertakings

Undertakings by our Company pursuant to the GEM Listing Rules

Pursuant to Rule 17.29 of the GEM Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement or arrangement 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 Listing Date), except pursuant to the Share Offer and the Capitalisation Issue or in certain circumstances prescribed by Rule 17.29 of the GEM Listing Rules.

Undertakings by our Company pursuant to the Public Offer Underwriting Agreement

Our Company has undertaken to the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that, except for the issue of the Shares pursuant to the Share Offer, the Capitalisation Issue, the grant of options under the Share Option Scheme and the issue of Shares on exercise thereof or as otherwise with the Joint Lead Managers’ prior written consent, and unless in compliance with the GEM Listing Rules, our Company shall not, and shall procure none of our subsidiaries will, within the period commencing from the date of the Public Offer Underwriting Agreement up to and including the date falling six months after the Listing Date (the “**First Six-Month Period**”):

- (i) save as permitted under the GEM Listing Rules (including but not limited to Rule 17.29 of the GEM Listing Rules) and the applicable laws, allot or issue or agree to allot or issue, either directly or indirectly, conditionally or unconditionally, any

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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 such Shares (or any interest in any Shares or any voting or other right attaching to any Shares); or

- (ii) 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 such securities; or
- (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or
- (iv) offer to or agree to do any of the foregoing or announce any intention to do so,

in each case, whether any of the foregoing transactions specified in paragraphs (i), (ii) and (iii) above is to be settled by delivery of the Shares or such other securities of our Company or any member of our Group, in cash or otherwise. In the event of our Company entering into or agreeing to enter into any of the foregoing by virtue of the aforesaid exceptions or during the six-month period commencing from the expiry of the First Six-Month Period (the “**Second Six-Month Period**”), it will take all reasonable steps to ensure that such action will not create a disorderly or false market in any of the Shares or other securities of our Company.

Undertakings by our Controlling Shareholders pursuant to the GEM Listing Rules

In accordance with Rule 13.16A(1) of the GEM Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that except pursuant to the Share Offer or unless in compliance with the requirements of the GEM Listing Rules, he, she or it shall not, and shall procure that the relevant registered holder(s) shall not,

- (i) at any time during the period commencing on the date by reference to which disclosure of his, her or its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, 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 or other securities of our Company in respect of which he, she or it is shown by this prospectus to be the beneficial owner; or
- (ii) at any time during the period of 12 months from the date on which the period referred to in paragraph (i) above expires, 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 paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he, she or it would cease to be our Controlling Shareholder.

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Each of our Controlling Shareholders has further undertaken to the Stock Exchange and our Company that he, she or it will, within a period of commencing on the date by reference to which disclosure of his, her or its shareholding is made in this prospectus and ending on the date which is 24 months from the Listing Date, immediately inform us of:

- (i) any pledges or charges of any Shares or other securities of our Company beneficially owned by any of our Controlling Shareholders in favour of any authorised institution and the number of such Shares or other securities of our Company so pledged or charged; and
- (ii) when he, she or it or the relevant requested holders receive indication, either verbal or written, from any pledgee or chargee of any Shares or other securities of our Company pledged or charged that any of such securities will be disposed of.

Undertakings by our Controlling Shareholders pursuant to the Public Offer Underwriting Agreement

Each of our Controlling Shareholders jointly and severally has undertaken to our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that, he, she or it shall not and shall procure his, her or its associates and the relevant registered holder(s) and companies controlled by him, her or it and any nominee or trustee holding in trust for him, her or it will not, without the Joint Bookrunners' prior written consent and unless in compliance with the Listing Rules:

- (i) in the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholder is made in this prospectus and ending on, and including, 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 pledge, charge, lien, mortgage, option, restriction, right of first refusal, security interest, claim, pre-emption rights, equity interest, third party rights or interests or rights of the same nature as that of the foregoing or other encumbrances or security interest of any kind or another type of preferential arrangement (including without limitation, retention arrangement) having similar effect (the “**Encumbrances**”) in respect of any of the Shares in respect of which he, she or it is shown in this prospectus to be the beneficial owner(s); and
- (ii) in the 12 month period immediately following the expiry of the First Twelve-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any Encumbrances in respect of any of the Shares under sub-paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such Encumbrances, he, she or it would, either individually or taken together with the others of them, cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company.

Each of our Controlling Shareholders has further undertaken to our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that within a period commencing on the date by reference to which disclosure of his, her or its shareholding in our Company is made in this prospectus and ending on the date which is 24 months from the Listing Date:

- (i) when he, she or it pledges or charges any of his, her or its direct or indirect interest in the Shares 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

UNDERWRITING

Rules at any time during the relevant periods specified in paragraphs above, he, she or it must inform our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters as soon as practicable thereafter, disclosing the details as specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and

- (ii) if he, she or it has pledged or charged any of his, her or its interest in the Shares under sub-paragraph i above, he, or she, or it must inform our Company, the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers as soon as practicable in the event that he, she or it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Shares affected.

Our Company shall notify the Stock Exchange as soon as our Company has been informed of such event as described in the sub-section headed “Underwriting arrangements and expenses — Public Offer — Undertakings by our Controlling Shareholders pursuant to the Public Offer Underwriting Agreement” above and shall make a public disclosure by way of announcement in accordance with the GEM Listing Rules.

Indemnity

Our Company, our Controlling Shareholders and our executive Directors have agreed to indemnify the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters from certain losses which they may suffer, including losses arising from, among others, their performance of their obligations under the Public Offer Underwriting Agreement and any breach by our Company or our Controlling Shareholders or our executive Directors of the Public Offer Underwriting Agreement.

The Placing

The Placing is expected to be fully underwritten by the Placing Underwriters under the terms of the Placing Underwriting Agreement.

The Placing Underwriting Agreement

In connection with the Placing, our Controlling Shareholders, our executive Directors and our Company expect to enter into the Placing Underwriting Agreement with the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriters, on the terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to agree to procure subscribers to subscribe for, or failing which it shall subscribe for, 67,500,000 Placing Shares initially being offered pursuant to the Placing.

It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, (i) our Company and (ii) each of our Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed “Undertakings” in this section.

UNDERWRITING

It is expected that each of our Controlling Shareholders will undertake to the Placing Underwriters not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of the Shares held by him/her/it in our Company for a period similar to that given by them pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed “Undertakings” in this section.

Under the Placing Underwriting Agreement, our Company, our Controlling Shareholders and our executive Directors will agree to indemnify the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers and the Placing Underwriters against certain losses which they may suffer including losses as a result of certain claims or liabilities which might be incurred by the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriters.

Fees, Commission and Expenses

The Underwriters will receive an underwriting commission of 15% of the aggregate Offer Price payable for the Offer Shares. We will bear the underwriting commissions, SFC transaction levy and Stock Exchange trading fee payable by us in connection with the issue of the new Shares together with any applicable fees relating to the Share Offer. No incentive fee shall be payable to the Underwriters by our Company.

The aggregate commissions and fees, together with the listing fees, SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, printing and other expenses payable by us relating to the Share Offer are estimated to amount to approximately HK\$46.2 million in total (based on the mid-point of our indicative price range for the Share Offer, being HK\$0.84 per Offer Share).

UNDERWRITERS’ INTEREST IN OUR COMPANY

Save as provided for under the Underwriting Agreements, the Underwriters do not have any shareholding interests in any member of our Group nor have any right or option to subscribe for or nominate persons to subscribe for any Shares.

SPONSOR AND ITS INDEPENDENCE

VBG Capital Limited as the Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 6A.07 of the GEM Listing Rules.

COMPLIANCE ADVISER’S AGREEMENT

The Sole Sponsor has been appointed as the compliance adviser of our Company with effect from the Listing Date until dispatch of the audited consolidated financial results for the second full financial year after the Listing Date.

SPONSOR’S INTERESTS IN OUR COMPANY

Save for (i) the advisory, documentation and underwriting fees to be paid to the Sole Sponsor as the sponsor/underwriter to the Listing; (ii) the fee to be paid to the Sole Sponsor as our Company’s compliance adviser pursuant to the requirements under Rules 6A.19 of the GEM Listing Rules, neither the Sole Sponsor nor any of its close associates has or may have, as a result of the Share Offer, any interest in any class of securities in our Company or any of its subsidiaries (including options or rights to subscribe for such securities).

UNDERWRITING

No director or employee of the Sole Sponsor who is involved in providing advice to our Company has or may have, as a result of the Share Offer, any interest in any class of securities of our Company or any of our subsidiaries (including options or rights to subscribe for such securities that may be subscribed for or purchased by any such director or employee pursuant to the Share Offer). No director or employee of the Sole Sponsor has a directorship in our Company or any of our subsidiaries.

STAMP TAXES

Buyers of Offer Shares sold by the Underwriters may be required to pay stamp taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the Offer Price.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE STRUCTURE AND CONDITIONS OF THE SHARE OFFER

This prospectus is published in connection with the Public Offer as part of the Share Offer. The Share Offer consists of:

- the Public Offer of 7,500,000 Shares (subject to reallocation as mentioned below) as described under the paragraph headed “The Public Offer” in this section; and
- the Placing of 67,500,000 Shares (subject to reallocation as mentioned below) as described under the paragraph headed “Placing” in this section.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the 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 Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors in Hong Kong. The Placing will involve selective marketing of the Offer Shares to institutional, professional and other investors. The Placing Underwriters will solicit from prospective investors indications of interest in acquiring the Offer Shares in the Placing.

The Offer Shares will represent approximately 25% of the enlarged issued share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue (without taking into account of Shares which may be allotted and issued by the Company upon the exercise of options that may be granted under the Share Option Scheme).

The number of Offer Shares to be offered under the Public Offer and the Placing respectively may be subject to reallocation as described in the paragraph headed “Public Offer — Reallocation” in this section below.

OFFER PRICE

Offer Price

The Offer Price will be not more than HK\$0.94 per Offer Share and is expected to be not less than HK\$0.74 per Offer Share, unless otherwise announced. 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.

Price payable on application

Applicants under the Public Offer must pay, on application, the maximum indicative Offer Price of HK\$0.94 per Public Offer Share plus 1% brokerage, a 0.0027% transaction levy and a 0.005% Stock Exchange trading fee, amounting to a total of HK\$4,747.37 for one board lot of 5,000 Shares. If the Offer Price as finally determined in the manner described below is less than HK\$0.94 per Public Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Determining the Offer Price

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Shares in the Placing. Prospective investors will be required to specify the number of Offer 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 about Wednesday, 6 January 2021.

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or about Wednesday, 6 January 2021 and in any event, no later than Monday, 11 January 2021.

If, for any reason, our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or about Wednesday, 6 January 2021 and in any event, no later than Monday, 11 January 2021, the Share Offer will not proceed and will lapse. In such event, our Company will issue an announcement to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company’s website at www.grandpowerexpress.com.

The Offer Price will be not more than HK\$0.94 per Share and is expected to be not less than HK\$0.74 per 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 (subject to a Downward Offer Price Adjustment).

Reduction in indicative Offer Price range and/ or number of Offer Shares

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, based on the bookbuilding process and with the prior consent of our Company, reduce the number of Offer Shares being offered pursuant to the Share Offer and/ or the indicative Offer Price range below that disclosed in this prospectus at any time on/before the morning of the last day for lodging applications under the Public Offer. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event no 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 the Stock Exchange and our Company notices of the reduction in the number of Offer Shares being offered under the Share Offer and/ or the indicative Offer Price range. Such notice shall also include confirmation or revision, as appropriate, of the working capital statement, offer statistics and any financial or other information in this prospectus which may change as a result of any such reduction. Upon the issue of such a notice, the revised number of Offer Shares and/ or the 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 us, will be fixed within such revised Offer Price Range. If the number of Offer Shares and/ or the Offer Price range is so reduced, all applicants who have already submitted an application will need to confirm their applications in accordance with the procedures set out in the supplemental prospectus and all unconfirmed applications will not be valid.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Before submitting applications for 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.

The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of any notice being published of a reduction in the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range stated in this prospectus on or before the last day for lodging applications under the Public Offer, the Offer Price, if agreed upon, will under no circumstances be set outside the Offer Price range as stated in this prospectus. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants under the Public Offer 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 procedures to be notified, all unconfirmed applications will be deemed revoked.

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during the book-building process, and with the consent of our Company, determine the final Offer Price to be no more than 10% below the bottom end of the indicative Offer Price range, at any time on or prior to the Price Determination Date.

In such situation, our Company will, as soon as practicable following the decision to set the final Offer Price below the bottom end of the indicative Offer Price range, publish on the website of our Company at www.grandpowerexpress.com and the website of the Stock Exchange at www.hkexnews.hk an announcement of the final Offer Price after making a Downward Offer Price Adjustment. Such announcement will be issued before and separate from the announcement of the results of allocations expected to be announced on Tuesday, 12 January 2021. The Offer Price announced following making of a Downward Offer Price Adjustment shall be the final Offer Price and shall not be subsequently changed. In the absence of an announcement that a Downward Offer Price Adjustment has been made, the final Offer Price will not be outside the indicative Offer Price range as disclosed in this prospectus unless Withdrawal Mechanism is utilized.

Irrespective of whether a Downward Offer Price Adjustment is made, the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer, the basis of allocation of the Public Offer Shares, 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 made available on Tuesday, 12 January 2021 through a variety of channels as described in the section headed “How to Apply for the Public Offer Shares — 11. Publication of results” in this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares is conditional upon:

(a) Listing

The Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Capitalisation Issue and the Share Offer (including any Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme).

(b) Price Determination

The Offer Price having been duly agreed on or around the Price Determination Date.

(c) Underwriting Agreements

- (i) The execution and delivery of the Placing Underwriting Agreement; and
- (ii) The obligations of the Underwriters under each of the Underwriting Agreements becoming unconditional in all respects and not being terminated in accordance with the terms of the Underwriting Agreements.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming and remaining unconditional and not having been terminated in accordance with their respective terms.

If such conditions have not been fulfilled or waived prior to the dates and times specified in the Underwriting Agreements, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of lapse of the Share Offer will be published by our Company on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.grandpowerexpress.com on the next Business Day following the date of such lapse. All money received will be refunded to applicants of the Public Offer without interests, on the terms set out in "How to apply for Public Offer Shares". In the meantime, all application money will be held in separate bank account(s) with the receiving banks or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended from time to time).

PUBLIC OFFER

Number of Offer Shares initially offered

Our Company is initially offering 7,500,000 Public Offer Shares for subscription by the public in Hong Kong under the Public Offer, representing 10% of the total number of Offer Shares initially available under the Share Offer, subject to reallocation as mentioned below.

The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. The Public Offer Shares will represent 2.5% of our Company's enlarged issued share capital immediately after completion of the Share Offer. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing 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 Share Offer" in this section.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Allocation

Allocation of Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could 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 Public Offer Shares are oversubscribed but the number of Offer Shares validly applied for under the Public Offer represents less than 15 times the number of the Offer Shares initially available for subscription under the Public Offer, then up to 7,500,000 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 15,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Share Offer;
 - (iii) if the number of Offer Shares validly applied for under the Public Offer 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 15,000,000 Shares will 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 22,500,000 Offer Shares, representing 30% of the number of the Offer Shares initially available under the Share Offer;
 - (iv) if the number of Offer Shares validly applied for under the Public Offer 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 22,500,000 Shares will be reallocated to the Public Offer from the Placing, so that the number of the Offer Shares available under the Public Offer will be increased to 30,000,000 Offer Shares, representing 40% of the number of the Offer Shares initially available under the Share Offer; and

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- (v) if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more the number of the Offer Shares initially available for subscription under the Public Offer, then 30,000,000 Shares will be reallocated to the Public Offer from the Placing, so that the number of the Offer Shares available under the Public Offer will be increased to 37,500,000 Offer Shares, representing 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 undersubscribed, the Share Offer will not proceed unless the Underwriters would subscribe 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;
 - (ii) if the Public Offer Shares are fully or oversubscribed irrespective of the number of times the number of Offer Shares initially available for subscription under the Public Offer, then up to 7,500,000 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 15,000,000 Offer Shares, representing 20% of the 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 (i) 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 (ii) the Placing Shares are undersubscribed and the Public Offer Shares are 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\$0.74 per Offer Share) stated in this prospectus (subject to the Downward Offer Price Adjustment).

In each case, additional Offer Shares will be reallocated to the Public Offer and the number of Offer Shares allocated to the Placing will be correspondingly reduced, in such manner as the Joint Lead Managers (for themselves and on behalf of the Underwriters) deem appropriate. In addition, the Joint Lead Managers (for themselves and on behalf of the Underwriters) may in its sole and absolute discretion reallocate Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer. In accordance with Guidance Letter HKEx-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 6 of the GEM Listing Rules, the maximum total number of Offer Shares that may be allocated to the Public Offer following such reallocation shall be not more than double the initial allocation to the Public Offer, i.e. 15,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available for subscription under the Share Offer.

The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances (including but not limited to at the request of the SFC and/or the Stock Exchange), be reallocated as between these offerings at the discretion of the Joint Bookrunners.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Applications

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him/her that he/she and any person(s) for whose benefit he/she 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, 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.

The listing of the Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Public Offer are required to pay, on application, the maximum indicative Offer Price of HK\$0.94 per Public Offer Share in addition to any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Public Offer Share. Further details are set out below in the section headed "How to Apply for the Public Offer Shares" in this prospectus.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Public Offer.

THE PLACING

Number of Offer Shares offered

Subject to reallocation as described above, the Placing will consist of an initial offering of 67,500,000 Placing Shares representing 90% of the Offer Shares under the Share Offer and 22.5% of our Company's enlarged issued share capital immediately after the completion of the Share Offer.

Allocation

The Placing will include selective marketing of the Placing Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Placing Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing 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 based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the 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 professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Bookrunners may require any investor who has been offered the 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 them to identify the relevant application under the Public Offer and to ensure that it is excluded from any application of the Public Offer Shares under the Public Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

COMMENCEMENT OF DEALINGS

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on Wednesday, 13 January 2021. Our Shares will be traded in board lots of 5,000 Shares each and are freely transferable. The stock code of the Company is 8489.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus on GEM and our Company complies 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 on GEM 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 necessary arrangements have been made for the 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.

In respect of the dealings in the Shares which may be settled through CCASS, investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for the Public Offer Shares, then you may not apply for or indicate an interest for the Placing Shares.

To apply for the 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 or the **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 FOR THE PUBLIC OFFER SHARES

You can apply for the 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 under the U.S. Securities Act); 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, the Joint Bookrunners may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

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.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Unless permitted by the 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 close associate (as defined in the 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 through the **HK eIPO White Form** service at www.hkeipo.hk or the **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.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 am on Wednesday, 30 December 2020 to 12:00 noon on Tuesday, 5 January 2021 from:

- (i) any of the following offices of Public Offer Underwriters:

VBG Capital Limited	18/F Prosperity Tower, 39 Queen's Road Central, Central, Hong Kong
Wealth Link Securities Limited	Suite 1504, 15/F, Bangkok Bank Building, 28 Des Voeux Road Central, Central, Hong Kong

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(ii) any of the branches of the following receiving banks:

District	Branch name	Address
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	Causeway Bay Branch	G/F to 2/F, Yee Wah Mansion, 38-40A Yee Wo Street, Causeway Bay
Kowloon	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok
	Mei Foo Branch	Shop Nos.106-109, 1st Floor, Mei Foo Plaza, Mei Foo Sun Chuen
New Territories	Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza, 298 Sha Tsui Road, Tsuen Wan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 30 December 2020 until 12:00 noon on Tuesday, 5 January 2021 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

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 "HORSFORD NOMINEES LIMITED — GRAND POWER LOGISTICS PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- Wednesday, 30 December 2020 — 10:00 a.m. to 5:00 p.m.
- Thursday, 31 December 2020 — 10:00 a.m. to 5:00 p.m.
- Saturday, 2 January 2021 — 10:00 a.m. to 1:00 p.m.
- Monday, 4 January 2021 — 10:00 a.m. to 5:00 p.m.
- Tuesday, 5 January 2021 — 10:00 a.m. to 12:00 noon

The application lists will be open from 11:45 am to 12:00 noon on Tuesday, 5 January 2021, the last application day or such later time as described in the paragraph headed "10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Applications Lists" in this section.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company, the Joint Bookrunners and/or the Sole Sponsor (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 Ordinance, the Companies (Winding Up and Miscellaneous Provisions) 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;
- (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 Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, 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, receiving bank, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, 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 Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor 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;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (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;
- (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 e-Auto Refund payment instructions 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 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, our Directors, the Joint Bookrunners and the Sole Sponsor 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.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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 “Who Can Apply for the Public Offer Shares” 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 or the **IPO App**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website or 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 or the **IPO App**, you authorise 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 service

You may submit your application to the **HK eIPO White Form** Service Provider at www.hkeipo.hk or the **IPO App** (24 hours daily, except on the last application day) from 9:00 a.m. on Wednesday, 30 December 2020 until 11:30 a.m. on Tuesday, 5 January 2021 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 5 January 2021 or such later time under the paragraph headed “10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Applications Lists” in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit 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** service more than once and obtaining different application 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).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling 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 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;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- agree to accept the Public Offer Shares applied for or any lesser number allocated;
- 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, the Directors, the Joint Bookrunners and the Sole Sponsor 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 Joint Bookrunners, the Sole Sponsor, 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 banks, the Joint Bookrunners, the Sole Sponsor, 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 our Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) 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 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;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- 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 ^{Note}

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- Wednesday, 30 December 2020 — 9:00 a.m. to 8:30 p.m.
- Thursday, 31 December 2020 — 8:00 a.m. to 8:30 p.m.
- Saturday, 2 January 2021 — 8:00 a.m. to 1:00 p.m.
- Monday, 4 January 2021 — 8:00 a.m. to 8:30 p.m.
- Tuesday, 5 January 2021 — 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, 30 December 2020 until (12:00 noon on Tuesday, 5 January 2021) (24 hours daily, except on Tuesday, 5 January 2021, the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Tuesday, 5 January 2021, the last application day or such later time as described in “10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists” in this section.

Note: The times in this sub-section 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

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 bankers, the Joint Bookrunners, 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, the Directors, the Joint Bookrunners, the Sole Sponsor 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 Tuesday, 5 January 2021.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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 dealing 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 our Company;
- control more than half of the voting power of our Company; or
- hold more than half of the issued share capital of our 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 Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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 instruction 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 or 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 — Offer Price — Determining the Offer Price” 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:

- a tropical cyclone warning signal number 8 or above;
- an announcement of “extreme conditions” caused by a super typhoon by the Government of the Hong Kong Special Administrative 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; or
- a “black” rainstorm warning,

is/are in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 5 January 2021. 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.

If the application lists do not open and close on Tuesday, 5 January 2021 or if a tropical cyclone warning signal number 8 or “extreme conditions” caused by a super typhoon or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in “Expected Timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final 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 Tuesday, 12 January 2021 on our Company’s website at (www.grandpowerexpress.com) and the website of the Stock Exchange at 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.grandpowerexpress.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 8:00 a.m. on Tuesday, 12 January 2021;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- from the designated results of allocations websites at www.tricor.com.hk/ipo/result or www.hkeipo.hk/IPOResult or the “Allotment Result” in the **IPO App** with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Tuesday, 12 January 2021 to 12:00 midnight on Monday, 18 January 2021;
- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, 12 January 2021 to Friday, 15 January 2021 on a business day;
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 12 January 2021 to Thursday, 14 January 2021 at all the receiving bank branches and sub-branches.

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 “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.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED 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.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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 Joint Bookrunners, 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.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list our 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 or 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 offered under the Public Offer.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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\$0.94 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with the section headed “Structure and Conditions of the Share Offer — Conditions of the Share Offer” in this prospectus 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.

Any refund of your application monies will be made on Tuesday, 12 January 2021.

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 our 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 dispatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or around Tuesday, 12 January 2021. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Share certificates will only become valid at 8:00 a.m. on Wednesday, 13 January 2021 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.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the 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 Tuesday, 12 January 2021 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives 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) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Tuesday, 12 January 2021, 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, please follow the same instructions as described above for collection of your refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Tuesday, 12 January 2021, 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 Tuesday, 12 January 2021, 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.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- **If you are applying 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 "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 Tuesday, 12 January 2021 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 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 Tuesday, 12 January 2021, or such other date as notified by our Company on our Company's website at (www.grandpowerexpress.com) and the website of the Stock Exchange at www.hkexnews.hk 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 Tuesday, 12 January 2021 by ordinary post at your own risk.

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 Tuesday, 12 January 2021, or, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- 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 “Publication of Results” above on Tuesday, 12 January 2021. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 12 January 2021 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 Tuesday, 12 January 2021. 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 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 Tuesday, 12 January 2021.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply 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 date of commencement of dealings in our Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the 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 stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling our Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation of this prospectus, received from the reporting accountants of the Company, Mazars CPA Limited, Certified Public Accountants, Hong Kong.



INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF GRAND POWER LOGISTICS GROUP LIMITED

The Directors
Grand Power Logistics Group Limited
VBG Capital Limited

Introduction

We report on the historical financial information of Grand Power Logistics Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages I-3 to I-70, which comprises the combined statements of financial position of the Group at 31 December 2017, 2018 and 2019 and 31 August 2020, the statements of financial position of the Company at 31 December 2018 and 2019 and 31 August 2020 and the combined statements of profit or loss, the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2019 and 2020 (together the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-70 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 December 2020 (the "Prospectus") in connection with the initial listing of shares (the "Initial Listing") 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 2 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 depended on our 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, we considered internal control relevant to the Group's 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 2 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 Group'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 financial position of the Group at 31 December 2017, 2018 and 2019 and 31 August 2020, the financial position of the Company at 31 December 2018 and 2019 and 31 August 2020, and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

REPORT ON OTHER 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-3 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which states that no dividends have been paid by entities now comprising the Group in respect of the Relevant Periods.

Preparation or audit of financial statements

As at the date of this report, no statutory audited financial statements have been prepared for the Company since its date of incorporation.

Note 1 to the Historical Financial Information contains information about whether the financial statements of the members of the Group for the Relevant Periods have been audited and, if applicable, the name of the auditors.

Mazars CPA Limited
Certified Public Accountants
Hong Kong
30 December 2020

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of the Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The combined financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were prepared by the directors of the Company in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and were audited by Mazars CPA Limited, Certified Public Accountants, Hong Kong, in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Company and all values are rounded to the nearest thousand (HK\$'000) except otherwise indicated.

COMBINED STATEMENTS OF PROFIT OR LOSS

	Note	Year ended 31 December			Eight months ended 31 August	
		2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2019 HK\$'000	2020 HK\$'000
Revenue	5	425,414	463,050	353,341	214,318	553,367
Cost of services		(378,947)	(417,026)	(319,413)	(193,221)	(493,715)
Gross profit		46,467	46,024	33,928	21,097	59,652
Other income	6	2,731	1,647	829	917	1,451
Administrative and other operating expenses		(23,818)	(26,233)	(23,139)	(14,450)	(23,254)
Provision for impairment loss on trade receivables	15(b)	(322)	(668)	(8,597)	—	(80)
Finance costs	7	(2,724)	(2,773)	(3,096)	(2,231)	(1,958)
Listing expenses		(5,201)	(11,304)	(7,058)	(4,418)	(3,191)
Profit (Loss) before income tax	7	17,133	6,693	(7,133)	915	32,620
Income tax expenses	10	(4,519)	(2,455)	(306)	(721)	(6,300)
Profit (Loss) for the year/period		<u>12,614</u>	<u>4,238</u>	<u>(7,439)</u>	<u>194</u>	<u>26,320</u>

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December			Eight months ended 31 August		
	2017	2018	2019	2019	2020	
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Profit (Loss) for the year/period		12,614	4,238	(7,439)	194	26,320
Other comprehensive income (loss):						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Exchange difference on consolidation/combination		1,172	163	(541)	(824)	(447)
Total comprehensive income (loss) for the year/period		<u>13,786</u>	<u>4,401</u>	<u>(7,980)</u>	<u>(630)</u>	<u>25,873</u>

COMBINED STATEMENTS OF FINANCIAL POSITION

	Note	At 31 December			At
		2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	31 August 2020 HK\$'000
Non-current assets					
Property, plant and equipment	13	40,112	37,215	35,836	34,091
Financial assets at fair value through profit or loss	14	19,667	—	—	—
Deferred tax assets	21	—	—	74	277
		<u>59,779</u>	<u>37,215</u>	<u>35,910</u>	<u>34,368</u>
Current assets					
Trade and other receivables	15	127,440	124,716	98,227	116,687
Tax recoverable		—	—	89	169
Financial assets at fair value through profit or loss	14	—	17,778	—	—
Pledged bank deposits	16	687	23,694	29,685	29,695
Bank balances and cash	16	27,763	27,791	26,141	35,901
		<u>155,890</u>	<u>193,979</u>	<u>154,142</u>	<u>182,452</u>
Current liabilities					
Trade and other payables	17	56,714	61,062	50,457	70,211
Bank overdrafts	18	7,267	11,697	—	—
Tax payables		3,282	199	—	3,230
Interest-bearing borrowings	18	64,877	70,095	58,576	36,911
Obligations under finance leases	19	384	377	—	—
Lease liabilities	20	—	—	771	720
		<u>132,524</u>	<u>143,430</u>	<u>109,804</u>	<u>111,072</u>
Net current assets		<u>23,366</u>	<u>50,549</u>	<u>44,338</u>	<u>71,380</u>
Total assets less current liabilities		<u>83,145</u>	<u>87,764</u>	<u>80,248</u>	<u>105,748</u>
Non-current liabilities					
Obligations under finance leases	19	440	63	—	—
Lease liabilities	20	—	—	527	154
		<u>440</u>	<u>63</u>	<u>527</u>	<u>154</u>
NET ASSETS		<u><u>82,705</u></u>	<u><u>87,701</u></u>	<u><u>79,721</u></u>	<u><u>105,594</u></u>

		At 31 December			At
	Note	2017	2018	2019	31 August
		HK\$'000	HK\$'000	HK\$'000	2020
					HK\$'000
Capital and reserves					
Share capital	22(a)	—	—*	—*	—*
Reserves		<u>82,705</u>	<u>87,701</u>	<u>79,721</u>	<u>105,594</u>
Equity attributable to owners of the Company		82,705	87,701	79,721	105,594
Non-controlling interests	24	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
TOTAL EQUITY		<u><u>82,705</u></u>	<u><u>87,701</u></u>	<u><u>79,721</u></u>	<u><u>105,594</u></u>

* Represent amounts less than HK\$1,000.

STATEMENTS OF FINANCIAL POSITION

		At 31 December		At 31 August
		2018	2019	2020
	Note	HK\$'000	HK\$'000	HK\$'000
Non-current assets				
Investment in a subsidiary		—*	—*	—*
Current assets				
Amounts due from shareholders	22(b)	—*	—*	—*
Current liabilities				
Amount due to a subsidiary	22(c)	(6)	(25)	(28)
Net current liabilities		(6)	(25)	(28)
NET LIABILITIES		(6)	(25)	(28)
Capital and reserves				
Share capital	22(a)	—*	—*	—*
Accumulated losses	22(d)	(6)	(25)	(28)
TOTAL DEFICITS		(6)	(25)	(28)

* Represent amounts less than HK\$1,000.

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company						Total HK\$'000	Non- controlling interests HK\$'000 (Note 24)	Total equity HK\$'000
	Reserves								
	Share capital HK\$'000 (Note 22(a))	Capital reserve HK\$'000 (Note 23(a))	Special reserve HK\$'000 (Note 23(b))	Translation reserve HK\$'000 (Note 23(c))	Statutory reserve HK\$'000 (Note 23(d))	Accumulated losses HK\$'000			
At 1 January 2017	—	21,178	(4,408)	(363)	—	(1,394)	15,013	52,221	67,234
Profit for the year	—	—	—	—	—	12,614	12,614	—	12,614
Other comprehensive income:									
<i>Items that may be reclassified subsequently to profit or loss</i>									
Exchange differences on consolidation/ combination	—	—	—	1,172	—	—	1,172	—	1,172
Total comprehensive income for the year	—	—	—	1,172	—	12,614	13,786	—	13,786
Transactions with owners:									
Appropriation of statutory reserve	—	—	—	—	110	(110)	—	—	—
Acquisition of non-controlling interest by the Ultimate Controlling Party (Note 24)	—	73,665	(15,330)	(1,260)	—	(4,854)	52,221	(52,221)	—
Contributions made by the Ultimate Controlling Party (Note 25(a)(iii))	—	2,000	—	—	—	—	2,000	—	2,000
Changes in the Non-core Assets, net (Note 2)	—	—	(315)	—	—	—	(315)	—	(315)
Transfer of the Non-core Assets (Note 2)	—	—	20,053	—	—	(20,053)	—	—	—
Total transactions with owners	—	75,665	4,408	(1,260)	110	(25,017)	53,906	(52,221)	1,685
At 31 December 2017	—	96,843	—	(451)	110	(13,797)	82,705	—	82,705

	Attributable to owners of the Company						Total	Non-controlling interests	Total equity
	Reserves								
	Share capital	Capital reserve	Special reserve	Translation reserve	Statutory reserve	Accumulated losses			
HK\$'000 (Note 22(a))	HK\$'000 (Note 23(a))	HK\$'000 (Note 23(b))	HK\$'000 (Note 23(c))	HK\$'000 (Note 23(d))	HK\$'000	HK\$'000	HK\$'000 (Note 24)	HK\$'000	
At 1 January 2018	—	96,843	—	(451)	110	(13,797)	82,705	—	82,705
Profit for the year	—	—	—	—	—	4,238	4,238	—	4,238
Other comprehensive income:									
<i>Items that may be reclassified subsequently to profit or loss</i>									
Exchange differences on consolidation/combination	—	—	—	163	—	—	163	—	163
Total comprehensive income for the year	—	—	—	163	—	4,238	4,401	—	4,401
Transactions with owners:									
Issue of share capital (Note 22(a))	—*	—	—	—	—	—	—*	—	—*
Contributions made by the Ultimate Controlling Party (Note 25(a)(iii))	—	595	—	—	—	—	595	—	595
Total transactions with owners	—*	595	—	—	—	—	595	—	595
At 31 December 2018	—*	97,438	—	(288)	110	(9,559)	87,701	—	87,701
At 1 January 2019	—*	97,438	—	(288)	110	(9,559)	87,701	—	87,701
Loss for the year	—	—	—	—	—	(7,439)	(7,439)	—	(7,439)
Other comprehensive loss:									
<i>Items that may be reclassified subsequently to profit or loss</i>									
Exchange differences on consolidation/combination	—	—	—	(541)	—	—	(541)	—	(541)
Total comprehensive loss for the year	—	—	—	(541)	—	(7,439)	(7,980)	—	(7,980)
At 31 December 2019	—*	97,438	—	(829)	110	(16,998)	79,721	—	79,721

* Represent amounts less than HK\$1,000.

	Attributable to owners of the Company						Total	Non-controlling interests	Total equity
	Reserves								
	Share capital	Capital reserve	Special reserve	Translation reserve	Statutory reserve	Accumulated losses			
HK\$'000 (Note 22(a))	HK\$'000 (Note 23(a))	HK\$'000 (Note 23(b))	HK\$'000 (Note 23(c))	HK\$'000 (Note 23(d))	HK\$'000	HK\$'000	HK\$'000 (Note 24)	HK\$'000	
At 1 January 2019	—*	97,438	—	(288)	110	(9,559)	87,701	—	87,701
Profit for the period	—	—	—	—	—	194	194	—	194
Other comprehensive (loss) income:									
<i>Items that may be reclassified subsequently to profit or loss</i>									
Exchange differences on consolidation/ combination	—	—	—	(824)	—	—	(824)	—	(824)
Total comprehensive (loss) income for the period	—	—	—	(824)	—	194	(630)	—	630
At 31 August 2019	—*	97,438	—	(1,112)	110	(9,365)	87,071	—	87,071

* Represent amounts less than HK\$1,000.

	Attributable to owners of the Company								
	Reserves						Total	Non-controlling interests	Total equity
	Share capital	Capital reserve	Special reserve	Translation reserve	Statutory reserve	Accumulated (losses) profits			
HK\$'000 (Note 22(a))	HK\$'000 (Note 23(a))	HK\$'000 (Note 23(b))	HK\$'000 (Note 23(c))	HK\$'000 (Note 23(d))	HK\$'000	HK\$'000	HK\$'000 (Note 24)	HK\$'000	
At 1 January 2020	—*	97,438	—	(829)	110	(16,998)	79,721	—	79,721
Profit for the period	—	—	—	—	—	26,320	26,320	—	26,320
Other comprehensive (loss) income:									
<i>Items that may be reclassified subsequently to profit or loss</i>									
Exchange differences on consolidation/combination	—	—	—	(447)	—	—	(447)	—	(447)
Total comprehensive (loss) income for the period	—	—	—	(447)	—	26,320	25,873	—	25,873
At 31 August 2020	—*	97,438	—	(1,276)	110	9,322	105,594	—	105,594

* Represent amounts less than HK\$1,000.

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Eight months ended	
	2017	2018	2019	31 August	
	HK\$'000	HK\$'000	HK\$'000	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
OPERATING ACTIVITIES					
Profit (Loss) before income tax	17,133	6,693	(7,133)	915	32,620
Adjustments for:					
Depreciation	2,893	2,878	3,640	2,445	1,952
Deemed capital contributions from the Ultimate Controlling Party (<i>Note 25(a)(iii)</i>)	2,000	595	—	—	—
Dividend income	(906)	(888)	(73)	(73)	—
Exchange differences	509	1,216	(11)	128	(273)
Finance costs	2,724	2,773	3,096	2,231	1,958
Interest income	(553)	(311)	(179)	(92)	(32)
Loss (Gain) on disposal of property, plant and equipment	274	(88)	—	—	—
Gain on redemption of mutual fund units	—	—	(453)	(453)	—
Net fair value (gain) loss on mutual fund units	(982)	1,889	—	—	—
Bad debts written off	—	20	—	—	—
Provision for impairment loss on trade receivables	322	668	8,597	—	80
Reversal of impairment loss on trade receivables	(36)	(21)	(28)	(28)	(503)
Reversal of impairment loss on other receivables	(33)	—	—	—	—
Operating cash inflows before movements in working capital	23,345	15,424	7,456	5,073	35,802
Changes in working capital:					
Trade and other receivables	(27,808)	2,105	17,933	59,405	(18,026)
Trade and other payables	8,862	4,348	(10,605)	(27,510)	19,754
Amount due to a director	(97)	—	—	—	—
Cash generated from operations	4,302	21,877	14,784	36,968	37,530
Income tax paid	(1,769)	(5,645)	(668)	(665)	(3,353)
Interest paid	(2,724)	(2,773)	(3,096)	(2,231)	(1,958)
Net cash (used in) from operating activities	(191)	13,459	11,020	34,072	32,219

	Note	Year ended 31 December			Eight months ended 31 August	
		2017	2018	2019	2019	2020
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
INVESTING ACTIVITIES						
Increase in pledged bank deposits		—	(23,004)	(5,991)	(5,936)	—
Dividend received		906	888	73	73	—
Interest received		394	311	179	92	32
Purchase of property, plant and equipment		(153)	(9)	(177)	(160)	—
Proceeds from disposal of property, plant and equipment		272	113	—	—	—
Proceeds from redemption of mutual fund units		—	—	18,231	18,231	—
Net cash from (used in) investing activities		<u>1,419</u>	<u>(21,701)</u>	<u>12,315</u>	<u>12,300</u>	<u>32</u>
FINANCING ACTIVITIES						
Inception of interest-bearing borrowings	25(b)	241,268	142,295	91,163	50,290	62,944
Repayment of interest-bearing borrowings		(246,944)	(137,077)	(102,682)	(68,842)	(84,609)
Repayment of obligations under finance leases		(766)	(384)	—	—	—
Repayment of lease liabilities		—	—	(1,228)	(826)	(567)
Repayment from the Ultimate Controlling Party, net		7,026	—	—	—	—
Repayment from related companies, net		14,004	—	—	—	—
Cash outflows to the Non-Core Assets	2	(315)	—	—	—	—
Net cash from (used in) financing activities		<u>14,273</u>	<u>4,834</u>	<u>(12,747)</u>	<u>(19,378)</u>	<u>(22,232)</u>
Net increase (decrease) in cash and cash equivalents		<u>15,501</u>	<u>(3,408)</u>	<u>10,588</u>	<u>26,994</u>	<u>10,019</u>
Cash and cash equivalents at beginning of the reporting period		<u>4,305</u>	<u>20,496</u>	<u>16,094</u>	<u>16,094</u>	<u>26,141</u>
Effect on exchange rate changes		690	(994)	(541)	(976)	(259)
Cash and cash equivalents at the end of the reporting period		<u><u>20,496</u></u>	<u><u>16,094</u></u>	<u><u>26,141</u></u>	<u><u>42,112</u></u>	<u><u>35,901</u></u>
Analysis of the balances of cash and cash equivalents						
Bank balances and cash		27,763	27,791	26,141	42,112	35,901
Bank overdrafts		(7,267)	(11,697)	—	—	—
		<u><u>20,496</u></u>	<u><u>16,094</u></u>	<u><u>26,141</u></u>	<u><u>42,112</u></u>	<u><u>35,901</u></u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF THE GROUP

1. GENERAL INFORMATION AND REORGANISATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 29 March 2018 under the Companies Act of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's principal place of business and the Group's headquarter is situated at Unit 817, 8/F, Tower B, Mandarin Plaza, 14 Science Museum Road, Kowloon, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of air-freight and ocean-freight forwarding services as an integrated logistics services provider.

At the date of this report, in the opinion of the directors of the Company, the ultimate controlling parties are Mr. Chiu Ricky Tong and Ms. Wong Sheng Ning Candace (together the "Ultimate Controlling Party"), who have been acting in concert over the course of the Group's business history.

Pursuant to a group reorganisation (the "Reorganisation"), which was completed on 20 July 2018, as detailed in the paragraph headed "Reorganisation" of the section headed "History, Reorganisation and Corporate Structure" of the Prospectus issued in connection with the initial listing of shares of the Company on GEM of the Stock Exchange, the Company became the holding company of the entities now comprising the Group.

At the date of this report, the particulars of the Company's subsidiaries, which are private limited liability companies, of which the Company has direct or indirect interests, are as follows:

Name of subsidiary	Place of incorporation/ establishment	Place of operation	Date of incorporation/ establishment	Issued/ Paid-up capital	Attributable equity interest held by the Company	Principal activities
<i><u>Directly held</u></i>						
Grand Power Logistics Holdings Limited ("Grand Power BVI")	The British Virgin Islands (the "BVI")	The BVI	28 October 2016	US\$10,002	100%	Investment holding
<i><u>Indirectly held</u></i>						
Grand Power Express International Limited ("Grand Power HK")	Hong Kong	Hong Kong	31 May 2000	HK\$92,750,000	100%	Provision of air-freight and ocean-freight forwarding services
Grand Power Express Forwarders Company Limited ("Grand Power Macau")	Macau	Macau	19 December 1996	Macau Pataca ("MOP") 2,200,000	100%	Provision of air-freight forwarding services
裕程國際貨運有限公司 (Grand Power Express International (China) Limited*) ("Grand Power Shanghai")	Shanghai, the People's Republic of China (the "PRC")	The PRC	26 November 2004	US\$7,250,000	100%	Provision of air-freight and ocean-freight forwarding services
United Air Cargo & Express Limited ("United Air")	The BVI	Macau	25 October 1999	US\$100	100%	Provision of air-freight forwarding services and holding property for own use

Name of subsidiary	Place of incorporation/ establishment	Place of operation	Date of incorporation/ establishment	Issued/ Paid-up capital	Attributable equity interest held by the Company	Principal activities
港裕程國際貨運代理(深圳)有限公司(Grand Power Express International (Shenzhen) Limited*) ("Grand Power Shenzhen")	Shenzhen, the PRC	The PRC	19 December 2006	Renminbi ("RMB") 5,000,000	100%	Provision of air-freight and ocean-freight forwarding services
Lumen Corporation Limited ("Lumen")	Hong Kong	Hong Kong	24 November 2009	HK\$1	100%	Holding property for own use
Metroplus Asia Limited ("Metroplus")	The BVI	The BVI	30 March 2007	US\$50,000	100%	Investment holding
Redcap Logistics Limited ("Redcap")	Hong Kong	Hong Kong	8 June 2007	HK\$10,000	100%	Provision of air-freight and ocean-freight forwarding services

During the Relevant Periods, the following subsidiaries are dissolved:

Name of subsidiary	Place of incorporation/ establishment	Place of operation	Date of incorporation/ establishment	Issued/ Paid-up capital	Attributable equity interest held by the Company	Principal activities
Ching Chit Express Company Limited ("Ching Chit")	Hong Kong	Hong Kong	21 June 2011	HK\$1	Dissolved on 27 July 2018	N/A
Grand Power Express International (USA) Corp. ("Grand Power USA")	Los Angeles, the United States of America (the "USA")	The USA	18 September 2006	Nil	Dissolved on 1 August 2018	N/A

* *English translation for identification purpose only.*

The financial statements, as prepared in accordance with respective local financial reporting standards, of the Company's subsidiaries that fall into the Relevant Periods have been audited as follows:

Subsidiary	Financial period	Auditors
Grand Power HK	Years ended 31 December 2017, 2018 and 2019	Mazars CPA Limited
Grand Power Macau	Years ended 31 December 2017, 2018 and 2019	Mazars CPA Limited
Grand Power Shanghai	Years ended 31 December 2017, 2018 and 2019	上海瑪澤會計師事務所(普通合伙)(Shanghai Mazars Certified Public Accountants (General Partnership))
United Air	Years ended 31 December 2017, 2018 and 2019	Mazars CPA Limited

Subsidiary	Financial period	Auditors
Ching Chit	Year ended 31 December 2017	Mazars CPA Limited
	Period ended 27 July 2018 (date of dissolution)	Mazars CPA Limited
Grand Power Shenzhen	Years ended 31 December 2017, 2018 and 2019	上海瑪澤會計師事務所(普通合伙)(Shanghai Mazars Certified Public Accountants (General Partnership))
Lumen	Years ended 31 December 2017, 2018 and 2019	Mazars CPA Limited
Metroplus	Years ended 31 December 2017, 2018 and 2019	Mazars CPA Limited
Redcap	Years ended 31 December 2017, 2018 and 2019	Mazars CPA Limited

No statutory audited financial statements have been prepared by Grand Power BVI and Grand Power USA for the period from their respective dates of incorporation to the date of this report/to the date of its dissolution as they are not required to issue audited financial statements under the statutory requirements of their respective places of incorporation.

2. BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

Immediately prior to and after the Reorganisation, the Company and its subsidiaries now comprising the Group are ultimately controlled by the Ultimate Controlling Party. The Group's business is mainly conducted through Grand Power HK, Grand Power Macau, Grand Power Shanghai, United Air, Grand Power Shenzhen, Lumen and Redcap while the Company and other entities within the Group have not been involved in any other significant activities prior to the Reorganisation. Because the Reorganisation did not result in any change in the management and the ultimate control of the Group's business, the Group is regarded as a continuing entity and, therefore, the Reorganisation is considered to be a restructuring of entities and a business combination under common control. The Historical Financial Information as included in this report is prepared using the carrying values of the entities involved in the Reorganisation for all periods presented on a basis in accordance with the principles of merger accounting as set out in Hong Kong Accounting Guideline 5 "Merger accounting for common control combinations" ("AG 5") issued by the HKICPA, as further explained in the paragraph headed "Merger accounting for common control combinations" in Note 3 below.

On or before 3 January 2017, the Ultimate Controlling Party indirectly held 22.33% of the equity interest of the former holding company of the subsidiaries now comprising the Group, Grand Power Logistics Group Inc. ("Grand Power Canada"), which was then listed on TSX Venture Exchange in Canada. Taking into account the Ultimate Controlling Party's shareholdings (the single largest shareholder), voting rights and power to participate in the operational and financial activities of Grand Power Canada, the distribution of shareholdings of other shareholders and the Ultimate Controlling Party as well as the historical voting patterns, the directors of the Company are of the view that the shareholdings in Grand Power Canada were dispersed in a way that other shareholders had not organised to outvote the Ultimate Controlling Party so that the Ultimate Controlling Party had the ability to direct the relevant activities of Grand Power Canada. Furthermore, Grand Power Canada issued convertible debentures with a face value of Canadian dollars ("C\$") 5 million on 9 November 2015 to Mr. Chiu Ricky Tong. The convertible debentures might convert into 62.5 million shares of Grand Power Canada at C\$0.08 per share in the first year after issuance or 50 million shares at C\$0.10 per share in the second year after issuance. If Mr. Chiu Ricky Tong converted all of the convertible debentures, he would hold or control 55.11% or 50.83%, respectively, of the enlarged issued shares of Grand Power Canada. Therefore, the directors of the Company are of the view that the Ultimate Controlling Party had de facto control over Grand

Power Canada and its subsidiaries now comprising the Group. In the opinion of the directors of the Company, the Ultimate Controlling Party controls all the entities now comprising the Group before and after the Reorganisation. Equity interest in the Company's subsidiaries now comprising the Group that were directly or indirectly held by parties other than the Ultimate Controlling Party, and changes therein, prior to 3 January 2017, the date when the Ultimate Controlling Party privatised Grand Power Canada, are presented as non-controlling interests in equity in applying the principles of merger accounting in accordance with AG 5.

The Historical Financial Information aims to include assets, liabilities, income and expenses that are related to and specifically identified for the provision of air-freight and ocean-freight forwarding services (the "Forwarding Business"). During the Relevant Periods, Harvest Alliance Holdings Limited, an associate of Grand Power HK, and its subsidiaries were engaged in an investment in Yangshan International Container Transit Logistics Park project (the "Yangshan Investment") and Redcap has equity interests in 24 companies incorporated in Macau which were engaged in properties holding of 14 commercial properties and 10 car parking spaces located in Macau (the "Macau Investment") (the Yangshan Investment and the Macau Investment together referred to the "Non-core Assets"). The Non-core Assets are not directly related to, nor form part of, the Group's principal Forwarding Business. For the purpose of this report, the Group had segregated the relevant financial information of the Forwarding Business from the historical financial information of Grand Power HK and Redcap for the preparation of the Historical Financial Information. In particular, the investment made and carrying amount of the Non-core Assets during each reporting period were reflected as movements and balances in the combined statements of changes in equity under the heading of "special reserve" as deemed equity transactions with the Ultimate Controlling Party (as the Non-core Assets were retained by the Ultimate Controlling Party and did not form part of the Group following completion of the Reorganisation) and the cash payments made on behalf of the Ultimate Controlling Party in respect of the Non-core Assets during each reporting period were included in the combined statements of cash flows under financing activities. Such presentation ceased when the Non-core Assets were formally transferred to the Ultimate Controlling Party in May and December 2017. The Historical Financial Information excludes the movements and balances of the Non-core Assets which, in the opinion of the directors of the Company, are clearly delineated from the Forwarding Business and whose movements and balances are clearly identifiable.

	Yangshan Investment HK\$'000	Macau Investment HK\$'000	Total HK\$'000
Reconciliation of carrying amount — years ended			
31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020			
At 1 January 2017	9,718	10,020	19,738
Changes in the Non-core Assets, net	—	315	315
Transfer of Non-core Assets	(9,718)	(10,335)	(20,053)
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2017, 2018 and 2019 and 31 August 2020	<u> </u>	<u> </u>	<u> </u>

Furthermore, the Historical Financial Information aims to accurately and completely reflect the entire historical transactions relevant to the Forwarding Business during the Relevant Periods. Prior to the commencement of the Reorganisation in preparing for the Initial Listing, certain employees were employed by the related companies controlled by the Ultimate Controlling Party to support the sales function of the Forwarding Business of the Group. The related companies still recognised in their books the direct costs, in particular, staff costs and entertainment expenses, related to sales activities during the Relevant Periods performed by these employees. Given that the sales function of the employed staff was an integral part of the Forwarding Business, and certain employees were subsequently transferred to the Group, for the purpose of the Historical Financial Information, the direct costs arising from the sales activities arising from these employees that were originally recognised by the related companies, which are clearly identifiable, are recognised in the Group's profit or loss and treated as contributions made by the Ultimate Controlling Party (Note 25(a)(iii)).

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.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The Historical Financial Information has been prepared in accordance with the basis set out below which conforms with HKFRSs, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong.

The Historical Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

The HKICPA has issued a number of new/revised HKFRSs during the Relevant Periods. For the purpose of the preparation of the Historical Financial Information, the Group has consistently adopted all those new/revised HKFRSs (including HKFRS 9 and HKFRS 15) that are relevant to its operations and are effective prior to/from 1 January 2018 throughout the Relevant Periods and initially adopted HKFRS 16 from 1 January 2019 as set out below. The adoption of those new/revised HKFRSs, in particular, HKFRS 9, HKFRS 15 and HKFRS 16 as compared to HKAS 39, HKAS 18 and HKAS 17, has no significant impact on the financial position and performance of the Group.

Adoption of HKFRS 9 “Financial instruments”

The Group has adopted HKFRS 9 for the Relevant Periods in the Historical Financial Information. HKFRS 9 replaces the provisions of HKAS 39 “Financial Instruments: Recognition and Measurement” in relation to (i) recognition, classification and measurement of financial assets and financial liabilities; (ii) derecognition of financial instruments; (iii) impairment of financial assets; and (iv) hedge accounting. HKFRS 9 also amends other standards dealing with financial instruments such as HKFRS 7 “Financial Instruments: Disclosures”.

Adoption of HKFRS 15 “Revenue from contracts with customers”

The Group has adopted HKFRS 15 for the Relevant Periods in the Historical Financial Information. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to be recognised through a 5-step approach: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognise revenue when (or as) the Group satisfies a performance obligation. The core principle is that a company should recognise revenue when control of a good or service is transferred to a customer.

Adoption of HKFRS 16 “Leases”

The Group has adopted HKFRS 16, which replaced HKAS 17, and the related consequential amendments to other HKFRSs from 1 January 2019 which resulted in changes in accounting policies. In accordance with the transitional provisions in HKFRS 16, the Group has elected to apply the new standard retrospectively with the cumulative effect of initial application recognised at 1 January 2019.

Before the adoption of HKFRS 16, commitments under operating leases for future periods were not recognised by the Group as liabilities. Operating lease rental expenses were recognised in profit or loss over the lease period on a straight-line basis.

On adoption of HKFRS 16, the Group recognised the lease liabilities in relation to leases which had previously been classified as operating leases except for those are otherwise exempted. The Group did not reassess if a contract was or contained a lease at adoption. These liabilities were initially measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate of respective entities. The difference between the present value and the total remaining lease payments represents the cost of financing. Such finance cost will be charged to profit or loss in the period in which it is incurred on the basis that produces a constant periodic rate of interest on the remaining lease liability balance.

At the inception of a contract that contains a lease component, as a lessee, the Group allocated the consideration in the contract to each lease component on the basis of their relative stand-alone-price. The Group, as a lessee, assessed its leases for non-lease components and separated non-lease components from lease components for certain classes of assets if the non-lease components were material.

The associated right-of-use assets were measured at the amount equal to the initial measurement of lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the combined statements of financial position immediately before the date of initial application. The right-of-use assets were recognised in the combined statements of financial position.

Depreciation was charged to profit or loss on a straight-line basis over the shorter of the assets' useful lives or the unexpired term of lease.

The following table reconciles the adjustments made to the carrying amounts recognised in relation to the lease commitments in the combined statements of financial position at the date of initial application of HKFRS 16 on 1 January 2019:

	Carrying amounts on 31 December 2018 under HKAS 17 HK\$'000	Adjustments HK\$'000	Carrying amounts on 1 January 2019 under HKFRS 16 HK\$'000
Non-current assets			
Recognised leased assets in property, plant and equipment	35,555	673	36,228
Current liabilities			
Obligations under finance leases	377	(377)	—
Lease liabilities	—	730	730
	<u>377</u>	<u>353</u>	<u>730</u>
Non-current liabilities			
Obligations under finance leases	63	(63)	—
Lease liabilities	—	383	383
	<u>63</u>	<u>320</u>	<u>383</u>

Upon the initial adoption of HKFRS 16, the balance recognised under "Obligations under finance leases" was reclassified as "Lease liabilities".

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average discount rate applied is 5.01%.

	At 1 January 2019 HK\$'000
Operating lease commitment at 31 December 2018	696
Lease liabilities recognised at 1 January 2019 discounted using the incremental borrowing rate	<u>673</u>

A summary of the principal accounting policies adopted by the Group in preparing the Historical Financial Information is set out below.

Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis, except for the unlisted investments of mutual fund units included in the financial assets at fair value through profit or loss which are measured at fair value as explained in the accounting policy set out below.

Basis of combinations

The Historical Financial Information comprises the financial statements of the Company and all of its subsidiaries for the Relevant Periods. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company using consistent accounting policies.

All intra-group balance, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

Non-controlling interests are presented, separately from owners of the Company in the combined financial statements. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by HKFRSs.

Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to the owners of the Company and the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

The results of subsidiaries are combined from the date on which the Group obtains control and continue to be combined until the date that such control ceases.

Changes in ownership interest

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the holding company had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

Merger accounting for common control combinations

The Historical Financial Information incorporates the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the Ultimate Controlling Party.

The net assets of the combining entities or businesses are combined using the existing carrying values from the Ultimate Controlling Party's perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the Ultimate Controlling Party's interest. All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities, arising from the Reorganisation, have been recognised as part of the capital reserve. The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting, are recognised as an expense in the period in which they are incurred.

Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss. The carrying amount of the investments is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Associate

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 of those policies.

The Group's investment in an associate is accounted for under the equity method of accounting, except when the investment or a portion thereof is classified as held for sale. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the investee's net assets and any impairment loss relating to the investment. Except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee, the Group discontinues recognising its share of further losses when the Group's share of losses of the investee equals or exceeds the carrying amount of its interest in the investee, which includes any long term interests that, in substance, form part of the Group's net investment in the investee.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives at the annual rate/useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Right-of-use assets	Shorter of assets useful lives or the unexpired term of lease
Leasehold properties	Over the lesser of 50 years or the remaining term of the lease
Leasehold improvements	20%
Computer equipment	20% — 33.33%
Furniture and fixtures	10% — 20%
Motor vehicles	20%

Before the adoption of HKFRS 16, assets held under finance leases are depreciated over the shorter of their expected useful lives or the terms of the leases.

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument and, in case of financial assets, on trade date basis. Financial assets (except for trade receivables which are initially measured at transaction price) and financial liabilities of the Group are initially measured at fair value and transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than those measured at fair value through profit or loss ("FVPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs of financial assets or financial liabilities carried at FVPL are expensed in profit or loss.

Classification and measurement*(i) Financial assets*

On initial recognition, a financial asset is classified as measured at amortised cost, FVPL or fair value through other comprehensive income ("FVOCI").

Financial assets are not reclassified subsequent to their initial recognition, except if and the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is calculated using the effective interest method.

Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/losses together with foreign exchange gains and losses. Impairment gains or losses are presented, if material, as separate line item in the statement of profit or loss.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss.

The Group's financial assets, including trade and other receivables, pledged bank deposits and bank balances and cash, are subsequently measured at amortised cost using the effective interest method less identified impairment charges, as the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income or are not designated as fair value through other comprehensive income are measured at fair value through profit or loss.

Financial assets at FVPL include the unlisted investments of mutual fund units are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. Any interest or dividend earned on the financial assets is presented separately from fair value gain or loss.

Investments in equity securities (other than investments in subsidiaries, associates and joint ventures) are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets.

(i) *Financial liabilities*

Financial liabilities include trade and other payables, bank overdrafts, interest-bearing borrowings, obligations under finance leases and lease liabilities. All financial liabilities (except for obligations under finance leases and lease liabilities) are initially measured at their fair value, net of transaction costs incurred (if any) and, subsequently at amortised cost using the effective interest method.

Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. The loss allowance for expected credit losses is recognised on the financial assets measured at amortised costs, debt instruments measured at FVOCI, and contract assets recognised under HKFRS 15. The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition. Impairment on these financial assets are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a financial asset has occurred since initial recognition, then impairment is measured as lifetime expected credit losses unless the financial asset is determined to have a low credit risk at the reporting date. Nevertheless, the loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit losses.

A financial asset is considered to be in default if:

- the debtor is unlikely to settle the amounts due in full, without taking account of any collateral or security held; or
- the financial asset is more than 90 days past due.

A financial asset is considered as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidences that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or being more than 90 days past due;
- the Group, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession(s) that the Group would not otherwise consider;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The Group considers the probability of default upon initial recognition of a financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the end of each reporting period with the risk of default as at the date of initial recognition with consideration of available reasonable and supportive forward-looking information, in particular the following indicators are incorporated:

- actual or expected significant adverse changes in external credit rating of the debtors;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and/or
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of the debtors in the Group.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due.

The gross carrying amount of a financial asset is written off (either in its entirety or a portion thereof) to the extent when there is no realistic prospect of recovering the financial asset. In general, this happens when the Group determines that it is likely that the debtor does not have assets or source of income that could generate sufficient cash flows to settle the amounts due. However, in accordance with the Group's policy for recovery, those financial assets that are written off could still be subject to enforcement activities.

Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the contractual rights to receive the cash flows of the financial assets expire; or where the Group transfers the financial assets and either (i) it has transferred substantially all the risks and rewards of ownership of the financial assets or (ii) it has neither transferred nor retained substantially all the risks and rewards of ownership of the financial assets but has not retained control of the financial assets.

Financial liabilities are derecognised when they are extinguished, i.e. when the obligation is discharged, cancelled or expires.

Cash equivalents

For the purpose of the combined statements of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts (if any).

Revenue recognition

The Group adopts 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 Group satisfies a performance obligation

Revenues are recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

Control of the good or service is transferred over time if the Group's performance:

- provides the benefits which are received and consumed simultaneously by the customer as the Group performs;
- creates or enhances an asset that the customer controls as the Group performs; or
- 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 control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete the satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods and services.

Freight forwarding services income is recognised over time upon the performance obligation is satisfied. Revenue is recognised over time when the Group transfers control of the services over time, based on the actual service provided to date as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously.

For revenue recognised over time under HKFRS 15, provided the outcome of the performance obligation can be reasonably measured, the Group applies the input method (i.e. based on the proportion of the actual inputs deployed to date as compared to the estimated total inputs) to measure the progress towards complete satisfaction of the performance obligation because there is a direct relationship between the Group's inputs and the transfer of control of goods or services to the customers and reliable information is available to the Group to apply the method. Otherwise, revenue is recognised only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation. The input method applies to freight forwarding services is based on the cost incurred.

The Group has applied the practical expedient and thus has not adjusted the promised amount of consideration for the effects of any significant financing components because the Group does not expect, at contract inception, the period between the transfer of the provided goods or services to the customer and the payment by the customer exceeds one year.

Dividend income from investments is recognised at a point in time when the Group's rights to receive payment have been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets and contract liabilities

If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset, excluding any amounts presented as a receivable. Conversely, if a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the contract is presented as a contract liability when the payment is made or the payment is due (whichever is earlier). A receivable is the Group's right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due.

For a single contract or a single set of related contracts, either a net contract asset or a net contract liability is presented. Contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

For freight forwarding business, it is common for the Group to receive from the customer the whole or some of the contractual payments before the services are completed or when the goods are delivered (i.e. the timing of revenue recognition for such transactions). The Group recognises a contract liability until it is recognised as revenue. During that period, any significant financing components, if applicable, will be included in the contract liability and will be expensed as accrued unless the interest expense is eligible for capitalisation.

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information is presented in the currency of HK\$, which is also the Company's functional currency, and rounded to the nearest thousands unless otherwise indicated.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

The results and financial position of all the group entities that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rate;
- all resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity;
- on the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation, a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest is no longer equity-accounted for, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised;
- on the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss; and
- On all other partial disposals, which includes partial disposal of associates that do not result in the Group losing significant influence, the proportionate share of the cumulative amount of exchange differences recognised in the separate component of equity is reclassified to profit or loss.

Impairment of other assets

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that property, plant and equipment and the Company's investment in a subsidiary may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

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. Impairment losses are recognised as an expense in profit or loss immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior periods. Reversal of impairment loss is recognised as an income in profit or loss immediately.

Borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

Leases***The Group as lessee — Applicable from 1 January 2019***

The Group leases various properties and motor vehicles during the Relevant Periods. Lease contracts are typically made for fixed periods of 2 to 27 years. The lease agreements do not impose any covenants and the lease terms are negotiated on an individual basis with a wide range of different terms and conditions, but leased assets may be used as security for borrowing purposes.

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases are recognised as a right-of-use asset (included in “property, plant and equipment”) and corresponding liability at the date of which the leased asset is available for use by the 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 liability for each period. The right-of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis (unless the lease transfers ownership of the underlying assets to the Group by the end of the lease term or if the cost of the right-of-use assets reflects that the Group will exercise a purchase option – in which case depreciation is provided over the estimated useful life of the underlying assets).

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments that are not paid:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease if the lease term reflects the Group exercising an option to terminate the lease.

Right-of-use assets are measured at cost comprising the followings:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentive received; and
- any initial direct costs.

Payments associated with short-term leases or leases of low-value assets are recognised on a straight-line basis over the lease term as an expense in profit or loss.

The Group as lessee — Applicable before 1 January 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.

Finance leases, as lessee

Assets held under finance leases are recognised as assets of the Group at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined statements of financial position as finance lease obligation. Finance charges, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Operating leases, as lessee

Rental payables under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant leases.

Employee benefits*Short term employee benefits*

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees.

Defined contribution plans

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

In accordance with the rules and regulations in the PRC, the employees of the Group's entities established in the PRC are required to participate in defined contribution retirement plans organised by local governments. Contributions to these plans are expensed in profit or loss as incurred and other than these monthly contributions, the Group has no further obligation for the payment of retirement benefits to its employees.

Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the combined financial statements. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investment in subsidiaries and associates except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Related parties

A related party is a person or entity that is related to the Group.

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a holding company of the Group.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) the entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) both entities are joint ventures of the same third party.
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
 - (vi) the entity is controlled or jointly controlled by a person identified in (a).
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the holding company of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of the Group's various lines of business.

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the Historical Financial Information. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

Key sources of estimation uncertainty are as follows:*Useful lives of property, plant and equipment*

The management determines the estimated useful lives of the Group's property, plant and equipment based on the historical experience of the actual useful lives of assets of similar nature and functions. The estimated useful lives could be different as a result of technical innovations which could affect the related depreciation charges included in profit or loss.

Impairment of property, plant and equipment

The management determines whether the Group's property, plant and equipment are impaired when an indication of impairment exists. This requires an estimation of the recoverable amount of the property, plant and equipment which is equal to the higher of fair value less costs of disposal and value in use. Estimating the value in use requires the management to make an estimate of the expected future cash flows from the property, plant and equipment and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Any impairment will be charged to profit or loss.

Impairment of trade and other receivables

The provisioning policy for bad debts and loss allowance of the Group is based on the evaluation by the management of the collectability of the trade and other receivable. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness, the past collection history and available reasonable and supportive forward-looking information of each debtor. If the financial conditions of these debtors were to deteriorate, resulting in an impairment of their ability to make payments, allowance will be required.

Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain where the final tax outcome of these matters may be different from the amounts that were initially recorded and such differences will affect the income tax and deferred tax provision in the period in which such determination is made.

Future changes in HKFRSs

At the date of approving the Historical Financial Information, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the Relevant Periods, which the Group has not early adopted:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions ⁽¹⁾
Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16	Interest Rate Benchmark Reform — Phase 2 ⁽²⁾
Amendments to HKAS 16	Proceeds before Intended Use ⁽³⁾
Amendments to HKAS 37	Cost of Fulfilling a Contract ⁽³⁾
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁽³⁾
Annual Improvements to HKFRSs	2018–2020 Cycle ⁽³⁾
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ⁽⁴⁾
HKFRS 17	Insurance Contracts ⁽⁴⁾
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽⁵⁾

⁽¹⁾ Effective for annual periods beginning on or after 1 June 2020

⁽²⁾ Effective for annual periods beginning on or after 1 January 2021

⁽³⁾ Effective for annual periods beginning on or after 1 January 2022

⁽⁴⁾ Effective for annual periods beginning on or after 1 January 2023

⁽⁵⁾ The effective date to be determined

The management of the Group does not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the Group's consolidated/combined financial information.

4. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being identified as the chief operating decision makers (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of services provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments are as follows:

- 1) Air-freight forwarding segment: provision of air-freight forwarding services.
- 2) Ocean-freight forwarding segment: provision of ocean-freight forwarding services.

Segment revenue and results

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3.

Segment revenue represents revenue derived from provision of (i) air-freight forwarding services and (ii) ocean-freight forwarding services.

Segment results represent the gross profit reported by each segment without allocation of other income, administration and other operating expenses, provision for impairment loss on trade receivables, finance costs, listing expenses and income tax expenses. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

No analysis of the Group's assets and liabilities by operating segment is presented as it is not regularly provided to the CODM for review.

The segment information provided to the CODM of the Group for the reportable segments for the Relevant Periods is as follows:

	Air-freight forwarding <i>HK\$'000</i>	Ocean-freight forwarding <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2017			
Revenue			
Export	400,416	24,127	424,543
Import	361	510	871
	<u>400,777</u>	<u>24,637</u>	<u>425,414</u>
Segment revenue	<u>400,777</u>	<u>24,637</u>	<u>425,414</u>
Segment results	<u>45,077</u>	<u>1,390</u>	46,467
Unallocated income and expenses:			
Other income			2,731
Administrative and other operating expenses			(23,818)
Provision for impairment loss on trade receivables			(322)
Finance costs			(2,724)
Listing expenses			<u>(5,201)</u>
Profit before income tax			17,133
Income tax expenses			<u>(4,519)</u>
Profit for the year			<u>12,614</u>

	Air-freight forwarding <i>HK\$'000</i>	Ocean-freight forwarding <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2018			
Revenue			
Export	447,243	14,298	461,541
Import	362	1,147	1,509
	<u>447,605</u>	<u>15,445</u>	<u>463,050</u>
Segment revenue	447,605	15,445	463,050
	<u>44,646</u>	<u>1,378</u>	46,024
Segment results	44,646	1,378	46,024
Unallocated income and expenses:			
Other income			1,647
Administrative and other operating expenses			(26,233)
Provision for impairment loss on trade receivables			(668)
Finance costs			(2,773)
Listing expenses			(11,304)
			<u>6,693</u>
Profit before income tax			6,693
			(2,455)
Income tax expenses			<u>(2,455)</u>
			4,238
Profit for the year			<u>4,238</u>
	Air-freight forwarding <i>HK\$'000</i>	Ocean-freight forwarding <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2019			
Revenue			
Export	318,666	32,402	351,068
Import	551	1,722	2,273
	<u>319,217</u>	<u>34,124</u>	<u>353,341</u>
Segment revenue	319,217	34,124	353,341
	<u>31,505</u>	<u>2,423</u>	33,928
Segment results	31,505	2,423	33,928
Unallocated income and expenses:			
Other income			829
Administrative and other operating expenses			(23,139)
Provision for impairment loss on trade receivables			(8,597)
Finance costs			(3,096)
Listing expenses			(7,058)
			<u>(7,133)</u>
Loss before income tax			(7,133)
			(306)
Income tax expenses			<u>(306)</u>
			(7,439)
Loss for the year			<u>(7,439)</u>

	Air-freight forwarding <i>HK\$'000</i>	Ocean-freight forwarding <i>HK\$'000</i>	Total <i>HK\$'000</i>
Eight months ended 31 August 2019			
Revenue			
Export	194,799	17,781	212,580
Import	220	1,518	1,738
	<u>195,019</u>	<u>19,299</u>	<u>214,318</u>
Segment revenue	<u>195,019</u>	<u>19,299</u>	<u>214,318</u>
Segment results	<u>19,677</u>	<u>1,420</u>	21,097
Unallocated income and expenses:			
Other income			917
Administrative and other operating expenses			(14,450)
Provision for impairment loss on trade receivables			—
Finance costs			(2,231)
Listing expenses			<u>(4,418)</u>
Profit before income tax			915
Income tax expenses			<u>(721)</u>
Profit for the period			<u>194</u>

	Air-freight forwarding HK\$'000	Ocean-freight forwarding HK\$'000	Total HK\$'000
Eight months ended 31 August 2020			
Revenue			
Export	536,402	15,594	551,996
Import	178	1,193	1,371
	<u>536,580</u>	<u>16,787</u>	<u>553,367</u>
Segment revenue	536,580	16,787	553,367
Segment results	59,499	153	59,652
Unallocated income and expenses:			
Other income			1,451
Administrative and other operating expenses			(23,254)
Provision for impairment loss on trade receivables			(80)
Finance costs			(1,958)
Listing expenses			(3,191)
			<u>32,620</u>
Profit before income tax			32,620
Income tax expenses			(6,300)
			<u>26,320</u>
Profit for the period			<u>26,320</u>

Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment ("Specified Non-current Assets"). The geographical location of the revenue is presented based on the export shipments by destination and import shipments by origin. The geographical location of the Specified Non-current Assets is presented based on the physical location of the assets.

a) Location of revenue

Revenue generated from export shipments by destination

	Year ended 31 December			Eight months ended 31 August	
	2017	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Europe	164,535	148,726	115,235	59,021	308,687
Asia	157,789	195,085	146,510	99,748	48,520
North America	91,747	97,039	69,848	41,219	180,569
Others	10,472	20,691	19,475	12,592	14,220
	<u>424,543</u>	<u>461,541</u>	<u>351,068</u>	<u>212,580</u>	<u>551,996</u>

Revenue generated from import shipments by origin

	Year ended 31 December			Eight months ended 31 August	
	2017	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Europe	329	1,018	492	339	1,156
Asia	160	101	152	29	18
North America	331	386	1,627	1,370	13
Others	51	4	2	—	184
	<u>871</u>	<u>1,509</u>	<u>2,273</u>	<u>1,738</u>	<u>1,371</u>

b) Location of the Specified Non-current Assets

	At 31 December			At 31 August	
	2017	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	33,765	31,209	29,716	28,263	
Macau	6,230	5,969	5,708	5,534	
The PRC	117	37	412	294	
	<u>40,112</u>	<u>37,215</u>	<u>35,836</u>	<u>34,091</u>	

Information about major customers

Revenue from customers individually contributing 10% or more of the total revenue of the Group is as follows:

	Year ended 31 December			Eight months ended 31 August	
	2017	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Customer A from air-freight forwarding segment	<u>43,006</u>	<u>54,695</u>	<u>Note</u>	<u>Note</u>	<u>Note</u>
Customer B from air-freight forwarding segment	<u>Note</u>	<u>Note</u>	<u>47,634</u>	<u>24,302</u>	<u>207,300</u>
Customer C from air-freight forwarding segment	<u>Note</u>	<u>Note</u>	<u>Note</u>	<u>Note</u>	<u>62,941</u>

Note: The customers contributed less than 10% of the total revenue of the Group for the respective year/period.

5. REVENUE

	Year ended 31 December			Eight months ended 31 August	
	2017	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Revenue from contracts with customers within HKFRS 15</i>					
Air-freight forwarding services	400,777	447,605	319,217	195,019	536,580
Ocean-freight forwarding services	24,637	15,445	34,124	19,299	16,787
	<u>425,414</u>	<u>463,050</u>	<u>353,341</u>	<u>214,318</u>	<u>553,367</u>

In addition to the information shown in segment disclosures, the revenue from contracts with customers within HKFRS 15 is disaggregated as follows:

	Year ended 31 December			Eight months ended 31 August	
	2017	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Timing of revenue recognition:</i>					
— over time					
Air-freight forwarding services	400,777	447,605	319,217	195,019	536,580
Ocean-freight forwarding services	24,637	15,445	34,124	19,299	16,787
	<u>425,414</u>	<u>463,050</u>	<u>353,341</u>	<u>214,318</u>	<u>553,367</u>

6. OTHER INCOME

	Year ended 31 December			Eight months ended 31 August	
	2017	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	553	311	179	92	32
Exchange gain, net	—	143	—	203	757
Gain on disposal of property, plant and equipment	—	88	—	—	—
Gain on redemption of mutual fund units	—	—	453	453	—
Dividend income	906	888	73	73	—
Net fair value gain on mutual fund units	982	—	—	—	—
Recovery of bad debts previously written-off	83	58	39	27	24
Reversal of impairment loss of trade receivables	36	21	28	28	503
Reversal of impairment loss of other receivables	33	—	—	—	—
Sundry income	138	138	57	41	135
	<u>2,731</u>	<u>1,647</u>	<u>829</u>	<u>917</u>	<u>1,451</u>

7. PROFIT (LOSS) BEFORE INCOME TAX

This is stated after charging (crediting):

	Year ended 31 December			Eight months ended	
	2017	2018	2019	31 August	
	HK\$'000	HK\$'000	HK\$'000	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Finance costs					
Interest on interest-bearing borrowings	2,310	2,377	2,935	2,082	1,920
Interest on bank overdrafts	361	367	113	113	—
Finance charges on obligations under finance leases	53	29	—	—	—
Interest on lease liabilities	—	—	48	36	38
	<u>2,724</u>	<u>2,773</u>	<u>3,096</u>	<u>2,231</u>	<u>1,958</u>
Staff costs (including directors' emoluments)					
Salaries, discretionary bonus, allowance and other benefits in kind	11,470	10,637	10,351	7,324	11,692
Contributions to defined contribution plans	709	765	796	528	411
	<u>12,179</u>	<u>11,402</u>	<u>11,147</u>	<u>7,852</u>	<u>12,103</u>
Other items					
Auditor's remuneration	481	485	386	178	297
Depreciation	2,893	2,878	3,640	2,445	1,952
Operating lease charges for premises	368	750	—	—	—
Exchange loss (gain), net	122	(143)	250	(203)	(757)
Loss (Gain) on disposal of property, plant and equipment	274	(88)	—	—	—
Gain on redemption of mutual fund units	—	—	(453)	(453)	—
Net fair value (gain) loss on mutual fund units	(982)	1,889	—	—	—
Bad debts written off	—	20	—	—	—
Recovery of bad debts previously written off	(83)	(58)	(39)	(27)	(24)
Provision for (Reversal of) impairment loss, net					
— Trade receivables	286	647	8,569	(28)	(423)
— Other receivables	(33)	—	—	—	—
	<u>(33)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

8. DIRECTORS' REMUNERATION

The Company was incorporated in the Cayman Islands on 29 March 2018. Mr. Chiu Ricky Tong and Mr. Tse Chi Kwan Decky were appointed as executive directors of the Company on 29 March 2018. Ms. Wong Sheng Ning Candace and Mr. Heung Wai Keung were appointed as a non-executive director of the Company on 29 March 2018 and 11 December 2020, respectively. Mr. Tam Ka Hei Raymond, Mr. Ng Hung Fai Myron, Mr. Yu Tak Chi Michael and Mr. Yeung Kwong Wai were appointed as independent non-executive directors of the Company on 11 December 2020.

Certain directors of the Company received remuneration from the entities now comprising the Group during the Relevant Periods for their employment as directors or employees of these entities. The aggregate amounts of remuneration received and receivable by the directors of the Company during the Relevant Periods are set out below.

Year ended 31 December 2017

	Directors' fees HK\$'000	Salaries, allowances and other benefits in kind HK\$'000	Discretionary bonus HK\$'000	Contributions to defined contribution plans HK\$'000	Total HK\$'000
<i>Executive directors</i>					
Mr. Chiu Ricky Tong	—	771	—	18	789
Mr. Tse Chi Kwan Decky	—	699	1,023	21	1,743
<i>Non-executive director</i>					
Ms. Wong Sheng Ning Candace	—	—	—	—	—
	—	1,470	1,023	39	2,532

Year ended 31 December 2018

	Directors' fees HK\$'000	Salaries, allowances and other benefits in kind HK\$'000	Discretionary bonus HK\$'000	Contributions to defined contribution plans HK\$'000	Total HK\$'000
<i>Executive directors</i>					
Mr. Chiu Ricky Tong	—	756	—	18	774
Mr. Tse Chi Kwan Decky	—	943	73	33	1,049
<i>Non-executive director</i>					
Ms. Wong Sheng Ning Candace	—	—	—	—	—
	—	1,699	73	51	1,823

Year ended 31 December 2019

	Directors' fees HK\$'000	Salaries, allowances and other benefits in kind HK\$'000	Discretionary bonus HK\$'000	Contributions to defined contribution plans HK\$'000	Total HK\$'000
<i>Executive directors</i>					
Mr. Chiu Ricky Tong	—	756	—	18	774
Mr. Tse Chi Kwan Decky	—	1,051	65	40	1,156
<i>Non-executive director</i>					
Ms. Wong Sheng Ning Candace	—	—	—	—	—
	—	1,807	65	58	1,930

Eight months ended 31 August 2019

	Directors' fees HK\$'000	Salaries, allowances and other benefits in kind HK\$'000	Discretionary bonus HK\$'000	Contributions to defined contribution plans HK\$'000	Total HK\$'000
<i>Executive directors</i>					
Mr. Chiu Ricky Tong	—	504	—	12	516
Mr. Tse Chi Kwan Decky	—	699	22	27	748
<i>Non-executive director</i>					
Ms. Wong Sheng Ning Candace	—	—	—	—	—
	—	1,203	22	39	1,264

Eight months ended 31 August 2020

	Directors' fees HK\$'000	Salaries, allowances and other benefits in kind HK\$'000	Discretionary bonus HK\$'000	Contributions to defined contribution plans HK\$'000	Total HK\$'000
<i>Executive directors</i>					
Mr. Chiu Ricky Tong	—	504	5,000	12	5,516
Mr. Tse Chi Kwan Decky	—	720	47	19	786
<i>Non-executive director</i>					
Ms. Wong Sheng Ning Candace	—	—	—	—	—
	—	1,224	5,047	31	6,302

During the Relevant Periods, no emoluments were paid by the Group to any of these directors as an inducement to join or upon joining the Group, or as a compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

9. FIVE HIGHEST PAID INDIVIDUALS

An analysis of the five highest paid individuals during the Relevant Periods is as follows:

	Number of individuals				
	Year ended 31 December			Eight months ended 31 August	
	2017	2018	2019	2019	2020
Director	2	2	2	2	2
Non-director	3	3	3	3	3
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

Details of the remuneration of the above highest paid non-director individuals are as follows:

	Year ended 31 December			Eight months ended 31 August	
	2017	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries, allowances and other benefits in kind	1,749	1,700	1,708	1,183	1,166
Discretionary bonus	360	300	143	200	101
Contributions to defined contribution plans	54	54	54	36	36
	<u>2,163</u>	<u>2,054</u>	<u>1,905</u>	<u>1,419</u>	<u>1,303</u>

The number of these non-director individuals whose emoluments fell within the following emoluments band is as follows:

	Number of individuals				
	Year ended 31 December			Eight months ended 31 August	
	2017	2018	2019	2019	2020
Nil to HK\$1,000,000	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

During the Relevant Periods, no remuneration was paid by the Group to any of these highest paid non-director individuals as an inducement to join or upon joining the Group, or as a compensation for loss of office. There was no arrangement under which any of these highest paid non-director individuals waived or has agreed to waive any emoluments during the Relevant Periods.

10. TAXATION

In March 2018, the two-tiered profits tax rates regime was signed into law of Hong Kong, under which, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of corporations in the Group not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

For the years ended 31 December 2018 and 2019 and the eight months ended 31 August 2019 and 2020, Hong Kong Profits Tax for the qualifying company is calculated in accordance with the two-tiered profits tax rates regime. The income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income.

During the Relevant Periods, Hong Kong Profits Tax was calculated at a flat rate of 16.5% of the estimated assessable profits, taking into account a reduction of 75% of the tax payable subject to a maximum reduction of HK\$20,000 for the year ended 31 December 2018 and HK\$30,000 for the year ended 31 December 2017 and a reduction of 100% of the tax payable subject to a maximum reduction of HK\$20,000 for the year ended 31 December 2019 and the eight months ended 31 August 2019.

The Group's entities established in the Cayman Islands and the BVI are exempted from income tax of those jurisdictions.

The Group's entities established in the PRC are subject to Enterprise Income Tax of the PRC at a statutory rate of 25% during the Relevant Periods.

No Macau Complementary Tax and USA income tax have been provided as the Group had no estimated assessable profits exceeding MOP600,000 arising in or derived from Macau and no taxable income arising from the USA for the Relevant Periods, respectively.

	Year ended 31 December			Eight months ended	
	2017	2018	2019	31 August 2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax					
Hong Kong Profits Tax					
Current year/period	4,322	2,474	358	980	6,503
(Over)/Under provision in prior year	—	(19)	22	—	—
PRC Enterprise Income Tax					
Current year/period	197	—	—	—	—
	<u>4,519</u>	<u>2,455</u>	<u>380</u>	<u>980</u>	<u>6,503</u>
Deferred tax					
Changes in temporary differences (Note 21)	—	—	(74)	(259)	(203)
Total income tax expenses for the year/period	<u>4,519</u>	<u>2,455</u>	<u>306</u>	<u>721</u>	<u>6,300</u>

Reconciliation of income tax expenses

	Year ended 31 December			Eight months ended 31 August	
	2017	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit (Loss) before income tax	17,133	6,693	(7,133)	915	32,620
Income tax at statutory tax rate applicable in respective territories	2,806	917	(1,182)	123	5,286
Non-deductible expenses	1,611	2,264	1,508	924	767
Unrecognised tax losses	350	609	277	191	314
Unrecognised temporary differences	116	111	(43)	25	36
Tax exempt revenue	(432)	(158)	(98)	(95)	(87)
Recognition of previously unrecognised deferred tax assets	—	—	(74)	(259)	—
Utilisation of previously unrecognised tax losses	—	—	(267)	(168)	—
Tax impact on dissolved subsidiaries	—	(1,144)	—	—	—
Others	68	(144)	185	(20)	(16)
Income tax expenses	4,519	2,455	306	721	6,300

11. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful.

12. DIVIDENDS

No dividend was paid or declared by any entities now comprising the Group during the Relevant Periods.

13. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets HK\$'000	Leasehold properties HK\$'000	Leasehold improvements HK\$'000	Computer equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Reconciliation of carrying amounts – year ended 31 December 2017							
At 1 January 2017	—	37,388	3,603	186	76	1,400	42,653
Additions	—	—	—	44	13	823	880
Disposals	—	—	—	—	—	(546)	(546)
Depreciation	—	(1,256)	(1,081)	(69)	(29)	(458)	(2,893)
Exchange realignments	—	—	—	2	3	13	18
At 31 December 2017	—	36,132	2,522	163	63	1,232	40,112
Reconciliation of carrying amounts – year ended 31 December 2018							
At 1 January 2018	—	36,132	2,522	163	63	1,232	40,112
Additions	—	—	—	—	9	—	9
Disposals	—	—	—	—	—	(25)	(25)
Depreciation	—	(1,256)	(1,081)	(69)	(35)	(437)	(2,878)
Exchange realignments	—	—	—	—*	(2)	(1)	(3)
At 31 December 2018	—	34,876	1,441	94	35	769	37,215
Reconciliation of carrying amounts – year ended 31 December 2019							
At 1 January 2019	—	34,876	1,441	94	35	769	37,215
Adjustment on transition to HKFRS 16 (Note 3)	36,228	(34,876)	—	—	—	(679)	673
Additions	1,423	—	88	15	74	—	1,600
Transfers	(376)	—	—	—	—	376	—
Depreciation	(2,396)	—	(1,091)	(55)	(22)	(76)	(3,640)
Exchange realignments	(11)	—	—	—*	—*	(1)	(12)
At 31 December 2019	34,868	—	438	54	87	389	35,836

	Right-of-use assets HK\$'000	Leasehold properties HK\$'000	Leasehold improvements HK\$'000	Computer equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Reconciliation of carrying amounts – eight months ended 31 August 2020							
At 1 January 2020	34,868	—	438	54	87	389	35,836
Additions	201	—	—	—	—	—	201
Depreciation	(1,437)	—	(372)	(19)	(15)	(109)	(1,952)
Exchange realignments	6	—	—	—*	—*	—*	6
At 31 August 2020	<u>33,638</u>	<u>—</u>	<u>66</u>	<u>35</u>	<u>72</u>	<u>280</u>	<u>34,091</u>
At 31 December 2017							
Cost	—	39,900	5,405	980	441	4,451	51,177
Accumulated depreciation	—	(3,768)	(2,883)	(817)	(378)	(3,219)	(11,065)
Net carrying amounts	<u>—</u>	<u>36,132</u>	<u>2,522</u>	<u>163</u>	<u>63</u>	<u>1,232</u>	<u>40,112</u>
At 31 December 2018							
Cost	—	39,900	5,405	956	438	2,380	49,079
Accumulated depreciation	—	(5,024)	(3,964)	(862)	(403)	(1,611)	(11,864)
Net carrying amounts	<u>—</u>	<u>34,876</u>	<u>1,441</u>	<u>94</u>	<u>35</u>	<u>769</u>	<u>37,215</u>
At 31 December 2019							
Cost	42,075	—	5,493	954	506	1,782	50,810
Accumulated depreciation	(7,207)	—	(5,055)	(900)	(419)	(1,393)	(14,974)
Net carrying amounts	<u>34,868</u>	<u>—</u>	<u>438</u>	<u>54</u>	<u>87</u>	<u>389</u>	<u>35,836</u>
At 31 August 2020							
Cost	41,497	—	5,493	963	510	2,376	50,839
Accumulated depreciation	(7,859)	—	(5,427)	(928)	(438)	(2,096)	(16,748)
Net carrying amounts	<u>33,638</u>	<u>—</u>	<u>66</u>	<u>35</u>	<u>72</u>	<u>280</u>	<u>34,091</u>

The carrying amounts of the Group's motor vehicles included approximately HK\$965,000, HK\$679,000, HK\$22,000 (included in "Right-of-use assets") and Nil in respect of assets held under finance leases (Note 19)/lease liabilities (Note 20) at 31 December 2017, 2018 and 2019 and 31 August 2020, respectively.

* Represent amounts less than HK\$1,000.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 December		At 31 August	
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Financial assets mandatorily measured at FVPL				
Unlisted investments — mutual fund units	19,667	17,778	—	—

The mutual fund units represented unlisted investments managed by a bank in Hong Kong which mainly invested in treasury bonds, debt securities, equity linked instruments and cash in global market with high credit rating with no maturity date. The mutual fund units were denominated in US\$ and non-principal guaranteed with expected return up to 6.19% per annum. The mutual fund units can be redeemed at the discretion of the Group from time to time. The fair values of the mutual fund units are reported by the bank with reference to the fair value of the underlying instruments at the end of each reporting period.

The movement of the mutual fund units is analysed as follows:

	Year ended 31 December			Eight months ended 31 August	
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2019 HK\$'000	2020 HK\$'000
At the beginning of the reporting period	18,685	19,667	17,778	17,778	—
Gain on redemption of financial assets at FVPL	—	—	453	453	—
Redemption of financial assets at FVPL	—	—	(18,231)	(18,231)	—
Fair value changes recognised in profit or loss	982	(1,889)	—	—	—
At the end of the reporting period	19,667	17,778	—	—	—

The mutual fund units with a total carrying amount of approximately HK\$19,667,000 and HK\$17,778,000 at 31 December 2017 and 2018, respectively, were pledged to secure banking facilities granted to the Group (*Note 18*). In January 2019, all mutual fund units were released from pledging to secure banking facilities as a result of the redemption made by the Group and recognised a gain on redemption of approximately HK\$453,000.

15. TRADE AND OTHER RECEIVABLES

	Note	At 31 December		At 31 August	
		2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Trade receivables		124,673	120,427	99,565	106,326
Less: Loss allowances	15(b)	(906)	(1,503)	(10,059)	(687)
	15(a)	123,767	118,924	89,506	105,639
Other receivables					
Prepayments (<i>Note</i>)		1,728	3,949	6,887	9,505
Deposits and other receivables		1,945	1,843	1,834	1,543
		3,673	5,792	8,721	11,048
		127,440	124,716	98,227	116,687

Note: The amounts included prepaid listing expenses of approximately HK\$1,723,000, HK\$3,733,000, HK\$5,780,000 and HK\$9,268,000 at 31 December 2017, 2018 and 2019 and 31 August 2020, respectively.

- 15(a) The credit terms granted to customers are varied and are generally the result of negotiations between individual customers and the Group. The average credit period granted was up to 90 days. At the end of each reporting period, the ageing analysis of trade receivables (net of loss allowances) based on invoice date is as follows:

	At 31 December			At 31 August
	2017	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 30 days	48,944	42,962	38,357	43,848
31 to 60 days	55,493	55,846	32,972	45,009
61 to 90 days	15,385	19,952	16,778	15,476
Over 90 days	3,945	164	1,399	1,306
	<u>123,767</u>	<u>118,924</u>	<u>89,506</u>	<u>105,639</u>

At the end of each reporting period, the ageing analysis of trade receivables (net of loss allowances) by due date is as follows:

	At 31 December			At 31 August
	2017	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Not yet due	<u>119,816</u>	<u>118,760</u>	<u>88,106</u>	<u>104,333</u>
Past due:				
Within 30 days	2,748	96	1,131	1,306
31 to 60 days	205	1	204	—
61 to 90 days	46	52	59	—
Over 90 days	<u>952</u>	<u>15</u>	<u>6</u>	<u>—</u>
	<u>3,951</u>	<u>164</u>	<u>1,400</u>	<u>1,306</u>
	<u>123,767</u>	<u>118,924</u>	<u>89,506</u>	<u>105,639</u>

The Group does not hold any collateral over these balance, except for a debtor with gross trade receivables of approximately HK\$8,142,000 included in the trade receivables at 31 December 2019 was guaranteed by the controlling shareholder of the debtor. At 31 December 2019, an impairment of approximately HK\$8,092,000 was made in respect of the trade receivables from this debtor because a winding up petition/bankruptcy petition has been filed on the debtor and its controlling shareholder. During the eight months ended 31 August 2020, the impaired trade receivable of approximately HK\$8,092,000 was fully written off as the debtor was wound up by the court in October 2020 and the bankruptcy order in respect of the controlling shareholder of the debtor was made in June 2020.

The Group has not impaired certain of its trade receivables which are past due at the end of each reporting period as there has not been a significant change in credit quality.

Transfer of financial assets – Factoring arrangements

The followings was the Group's trade receivables that were transferred to banks by factoring arrangements on recourse basis. At 31 December 2017, approximately HK\$62,237,000 (*Note 18*) included in the trade receivables were in connection with factoring arrangements. As the Group had not transferred the significant risks and rewards relating to these trade receivables, it continued to recognise the full carrying amount of these trade receivables and has recognised the cash received on the transfer as secured factoring arrangements. These financial assets arising from factoring arrangements were carried at amortised cost in the Group's combined statements of financial position at 31 December 2017.

	At 31 December 2017
	<i>HK\$'000</i>
Carrying amount of transferred assets	62,237
Carrying amount of associated liabilities	(46,677)
	<hr/>
Net position	15,560
	<hr/> <hr/>

The Group has no factoring arrangements for its trade receivables at 31 December 2018, 2019 and 31 August 2020.

15(b) Loss allowances

The Group determines the provision for expected credit losses by grouping together trade receivables with similar credit risk characteristics and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions. For trade receivables relating to accounts which are long overdue with significant amounts with known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance.

	Year ended 31 December			Eight months ended
	2017	2018	2019	31 August
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at beginning of the reporting period	576	906	1,503	10,059
Increase in allowance	322	668	8,597	80
Amounts recovered	(36)	(21)	(28)	(503)
Amounts written off	—	(2)	—	(8,960)
Exchange realignments	44	(48)	(13)	11
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at the end of the reporting period	906	1,503	10,059	687
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

For the purposes of estimating the expected credit losses, the trade receivables are grouped according to the nature of the credit risk, i.e. whether it is principally a risk of non-payment or a risk of late-payment only. The Group applies a provision matrix to those groups which is based on the historical observed loss rates over the expected life of the trade receivables which is adjusted for forward-looking estimates; and/or with reference to the subsequent settlement received. In addition, the Group adopted a simplified approach to recognise full provision on individual debtor with insignificant balance and without guarantee executed with more than 90 days past due (net of subsequent settlement received) as the Group considers the expected costs to be incurred for the debt recovery actions would out-weight the expected recoverable amount. At the end of each reporting period, the grouping and the historical observed loss rates are updated in light of the latest information that is relevant for the credit risk assessment and changes in the forward-looking estimates are analysed.

The changes in the loss allowances were driven by the changes in the credit risk profile of the outstanding trade debtors.

The Group estimates the following provision matrix for the Relevant Periods:

At 31 December 2017

Group: Non-payment as the principal risk

Credit-impaired	Weighted-average loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Carrying amount HK\$'000
>90 days past due				
— Without guarantee	100%	906	(906)	—
		<u>906</u>	<u>(906)</u>	<u>—</u>

The group with late-payment only as the principal risk has gross carrying amount of approximately HK\$123,767,000, for which the estimated expected credit losses are insignificant.

At 31 December 2018

Group: Non-payment as the principal risk

Credit-impaired	Weighted-average loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Carrying amount HK\$'000
>90 days past due				
— Without guarantee	100%	1,503	(1,503)	—
		<u>1,503</u>	<u>(1,503)</u>	<u>—</u>

The group with late-payment only as the principal risk has gross carrying amount of approximately HK\$118,924,000, for which the estimated expected credit losses are insignificant.

At 31 December 2019

Group: Non-payment as the principal risk

Credit-impaired	Weighted-average loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Carrying amount HK\$'000
Known insolvencies				
— With guarantee	99.4%	8,142	(8,092)	50
>90 days past due				
— Without guarantee	100%	1,967	(1,967)	—
		<u>10,109</u>	<u>(10,059)</u>	<u>50</u>

The group with late-payment only as the principal risk has gross carrying amount of approximately HK\$89,456,000, for which the estimated expected credit losses are insignificant.

At 31 August 2020

Group: Non-payment as the principal risk

Credit-impaired	Weighted-average loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Carrying amount HK\$'000
>90 days past due				
— Without guarantee	100%	687	(687)	—
		<u>687</u>	<u>(687)</u>	<u>—</u>

The group with late-payment only as the principal risk has gross carrying amount of approximately HK\$105,639,000, for which the estimated expected credit losses are insignificant.

Notwithstanding full provision had been made on certain trade receivables, the Group would write-off the relevant balances when the debtors are unreachable or evidences were available to prove the debtors do not have any assets or source of income/cash flows to settle the amounts due. The trade receivables with the contractual amount outstanding of approximately Nil, HK\$20,000, Nil and HK\$8,960,000 were written off during the Relevant Periods, respectively. For the written off made of approximately HK\$8,960,000 at 31 August 2020, the Group has provided provision for impairment loss on trade receivables in prior periods. The amount written off are still subject to enforcement activities.

16. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits are bank deposits which are pledged as securities in favour of banks (*Note 18*). The pledged bank deposits are denominated in HK\$.

Cash at banks earn interest at floating rates based on daily bank deposit rates.

17. TRADE AND OTHER PAYABLES

	Note	At 31 December		At 31 August	
		2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Trade payables	17(a)	54,375	56,717	47,069	65,628
Other payables					
<i>Accruals and other payables (Note)</i>		2,060	2,922	1,990	3,151
Contract liabilities	17(b)	279	1,423	1,398	1,432
		2,339	4,345	3,388	4,583
		56,714	61,062	50,457	70,211

Note: The amounts at 31 December 2017, 2018 and 2019 and 31 August 2020 included accrued listing expenses of approximately HK\$1,162,000, HK\$789,000, HK\$678,000 and HK\$2,376,000, respectively.

17(a) The trade payables are non-interest bearing and the Group is normally being granted with credit terms up to 60 days.

At the end of each reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	At 31 December		At 31 August	
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Within 30 days	43,018	40,266	37,545	40,605
31 to 60 days	9,890	15,108	7,114	19,472
61 to 90 days	747	798	1,364	4,924
Over 90 days	720	545	1,046	627
	54,375	56,717	47,069	65,628

17(b) The movements (excluding those arising from increases and decreases both occurred within the same reporting period) of contract liabilities within HKFRS 15 during the Relevant Periods are as follows:

	Year ended 31 December			Eight months ended
	2017	2018	2019	31 August
	HK\$'000	HK\$'000	HK\$'000	2020
At the beginning of the reporting period	378	279	1,423	1,398
Revenue recognised (<i>Note 5</i>)	(99)	—	—	—
Addition for the year/period	—	1,144	—	16
Exchange realignments	—	—	(25)	18
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At the end of the reporting period	279	1,423	1,398	1,432
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The contract liabilities of approximately HK\$279,000, HK\$1,423,000, HK\$1,398,000 and HK\$1,432,000 at 31 December 2017, 2018, 2019 and 31 August 2020, respectively, represented the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as of the end of each reporting period. The Group expects the transaction price of approximately HK\$279,000, HK\$1,423,000, HK\$1,398,000 and HK\$1,432,000 at 31 December 2017, 2018, 2019 and 31 August 2020, respectively, allocated to the unsatisfied performance obligations will be recognised as revenue in one year or less when the relevant customers exercise their right to utilise.

18. BANK OVERDRAFTS AND INTEREST-BEARING BORROWINGS

At the end of each reporting period, details of the bank overdrafts and interest-bearing borrowings of the Group are as follows:

	Note	At 31 December		At 31 August	
		2017	2018	2019	2020
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank overdrafts — secured	18(a)	7,267	11,697	—	—
Interest-bearing borrowings — secured	18(b)	64,877	70,095	58,576	36,911
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
		72,144	81,792	58,576	36,911
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

18(a) Bank overdrafts — secured

	2017	At 31 December		2019		At 31 August	
		2018	2018	2019	2020	2020	
	Interest rate	Interest rate	Interest rate	Interest rate	Interest rate	Interest rate	Interest rate
	per annum (%)	per annum (%)	per annum (%)	per annum (%)	per annum (%)	per annum (%)	per annum (%)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank overdrafts — secured	Best lending rate	Best lending rate	Best lending rate	N/A	—	N/A	—
	863	5,592	5,592	—	—	—	—
	3 months Hong Kong Interbank Offer Rate + 3.25%	3 months Hong Kong Interbank Offer Rate + 3.25%	3 months Hong Kong Interbank Offer Rate + 3.25%	—	—	—	—
	5,900	6,105	6,105	—	—	—	—
	Cost of finance + 3%	Cost of finance + 3%	Cost of finance + 3%	—	—	—	—
	504	—	—	—	—	—	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	7,267	11,697	11,697	—	—	—	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

18(b) Interest-bearing borrowings — secured

The interest-bearing borrowings represent amounts due to various banks which are due within 1 year, 5 years or 15 years since its inception at 31 December 2017, 2018 and 2019 and 31 August 2020 and normally be renewed with banks upon expiry/maturity.

The weighted average annual effective interest rates of the interest-bearing borrowings were 4.32%, 4.72%, 4.51% and 4.27% at 31 December 2017, 2018 and 2019 and 31 August 2020, respectively.

The bank overdrafts and interest-bearing borrowings are secured by:

- (i) leasehold properties/right-of-use assets with aggregate net carrying amount of approximately HK\$36,132,000, HK\$34,876,000, HK\$33,619,000 and HK\$32,781,000 at 31 December 2017, 2018 and 2019 and 31 August 2020, respectively, as set out in Note 13/Note 20;
- (ii) properties insurance on the pledged leasehold properties executed by the Group in favour of the bank with coverage amounting to HK\$11,000,000 at 31 December 2017 and HK\$14,150,000 at 31 December 2018 and 2019 and 31 August 2020;
- (iii) mutual fund units with fair value of approximately HK\$19,667,000, HK\$17,778,000, Nil and Nil at 31 December 2017, 2018 and 2019 and 31 August 2020, respectively, as set out in Note 14;
- (iv) trade receivables in connection with factoring arrangement of approximately HK\$62,237,000, Nil, Nil and Nil at 31 December 2017, 2018 and 2019 and 31 August 2020, respectively, as set out in Note 15;
- (v) pledged bank deposits with carrying amount of approximately HK\$687,000, HK\$23,694,000, HK\$29,685,000 and HK\$29,695,000 at 31 December 2017, 2018 and 2019 and 31 August 2020, respectively as set out in Note 16;
- (vi) guarantees provided by the Ultimate Controlling Party and a related company ultimately controlled by the Ultimate Controlling Party at 31 December 2017, 2018 and 2019 and 31 August 2020; and/or
- (vii) guarantee provided by the Government of the Hong Kong Special Administrative Region.

All of the banking facilities are subject to the fulfilment of covenants relating to certain subsidiaries' financial ratios based on their statements of financial position, as are commonly found in lending arrangements with financial institutions. If the subsidiaries were to breach the covenants, the drawn down facilities would become repayable on demand. In addition, the subsidiaries' loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the subsidiaries have complied with the covenants and met the scheduled repayment obligations.

The Group regularly monitors its compliance with these covenants and does not consider it probable that the banks will exercise their discretion to demand repayment so long as the Group continues to make payments according to the schedule of the loans. Further details of the Group's management of liquidity risk are set out in Note 27. At 31 December 2017, 2018 and 2019 and 31 August 2020, none of the covenants relating to drawn down facilities had been breached.

The collaterals and guarantees provided by the Ultimate Controlling Party and/or the related company are expected to be released or replaced by a corporate guarantee to be given by the Company upon the Initial Listing and the banks have provided their consent in this regard.

19. OBLIGATIONS UNDER FINANCE LEASES

At the end of each reporting period, the Group had obligations under finance leases repayable as follows:

	Minimum lease payments	
	At 31 December	
	2017	2018
	HK\$'000	HK\$'000
Amount payable:		
Within one year	413	389
In the second to fifth years inclusive	454	64
	<u>867</u>	<u>453</u>
<i>Less: future finance charges</i>	<u>(43)</u>	<u>(13)</u>
Present value of lease obligations	<u>824</u>	<u>440</u>
	Present value of minimum lease payments	
	At 31 December	
	2017	2018
	HK\$'000	HK\$'000
Amount payable:		
Within one year	384	377
In the second to fifth years inclusive	440	63
	<u>824</u>	<u>440</u>
<i>Less: future finance charges</i>	<u>—</u>	<u>—</u>
Present value of lease obligations	<u>824</u>	<u>440</u>
Amount due for settlement within 12 months (shown under current liabilities)	384	377
Amount due for settlement after 12 months	440	63
	<u>824</u>	<u>440</u>

The Group leases certain motor vehicles under finance leases with initial lease term ranging from 32 months to 60 months and are secured by the lessor's charge over the leased assets.

The weighted average effective interest rate for the obligations under finance leases were 4.80% per annum at 31 December 2017, and 4.64% per annum at 31 December 2018.

20. LEASE LIABILITIES

	At 31 December 2019 HK\$'000	At 31 August 2020 HK\$'000
Right-of-use assets (Note 13)		
Motor vehicles	22	—
Furniture and fixtures	9	6
Leasehold properties	33,619	32,781
Leased office	1,218	851
	<u>34,868</u>	<u>33,638</u>
	At 31 December 2019 HK\$'000	At 31 August 2020 HK\$'000
Lease liabilities		
Current	771	720
Non-current	527	154
	<u>1,298</u>	<u>874</u>

In addition to the information disclosed in Note 13, the Group had the following amounts relating to leases during the Relevant Periods:

	Year ended 31 December 2019 HK\$'000	Eight months ended 31 August 2020 HK\$'000
Depreciation charges of right-of-use assets		
Motor vehicles	280	22
Furniture and fixtures	5	3
Leasehold properties	1,256	838
Leased office	855	574
	<u>2,396</u>	<u>1,437</u>

The total cash outflow for leases for the year ended 31 December 2019 and the eight months ended 31 August 2020 was approximately HK\$1,228,000 and HK\$567,000, respectively.

The Group's leasehold properties with a total carrying amount of approximately HK\$36,132,000, HK\$34,876,000, HK\$33,619,000 and HK\$32,781,000 at 31 December 2017, 2018 and 2019 and 31 August 2020, respectively were pledged to secure bank facilities granted to the Group (Note 18).

Commitments and present value of lease liabilities:

	Lease payments		Present value of lease payments	
	At 31 December 2019 HK\$'000	At 31 August 2020 HK\$'000	At 31 December 2019 HK\$'000	At 31 August 2020 HK\$'000
Amounts payable:				
Within one year	818	746	771	720
More than one year, but not exceeding two years	540	155	527	154
	1,358	901	1,298	874
Less: future finance charges	(60)	(27)	—	—
Total lease liabilities	1,298	874	1,298	874

21. DEFERRED TAXATION

The movements in the Group's deferred tax liabilities (assets) for the Relevant Periods were as follows:

	Tax depreciation HK\$'000
At 1 January 2017, 1 January 2018, 1 January 2019	—
Credit to profit or loss	(74)
At 31 December 2019	(74)
At 1 January 2020	(74)
Credit to profit or loss	(203)
At 31 August 2020	(277)

Deferred tax assets are not recognised for the following items

	At 31 December		At 31 August	
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Deductible temporary differences	3,051	3,937	3,230	3,447
Tax losses	2,046	4,482	4,522	5,777
At the end of the reporting period	5,097	8,419	7,752	9,224

Deferred tax assets have not been recognised in respect of the capital allowances and tax losses as they have arisen in subsidiaries that have been loss-making for several years and it is not considered probable that taxable profits will be available against which the capital allowances and tax losses can be utilised.

At 31 December 2017, 2018 and 2019 and 31 August 2020, the Group has the following tax losses arising in the PRC that can be offset against future taxable profits of the respective subsidiaries for a maximum of 5 years from the year in which the tax loss was incurred:

	At 31 December		At 31 August	
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Year of expiry				
2020	693	664	104	89
2022	1,353	1,299	1,262	1,179
2023	—	2,519	2,300	2,337
2024	—	—	856	870
2025	—	—	—	1,302
	2,046	4,482	4,522	5,777
	2,046	4,482	4,522	5,777

At the end of each reporting period, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in the PRC. In the opinion of the management of the Group, it is probable that the earnings will not be distributed in the foreseeable future. The estimated withholding tax effects on the distribution of accumulated profits were approximately HK\$1,033,000, Nil, Nil and Nil at 31 December 2017, 2018 and 2019 and 31 August 2020, respectively.

22. SHARE CAPITAL AND THE FINANCIAL INFORMATION OF THE COMPANY

22(a) Share capital

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 29 March 2018 with an initial authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares at HK\$0.01 each and 2 ordinary shares were issued. On 20 July 2018, further 9,888 ordinary shares were issued at HK\$0.01 each.

Pursuant to the Reorganisation completed on 20 July 2018, the Company became the holding company of the entities now comprising the Group. Further details of change in authorised and issue capital of the Company since its incorporation are set out in the paragraph headed "Reorganisation" of the section headed "History, Reorganisation and Corporate Structure" of the Prospectus.

Saved as disclosed above, the Company has not commenced any significant business or operation since its incorporation.

22(b) Amounts due from shareholders

The amounts due from shareholders are unsecured, interest-free and repayable on demand.

22(c) Amount due to a subsidiary

The amount due to a subsidiary is unsecured, interest-free and repayable on demand.

22(d) Certain corporate administrative costs of the Company and the expenses for the Initial Listing were borne by the subsidiaries of the Company without recharge.

23. RESERVES**23(a) Capital reserve**

The capital reserve represents (i) the aggregate amount of the nominal value of the issued/registered capital of the entities now comprising the Group less consideration paid to acquire the relevant interests (if any), after adjusting the issued/registered capital held by those attributable to the non-controlling interests prior to the Reorganisation and (ii) staff costs borne by the Ultimate Controlling Party (*Note 25(a)(iii)*).

23(b) Special reserve

The special reserve comprises the aggregate amount of the Non-core Assets controlled by the Ultimate Controlling Party at the respective dates and balances arising from the transactions with owners in their capacity as the equity owners.

As further explained in Note 2, the Historical Financial Information excludes the Non-core Assets. For purposes of the preparation of the Historical Financial Information, the Group's net balance in the Non-core Assets at 1 January 2017 and each subsequent measurement dates (if applicable) has been excluded from the Group's combined financial statements as an adjustment to the special reserve at 1 January 2017 and each subsequent measurement dates (if applicable).

23(c) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of foreign operations for combinations.

23(d) Statutory reserve

As stipulated by the relevant laws and regulations for enterprises incorporated/established in the PRC, the Group's subsidiaries in the PRC are required to maintain certain statutory reserves. The statutory reserve can be used to make up for losses, expand the existing operation and convert to additional capital.

24. NON-CONTROLLING INTERESTS

As set out in Note 2, equity interest in the Company's subsidiaries now comprising the Group held by parties other than the Ultimate Controlling Party, and the changes therein, prior to 3 January 2017, the date when the Ultimate Controlling Party privatised Grand Power Canada, are presented as non-controlling interests in equity. The balance of the non-controlling interests at 1 January 2017 represented the 77.67% equity interest of the Group's combined net assets value and results attributable to the other shareholders of Grand Power Canada.

On 3 January 2017, the Ultimate Controlling Party acquired all the non-controlling interests with its own funds with no changes in the resources employed by the Group. The non-controlling interests have been reclassified to relevant reserves in the equity of the Group.

25. ADDITIONAL INFORMATION ON THE COMBINED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

In addition to the information disclosed elsewhere in the Historical Financial Information, the Group had the following major non-cash transactions:

- (i) During the year ended 31 December 2017, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK\$727,000.
- (ii) During the year ended 31 December 2017, the Group earned interest income from the loan to a related company of approximately HK\$159,000, which were settled through the current account with a related company.
- (iii) Certain employees were employed by the related companies ultimately controlled by the Ultimate Controlling Party to support the sales function of the Forwarding Business of the Group. The direct costs which mainly represents staff costs and entertainment expenses from these employees arising from the sales activities of approximately HK\$2,000,000, HK\$595,000 for the years ended 31 December 2017 and 2018, respectively, were treated as contributions made by the Ultimate Controlling Party.
- (iv) During the year ended 31 December 2019 and the eight months ended 31 August 2019 and 2020, the Group entered into lease arrangements in respect of right-of-use assets with a total capital value of the inception of leases of approximately HK\$1,423,000, HK\$576,000 and HK\$201,000, respectively.

(b) Reconciliation of liabilities arising from financing activities

The movements during the Relevant Periods in the Group's liabilities arising from financing activities are as follows:

	At 1 January 2017 HK\$'000	Net cash inflows (outflows) HK\$'000	Non-cash changes				Adjustment on transition to HKFRS 16 HK\$'000	At 31 December 2017 HK\$'000
			Additions of property, plant and equipment HK\$'000	Interest income HK\$'000	Disposal of a subsidiary HK\$'000	Exchange difference HK\$'000		
Year ended 31 December 2017								
Interest-bearing borrowings	70,553	(5,676)	—	—	—	—	64,877	
Obligations under finance leases	863	(766)	727	—	—	—	824	
Amount due from the Ultimate Controlling Party	(7,026)	7,026	—	—	—	—	—	
Amounts due from related companies, net	(13,845)	14,004	—	(159)	—	—	—	
Total liabilities from financing activities	50,545	14,588	727	(159)	—	—	65,701	

	Non-cash changes							At 31 December 2018 HK\$'000
	At 1 January 2018 HK\$'000	Net cash inflows (outflows) HK\$'000	Additions of property, plant and equipment HK\$'000	Interest income HK\$'000	Disposal of a subsidiary HK\$'000	Exchange difference HK\$'000	Adjustment on transition to HKFRS 16 HK\$'000	
Year ended 31 December 2018								
Interest-bearing borrowings	64,877	5,218	—	—	—	—	—	70,095
Obligations under finance leases	824	(384)	—	—	—	—	—	440
Total liabilities from financing activities	65,701	4,834	—	—	—	—	—	70,535

	Non-cash changes							At 31 December 2019 HK\$'000
	At 1 January 2019 HK\$'000	Net cash inflows (outflows) HK\$'000	Additions of property, plant and equipment HK\$'000	Interest income HK\$'000	Disposal of a subsidiary HK\$'000	Exchange difference HK\$'000	Adjustment on transition to HKFRS 16 HK\$'000	
Year ended 31 December 2019								
Interest-bearing borrowings	70,095	(11,519)	—	—	—	—	—	58,576
Obligations under finance leases	440	—	—	—	—	—	(440)	—
Lease liabilities	—	(1,228)	1,423	—	—	(10)	1,113	1,298
Total liabilities from financing activities	70,535	(12,747)	1,423	—	—	(10)	673	59,874

	Non-cash changes							At 31 August 2019 HK\$'000
	At 1 January 2019 HK\$'000	Net cash inflows (outflows) HK\$'000	Additions of property, plant and equipment HK\$'000	Interest income HK\$'000	Disposal of a subsidiary HK\$'000	Exchange difference HK\$'000	Adjustment on transition to HKFRS 16 HK\$'000	
Eight months ended 31 August 2019								
Interest-bearing borrowings	70,095	(18,552)	—	—	—	—	—	51,543
Obligations under finance leases	440	—	—	—	—	—	(440)	—
Lease liabilities	—	(826)	576	—	—	(10)	1,100	840
Total liabilities from financing activities	70,535	(19,378)	576	—	—	(10)	660	52,383

	Non-cash changes							At 31 August 2020 HK\$'000
	At 1 January 2020 HK\$'000	Net cash inflows (outflows) HK\$'000	Additions of property, plant and equipment HK\$'000	Interest income HK\$'000	Disposal of a subsidiary HK\$'000	Exchange difference HK\$'000	Adjustment on transition to HKFRS 16 HK\$'000	
Eight months ended 31 August 2020								
Interest-bearing borrowings	58,576	(21,665)	—	—	—	—	—	36,911
Lease liabilities	1,298	(567)	201	—	—	(58)	—	874
Total liabilities from financing activities	59,874	(22,232)	201	—	—	(58)	—	37,785

26. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances disclosed elsewhere in the Historical Financial Information, the Group had the following related party transactions during the Relevant Periods:

Name of related company	Nature of transaction	Year ended 31 December			Eight months ended 31 August	
		2017	2018	2019	2019	2020
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bao Shinn Express Company Limited (Note (i))	Travelling expenses	29	16	—	—	—
H.C. Patterson and Company Limited (Note (i))	Travelling expenses	—	90	134	31	38
Harvest Alliance Holdings Limited (Note (ii))	Interest income	159	—	—	—	—

Note:

- (i) These companies are controlled by the Ultimate Controlling Party and his brother, Mr. Chiu Man Lam.
- (ii) At 31 December 2017, the Ultimate Controlling Party has significant influence over or equity interests in Harvest Alliance Holdings Limited.
- (b) **Remuneration for key management personnel, i.e. directors, of the Company:**

	Year ended 31 December			Eight months ended 31 August	
	2017	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries, bonus, allowances and other benefits in kind	2,493	1,772	1,872	1,225	6,271
Contributions to defined contribution plans	39	51	58	39	31
	2,532	1,823	1,930	1,264	6,302

Further details of the directors' remuneration are set out in Note 8.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise of financial assets at fair value through profit or loss, trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, bank overdrafts, interest-bearing borrowings and obligations under finance leases/lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and 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 in a timely and effective manner.

Price risk

The Group is exposed to price risk arising from its unlisted investments in mutual fund units which are classified as financial assets at fair value through profit or loss.

At the end of each reporting period, if the fair value of the unlisted investments in mutual fund units has been 5% higher/lower with all other variables held constant, the Group's pre-tax results would increase/decrease by approximately HK\$983,000, HK\$889,000, Nil and Nil for the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, respectively.

The sensitivity analysis has been determined assuming that the reasonably possible changes in the fair value of the unlisted investments in mutual fund units had occurred at the end of the reporting period and had been applied to the exposure to price risk in existence at that date. The stated changes represent the management's assessment of reasonably possible changes in the fair value of the unlisted investments in mutual fund units over the next 12 months after the end of each reporting period.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's bank overdrafts and interest-bearing borrowings of approximately HK\$72,144,000, HK\$81,792,000, HK\$43,895,000 and HK\$23,979,000 with floating interest rates at 31 December 2017, 2018 and 2019 and 31 August 2020 respectively. The Group currently does not have a policy to hedge against the interest rate risk as the management of the Group does not expect any significant interest rate risk at the end of each reporting period.

At the end of each reporting period, if interest rate has been 1% higher/lower and all other variables were held constant, the Group's pre-tax results would decrease/increase by approximately HK\$721,000, HK\$818,000, HK\$439,000 and HK\$160,000 for the years ended 31 December 2017, 2018 and 2019 and the eight months ended 31 August 2020, respectively.

The sensitivity analysis above has been determined assuming that the change in interest rate had occurred throughout the Relevant Periods and had been applied to the exposure to interest rate risk for the closing balance of interest-bearing borrowings and bank overdrafts in existence at the end of each reporting period. The stated changes represent management's assessment of a reasonably possible change in interest rates over the next 12 months after the end of each reporting period.

In the opinion of the management of the Group, the sensitivity analysis is unrepresentative of the inherent interest rate risk because the exposure at the end of each reporting period does not reflect the exposure during the Relevant Periods.

Foreign currency risk

The Group's transactions are mainly denominated in HK\$, US\$ and RMB.

Certain financial assets and financial liabilities of the Group are denominated in currencies other than the functional currency of the respective group entities and therefore exposed to foreign currency risk. The carrying amounts of those financial assets and liabilities are analysed as follows:

	Financial assets			
	At 31 December		At 31 August	
	2017	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
HKD	20,383	17,826	6,378	2,416
US\$	3,598	3,490	4,544	6,441
	<u>20,383</u>	<u>17,826</u>	<u>6,378</u>	<u>2,416</u>
	At 31 December		At 31 August	
	2017	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
HKD	1,354	4	5	7
US\$	750	1,068	799	743
	<u>750</u>	<u>1,068</u>	<u>799</u>	<u>743</u>

The following table indicates the approximate change in the Group's pre-tax results if exchange rates of HK\$ and US\$ had changed against the functional currencies of the respective group entities by 10% and all other variables were held constant at the end of each reporting period.

	At 31 December		At 31 August	
	2017	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
HKD	1,903	1,785	637	241
US\$	285	242	376	570
	<u>285</u>	<u>242</u>	<u>376</u>	<u>570</u>

The sensitivity analysis has been determined assuming that the changes in foreign exchange rates had occurred at the end of each reporting period and had been applied to the Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the next 12 months after the end of each reporting period.

In the opinion of the management of the Group, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of each reporting period does not reflect the exposure during the Relevant Periods.

Credit risk

Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's credit risk is mainly attributable to trade and other receivables, pledged bank deposits and bank balances and cash. The Group limits its exposure to credit risk by selecting the counterparties with reference to their past credit history and/or market reputation. The Group's maximum exposure to credit risk is summarised as follows:

	At 31 December		At 31 August	
	2017	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade and other receivables	125,328	120,396	90,964	107,079
Pledged bank deposits	687	23,694	29,685	29,695
Bank balances and cash	27,763	27,791	26,141	35,901
	<u>153,778</u>	<u>171,881</u>	<u>146,790</u>	<u>172,675</u>

The Group trades with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

The management of the Group limits the Group's exposure to credit risk by taking timely actions once there is any indication of recoverability problem of each individual debtor.

The management of the Group also reviews the recoverable amount of each individual debtor, including related and third parties, at the end of each reporting period to ensure adequate allowance is made for irrecoverable amount.

At 31 December 2017, 2018 and 2019 and 31 August 2020, the Group had a concentration of credit risk as approximately 13%, 12%, 20% and 47% of the total trade receivables was due from the Group's largest trade debtor, respectively, and approximately 42%, 39%, 50% and 77% of the total trade receivables was due from the Group's five largest trade debtors, respectively.

The management of the Group considers that other receivables have low credit risk based on the borrowers' strong capacity to meet its contractual cash flow obligations in the near term and low risk of default.

The management of the Group considers the credit risk in respect of pledged bank deposits and bank balances and cash is minimal because the counter-parties are authorised financial institution with high credit ratings.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial liabilities and financial assets (e.g. trade and other receivables) and projected cash flows from operations.

The Group's policy is to regularly monitor its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and cash equivalents as well as adequate banking facilities to meet its operation needs at any time.

The maturity profile of the Group's financial liabilities at the end of each reporting period based on contractual undiscounted payments is summarised below:

	Total carrying amount <i>HK\$'000</i>	Total contractual undiscounted cash flow <i>HK\$'000</i>	On demand or less than 1 year <i>HK\$'000</i>	1 to 2 years <i>HK\$'000</i>	2 to 5 years <i>HK\$'000</i>
At 31 December 2017					
Trade and other payables	56,435	56,435	56,435	—	—
Bank overdrafts	7,267	7,267	7,267	—	—
Interest-bearing borrowings (<i>Note</i>)	64,877	64,877	64,877	—	—
Obligations under finance leases	824	867	413	389	65
	<u>129,403</u>	<u>129,446</u>	<u>128,992</u>	<u>389</u>	<u>65</u>

	Total carrying amount <i>HK\$'000</i>	Total contractual undiscounted cash flow <i>HK\$'000</i>	On demand or less than 1 year <i>HK\$'000</i>	1 to 2 years <i>HK\$'000</i>	2 to 5 years <i>HK\$'000</i>
At 31 December 2018					
Trade and other payables	59,638	59,638	59,638	—	—
Bank overdrafts	11,697	11,697	11,697	—	—
Interest-bearing borrowings (<i>Note</i>)	70,095	70,095	70,095	—	—
Obligations under finance leases	440	453	389	64	—
	<u>141,870</u>	<u>141,883</u>	<u>141,819</u>	<u>64</u>	<u>—</u>

	Total carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	On demand or less than 1 year HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000
At 31 December 2019					
Trade and other payables	49,059	49,059	49,059	—	—
Interest-bearing borrowings (Note)	58,576	58,576	58,576	—	—
Lease liabilities	1,298	1,358	818	540	—
	<u>108,933</u>	<u>108,993</u>	<u>108,453</u>	<u>540</u>	<u>—</u>

	Total carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	On demand or less than 1 year HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000
At 31 August 2020					
Trade and other payables	68,779	68,779	68,779	—	—
Interest-bearing borrowings (Note)	36,911	36,911	36,911	—	—
Lease liabilities	874	901	746	155	—
	<u>106,564</u>	<u>106,591</u>	<u>106,436</u>	<u>155</u>	<u>—</u>

Note: The amounts repayable under bank loan agreement that include a clause that gives the bank an unconditional right to call the borrowings at any time are classified under the category of “on demand or less than 1 year”. However, the management of the Group does not expect that the bank would exercise such right to demand the repayment and thus, the borrowings, which included the related interest, would be repaid according to the below schedule as set out in the bank loan agreement as follows:

	Total carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	On demand or less than 1 year HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Over 5 years HK\$'000
At 31 December 2017						
Interest-bearing borrowings	<u>64,877</u>	<u>64,877</u>	<u>64,877</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 31 December 2018						
Interest-bearing borrowings	<u>70,095</u>	<u>71,675</u>	<u>62,086</u>	<u>2,676</u>	<u>6,913</u>	<u>—</u>
At 31 December 2019						
Interest-bearing borrowings	<u>58,576</u>	<u>61,479</u>	<u>47,431</u>	<u>3,203</u>	<u>5,825</u>	<u>5,020</u>
At 31 August 2020						
Interest-bearing borrowings	<u>36,911</u>	<u>39,234</u>	<u>27,310</u>	<u>3,209</u>	<u>4,051</u>	<u>4,664</u>

28. FAIR VALUE MEASUREMENTS

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in these financial statements on a recurring basis across the three levels of the fair value hierarchy defined in HKFRS 13, Fair Value Measurement, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 (lowest level): unobservable inputs for the asset or liability.

a) Assets and liabilities measured at fair value

At 31 December 2017

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets measured at fair value				
Financial assets at fair value through profit or loss				
— Mutual fund units, unlisted (<i>Note 14</i>)	—	19,667	—	19,667

At 31 December 2018

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets measured at fair value				
Financial assets at fair value through profit or loss				
— Mutual fund units, unlisted (<i>Note 14</i>)	—	17,778	—	17,778

During the years ended 31 December 2017 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The Group reviews estimation of fair values of the mutual fund units which is categorised into Level 2 of the fair value hierarchy. Reports with estimation of the fair values are prepared by the bank on a monthly basis.

b) Assets and liabilities with fair value disclosure, but not measured at fair value

All other financial assets and financial liabilities are carried at amounts not materially different from their fair values at 31 December 2017, 2018 and 2019 and 31 August 2020.

29. COMMITMENTS

The Group as lessee

The Group leases a number of properties under operating leases with initial lease period of one to three years. None of the leases includes contingent rentals.

At the end of each reporting period, the Group had total future minimum lease payments in respect of premises under non-cancellable operating leases, which are payable as follows:

	At 31 December		At 31 August	
	2017	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	161	363	—	—
In the second to fifth years inclusive	15	333	—	—
	<u>176</u>	<u>696</u>	<u>—</u>	<u>—</u>

After initial application of HKFRS 16 at 1 January 2019, the total minimum future lease payments for the non-cancellable operating leases is set out in Note 20. In accordance with the transition provisions in HKFRS 16, comparative information is not restated.

30. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide returns for equity owners. The Group manages its capital structure and makes adjustments, including payment of dividend to equity owners, call for additional capital from equity owners or sale of assets to reduce debts. No changes were made in the objectives, policies or processes during the Relevant Periods.

31. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 August 2020, save as disclosed elsewhere in the Historical Financial Information, the Group has the following subsequent events:

- (i) Pursuant to the resolution of the shareholders passed on 11 December 2020, inter-alia, the authorised share capital of the Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of additional 1,962,000,000 shares of HK\$0.01 each and the Capitalisation Issue (as defined below) was conditionally approved.
- (ii) Pursuant to the resolution in writing of the Company's shareholders passed on 11 December 2020, subject to the share premium account of the Company being credited as a result of the offering of the Company's shares, the directors of the Company were authorised to allot and issue a total of 224,990,000 shares of HK\$0.01 each to the existing shareholders, credited as fully paid at par by way of capitalisation of the sum of HK\$2,249,900 standing to be credit of the share premium account of the Company (the "Capitalisation Issue") and the shares to be allotted and issued pursuant to this resolution shall carry the same rights as all shares in issue (save for the right to participate in the Capitalisation Issue).

- (iii) The relevant government authorities have imposed certain measures in response to the outbreak of COVID-19. As at the date of this report, the Group does not expect those events or measures have any significant adverse impacts to the financial position as at 31 August 2020 and the application of going concern basis for the preparation of the Historical Financial Information.

32. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared in accordance with HKFRSs and/or other applicable financial reporting standards for the Company or any of its subsidiaries in respect of any period subsequent to 31 August 2020.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the Accountants' Report prepared by Mazars CPA Limited, 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 purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The unaudited pro forma statement of adjusted combined net tangible assets of the Group is prepared in accordance with Rule 7.31 of the GEM Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants for illustrative purposes only, and is set out below to illustrate the effect of the Share Offer on the combined net tangible assets of the Group attributable to equity owners of the Company at 31 August 2020 as if the Share Offer had taken place on that date and is prepared based on the audited combined net tangible assets of the Group attributable to equity owners of the Company at 31 August 2020 derived from the Accountants' Report, as set out in Appendix I to this prospectus and adjusted as indicated below.

This unaudited pro forma statement of adjusted combined 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 financial position of the Group at 31 August 2020 or at any future dates following the Share Offer.

	Audited combined net tangible assets attributable to the owners of the Company at 31 August 2020 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Share Offer <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted combined net tangible assets attributable to the owners of the Company <i>HK\$'000</i>	Unaudited pro forma adjusted combined net tangible assets attributable to the owners of the Company per Share <i>HK\$</i> <i>(Note 3)</i>
Based on the Offer Price of HK\$0.74 per Offer Share	105,594	36,009	141,603	0.47
Based on the Offer Price of HK\$0.94 per Offer Share	105,594	51,009	156,603	0.52
Based on the Offer Price of HK\$0.67 per Offer Share, after a Downward Offer Price Adjustment of 10%	105,594	30,759	136,353	0.45

NOTES TO THE UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

1. The audited combined net tangible assets of the Group attributable to equity owners of the Company at 31 August 2020 is based on the audited combined net assets attributable to equity owners of the Company at 31 August 2020 of approximately HK\$105,594,000, extracted from the Group's combined financial information included in the Accountants' Report as set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Share Offer are based on 75,000,000 new Shares and the indicative Offer Price of HK\$0.74 per Offer Share and HK\$0.94 per Offer Share, being low and high end of the indicative Offer Price range, respectively, and an Offer Price at HK\$0.67 per Offer Share, being Offer Price with Downward Price Adjustment of 10%, after deduction of relevant estimated underwriting commissions and fees and other related expenses payable by the Company and excluding approximately HK\$26,754,000 listing-related expenses which has been accounted for prior to 31 August 2020. The estimated net proceeds have not taken 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 or any Shares that may be allotted and issued or repurchased by the Company pursuant to the general mandates given to the Directors.
3. The calculation of the pro forma adjusted combined net tangible assets of the Group attributable to equity owners of the Company per Share is based on 300,000,000 Shares expected to be in issue after the completion of the Capitalisation Issue and the Share Offer. It has not taken 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 or any Shares that may be allotted and issued or repurchased by the Company pursuant to the general mandates given to the Directors.
4. No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 August 2020.

The following is the text of a report received from the independent reporting accountants of the Company, Mazars CPA Limited, Certified Public Accountants, Hong Kong, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

**B. ASSURANCE REPORT FROM THE INDEPENDENT REPORTING ACCOUNTANTS
ON THE UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET
TANGIBLE ASSETS OF THE GROUP**



30 December 2020

The Directors
Grand Power Logistics Group Limited
VBG Capital Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Grand Power Logistics Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) prepared by the directors of the Company (the “Directors”). The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted combined net tangible assets attributable to equity owners of the Company at 31 August 2020 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 30 December 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 to 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 Company’s shares on GEM of The Stock Exchange of Hong Kong Limited by the way of Share Offer on the Group’s combined financial position at 31 August 2020 as if the event had taken place at 31 August 2020. As part of this process, information about the Group’s combined financial position at 31 August 2020 has been extracted by the Directors from the Group’s combined financial information for the eight months ended 31 August 2020, on which an accountants’ report set out in Appendix I to the Prospectus has been published.

Directors' responsibility 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 Listing 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").

Reporting accountants' 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.

We apply Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintain 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 Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We did 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 date of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAA") 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, in all material respects, the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7.

For purpose 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 a prospectus 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 31 August 2020 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 Listing Rules.

Yours faithfully,

Mazars CPA Limited
Certified Public Accountants

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 October 2020 of the property interests held by the Group.



仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7/F One Taikoo Place 979 King's Road Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No.: C-030171

30 December 2020

The Board of Directors
Grand Power Logistics Group Limited
Unit 817, 8/F,
Tower B, Mandarin Plaza,
No. 14 Science Museum Road,
Kowloon,
Hong Kong

Dear Sirs,

In accordance with your instructions to value the property interests held by Grand Power Logistics Group Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") in Hong Kong and Macau, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at 31 October 2020 (the "valuation date").

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

We have valued the property interests by direct comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 8 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and other relevant matters.

In valuing the property in Macau, we have assumed that the owner of the property has free and uninterrupted rights to use and assign the property during the whole of the respective unexpired terms granted. Upon the expiration of the term, the Government lease can be renewed upon application for another 10 years upon payment of a fixed premium equivalent to 10 times the prevailing Government rent provided that the grantee has (a) complied with the Government lease and (b) settled the annual Government rent. The term of the grant can be renewed until 19 December 2049.

We have caused searches to be made at the Hong Kong Land Registry and the Conservatória do Registo Predial in Macau. However, we have not searched the original documents to verify the ownership or to ascertain any amendment. We have relied considerably on the advice given by the Company's Macau legal advisers – WICH Law Firm, concerning the validity of the property interest in Macau.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but, in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The properties were inspected on 20 and 21 June 2019 and were subsequently inspected by Mr. Kevin Chu and Mr. Joffrey Lee on 9 December 2020. Mr. Kevin Chu is a member of RICS and HKIS with over 25 year's experience in property valuation in Hong Kong and Macau. Mr. Joffrey Lee has around half year experience in property valuation in Macau.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive at an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Hong Kong Dollar (HKD). The exchange rate adopted in our valuation is approximately HKD1=MOP1.03 which was approximately the prevailing exchange rate as at the valuation date.

We are instructed to provide our opinion of value as per the valuation date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the valuation date and we assume no obligation to update or otherwise revise these materials for events in the time since then. In particular, the outbreak of the Novel Coronavirus (COVID-19) since declared Global Pandemic on the 11th March 2020 has caused much disruption to economic activities around the world. As of the valuation date, China's economy is experiencing gradual recovery and it is anticipated that disruption to business activities will steadily reduce. We also note that market activity and market sentiment in this particular market sector remains stable. However, we remain cautious due to uncertainty for the pace of global economic recovery in the midst of the outbreak which may have future impact on the real estate market. Therefore, we recommend that you keep the valuation of this property under frequent review.

Our valuation is summarised below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Senior Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 26 years' experience in the valuation of properties in Hong Kong, Macau and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Group I — Property interest held for occupation by the Group in Hong Kong

No.	Property	Market value in existing state as at the valuation date HKD
1.	Workshop Unit No. 11 on 6th Floor, Harbour Centre Tower 1, No. 1 Hok Cheung Street, Hung Hom, Kowloon, Hong Kong	36,400,000

Group II — Property interest held for occupation by the Group in Macau

No.	Property	Market value in existing state as at the valuation date HKD
2.	Unit J on Ground Floor, Fast Garden (Bloco I, Bloco II), No. 138 Rua de Viseu, Taipa, Macau	6,800,000 (equivalent to MOP7,000,000)
Grand-total:		43,200,000

VALUATION CERTIFICATE

Group I — Property interest held for occupation by the Group in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date HKD
1.	Workshop Unit No. 11 on 6th Floor, Harbour Centre Tower 1, No. 1 Hok Cheung Street, Hung Hom, Kowloon, Hong Kong 89/13, 205th shares of and in Section F and H of Kowloon Marine Lot No. 113	The property comprises an industrial unit on 6th Floor of a 14-storey (plus 1-storey basement) industrial building completed in 1989. The property has a saleable area of approximately 5,426 sq.ft. (or 504.09 sq.m.). The property is held under Conditions of Exchange No. 11128 for a term of 75 years commencing from 15 September 1972.	As at the valuation date, the property was occupied by the Group for storage and ancillary office purposes.	36,400,000

Notes:

1. The subject building is situated on the eastern side of Hung Hom Road at the junction with Tai Wan Road East to its south. The locality is characterized by industrial buildings and high-rise residential buildings of various ages.
2. The registered owner of the property is Lumen Corporation Limited, a wholly-owned subsidiary of the Company, vide Memorial No. 10060202300381 dated 20 May 2010.
3. According to the Approved Hung Hom Outline Zoning Plan No. S/K9/26 dated 10 November 2017, the site of the property is zoned as "Other Specified Uses (Business)".
4. Pursuant to the land search record, the property is subject to, inter alia, the following encumbrances:
 - a. Modification Letter vide Memorial No. UB2396801 dated 4 November 1982(Re.: KML 113);
 - b. Modification Letter vide Memorial No. UB3182599 dated 7 October 1986;
 - c. Occupation Permit No. NK47/89 vide Memorial No. UB4294842 dated 21 December 1989;
 - d. Deed of Mutual Covenant vide Memorial No. UB4358624 dated 23 February 1990; and
 - e. Tripartite Legal Charge/Mortgage to secure all moneys in respect of general banking facilities in favour of China Citic Bank International Limited vide Memorial No. 15062400150026 dated 10 June 2015.
5. Our valuation has been made on the following basis and analysis:
 - a. In our valuation, we have identified and analysed various relevant sales evidence in the locality which have similar characteristics as the subject property such as nature and use of the property. These selected comparables are general industrial units on the upper floors of industrial buildings in Hung Hom, which were transacted between 2019 and 2020. The unit price of these comparables range from HKD6,357/sq.ft. to HKD7,276/sq.ft. on saleable area basis. Appropriate adjustments and analysis are considered to the differences in location, size, time factor and other characteristics between the comparable properties and the subject property to arrive at an assumed unit rate of HKD6,708/sq.ft. on saleable area basis for the subject property; and
 - b. The unit rate of the property is in line with the unit rate of these comparables within a reasonable range.

VALUATION CERTIFICATE

Group II — Property interest held for occupation by the Group in Macau

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date HKD
2.	Unit J on Ground Floor, Fast Garden (Bloco I, Bloco II), No. 138 Rua de Viseu, Taipa, Macau	The property comprises a shop unit on ground floor with a cockloft of a 22-storey (plus 1-storey basement) composite building completed in 1993. As measured from floor plans provided by the relevant government department in Macau, the property has a total saleable area of approximately 480 sq.ft. (or 44.59 sq.m.) (including cockloft area of approximately 170 sq.ft. (or 15.79 sq.m.)). The property is held as Concessão por Arrendamento (the leasehold) for a term of 10 years commencing from 22 March 2016.	As at the valuation date, the property was vacant.	6,800,000 (equivalent to MOP7,000,000)

Notes:

1. The subject building is situated on the south-eastern side of Rua de Viseu and the north-western side of Avenida de Kwong Tung close to the junction with Rua de Braga in Taipa. The locality is characterized by high-rise residential buildings and composite buildings of various ages as well as low-rise industrial buildings and vacant sites.
2. The registered owner of the property is United Air Cargo & Express Limited, a wholly-owned subsidiary of the Company, vide Registered No. 93814 G with Application Date and Reference No. 11/10/2004 — 215.
3. Pursuant to the land search record, the property is subject to, inter alia, the following encumbrances:
 - a. Hipoteca Voluntária (Mortgage) in favour of Banco de Construção da China S.A. Sucursal de Macau vide Registered No. 190083 C with Application Date and Reference No. 22/05/2015 — 69.
4. We have been provided with a legal opinion regarding the property interest by the Company's Macau legal advisers, which contains, inter alia, the following:
 - a. The ownership of the property is valid;
 - b. The building, together with the property, is held as Concessão por Arrendamento (the leasehold) for a term of 25 years, commencing from 22 March 1991;
 - c. The term of leasehold of the building can be renewed successively, subject to the application of the owners, and the conditions to be agreed, until 19 December 2049.; and
 - d. The term of leasehold of the building is renewed for a term of 10 years, commencing from 22 March 2016.

5. Our valuation has been made on the following basis and analysis:
 - a. In our valuation, we have identified and analysed various relevant sales evidence in the locality which have similar characteristics as the subject property such as nature and use of the property. These selected comparables are general shop units on the ground floor in Macau, which were transacted in 2020. The unit price of these comparables range from HKD16,781/sq.ft. to HKD26,713/sq.ft. on saleable area basis. Appropriate adjustments and analysis are considered to the differences in location, size, time factor and other characteristics between the comparable properties and the subject property to arrive at the assumed average unit rate of HKD14,167/sq.ft. on saleable area basis for the subject property; and
 - b. The unit rate of the property is in line with the unit rate of these comparables within a reasonable range.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

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 29 March, 2018 under the Companies Act of the Cayman Islands (the “Companies Act”). 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 Act 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 11 December 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 Act, 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

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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 Act 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.

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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 Act 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.

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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.

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(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act 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 Act 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 Act 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 Act, 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.

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(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.

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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.

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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

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(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 Act, 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

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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 authorized 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 requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

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(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.

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(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 Act 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 Act 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.

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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 Act.

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.

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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 Act 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.

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(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 Act 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 Act, 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.

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3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Act 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 Act 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 Act 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 Act); (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 Act 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.

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(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 Act 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 Act.

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.

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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 Act 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.

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(g) Disposal of assets

The Companies Act 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 Act 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 Act 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 17 April 2018.

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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 Act 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 Act 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 Act. A branch register must be kept in the same manner in which a principal register is by the Companies Act 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 Act 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 Act of the Cayman Islands.

**APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY
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(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, 25% or more 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.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

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).

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(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Act, 2018 of the Cayman Islands (“ES Act”) that came into force on 1 January 2019, a “relevant entity” is required to satisfy the economic substance test set out in the ES Act. 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 Act.

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 Act, is available for inspection as referred to in the section headed “Appendix VI — Documents Available for Inspection” in 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.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on 29 March 2018. Our Company has established a principal place of business in Hong Kong at Unit 817, 8/F, Tower B, Mandarin Plaza, 14 Science Museum Road, Kowloon, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 16 August 2018. Mr. Chiu of Unit A, 7/F, Mountain Lodge, 44 Mount Kellett Road, The Peak, Hong Kong 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.

As our Company is incorporated in the Cayman Islands, it is subject to the Cayman Islands law and to its constitution, which comprises the Memorandum and the Articles. A summary of various provisions of its constitution and relevant aspects of the Companies Act is set out in the section headed “Appendix IV — Summary of the Constitution of the Company and Cayman Islands Company Law” in this prospectus.

2. Changes in share capital of our Company

- (a) As at the date of incorporation, our Company has an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. One nil-paid Share was allotted and issued to the initial subscriber, which was subsequently transferred to Profit Virtue on the same day. On the same day, our Company further allotted and issued one nil-paid Share to Peak Connect.
- (b) On 20 July 2018, Profit Virtue, Peak Connect and our Company entered into a sale and purchase of shares agreement whereby Profit Virtue and Peak Connect transferred 5,001 shares and 5,001 shares, respectively, in Grand Power Logistics Holdings Limited to our Company in consideration of crediting the nil paid Shares held by Profit Virtue and Peak Connect as fully paid-up, and the issue and allotment of 4,999 Shares and 4,999 Shares to Profit Virtue and Peak Connect, respectively.
- (c) Pursuant to the written resolutions of our Shareholders passed on 11 December 2020, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$20,000,000 divided into 2,000,000,000 Shares of a par value of HK\$0.01 each by the creation of an additional of 1,962,000,000 Shares.
- (d) Immediately following completion of the Capitalisation Issue and the Share Offer (taking no account of any Share which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), the total issued share capital of our Company immediately after the completion of the Capitalisation Issue and the Share Offer will be HK\$3,000,000 divided into 300,000,000 Shares of HK\$0.01 each, fully paid or credited as fully paid, with 1,700,000,000 Shares which our Company is authorised to issue remaining unissued.

- (e) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “Written resolutions of our Shareholders passed on 11 December 2020” in this section and pursuant to the Share Option Scheme, our Company does not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.
- (f) Save as disclosed above and in the sections headed “History, Reorganisation and Corporate Structure — Reorganisation” and “Share Capital” in this prospectus, there has been no alteration in our Company’s share capital since its incorporation.

3. Written resolutions of our Shareholders passed on 11 December 2020

On 11 December 2020, resolutions in writing were passed by our Shareholders pursuant to which, among other things:

- (a) our Company approved and adopted the Memorandum with immediate effect and the Articles conditionally which will become effective on the Listing Date, the terms of which are summarised in the section headed “Appendix IV — Summary of the Constitution of the Company and Cayman Islands Company Law” in this prospectus;
- (b) the authorised share capital of our Company be increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 Shares of HK\$0.01 each by the creation of an additional 1,962,000,000 Shares of HK\$0.01 each, ranking pari passu with the existing Shares in all respects;
- (c) conditional on (i) the Listing Division granting listing of, and permission to deal in, our Shares in issue and Shares to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme); (ii) the Offer Price having been duly agreed on the Price Determination Date and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and the Underwriting Agreements not being terminated in accordance with the terms of the Underwriting Agreements or otherwise:
 - (i) the Share Offer was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer to rank pari passu with the then existing Shares in all respects;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Share Option Scheme” in this section, were approved and adopted and our Directors were authorised, subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;

- (iii) conditional on the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to capitalise an amount of HK\$2,249,900 standing to the credit of the share premium account of our Company and to appropriate such amount as to capital to pay up in full at par 224,990,000 Shares for allotment and issue to the persons whose names appear on the register of members of our Company at the close of business on 11 December 2020 in proportion (as nearly as possible without involving fractions) to their then existing shareholdings in our Company, each ranking pari passu in all respects with the then existing issued Shares, and our Directors were authorised to give effect to such capitalisation and distributions and the Capitalisation Issue was approved;
- (d) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Shares allotted and issued in lieu of the whole or part of a dividend on Shares or similar arrangement in accordance with the Articles or pursuant to a specific authority granted by our Shareholders in general meeting or pursuant to the Share Offer, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements and options which might require the exercise of such power, with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Act or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;

- (e) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on GEM or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Act or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;
- (f) the general unconditional mandate mentioned in sub-paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

4. Corporate Reorganisation

In preparing for the Listing, the companies comprising our Group underwent the Reorganisation to rationalise the corporate structure of our Group and our Company became the holding company of our Group. Please refer to the section headed “History, Reorganisation and Corporate Structure — Reorganisation” in this prospectus for further details.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountants’ Report of our Company, the text of which is set out in the section headed “Appendix I — Accountants’ Report” in this prospectus.

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 any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

6. Repurchase of our Shares by our Company

This section contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase of the Shares by our Company.

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies whose primary listing is on GEM to repurchase their securities on GEM subject to certain restrictions, a summary of which is set out below:

(i) Shareholders' approval

The GEM Listing Rules provide that all proposed repurchases of shares, which must be fully paid up in the case of shares, by a company with a primary listing on GEM 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.

Note: Pursuant to the written resolutions passed by our Shareholder on 11 December 2020, a general unconditional mandate (the “**Repurchase Mandate**”) was granted to our Directors authorising repurchase of Share by our Company as described in the section headed “Appendix V — Statutory and General Information — A. Further information about our Company — 3. Written resolutions of our Shareholders passed on 11 December 2020” in this prospectus.

(ii) Source of Funds

Any repurchase by our Company must be funded out of funds legally available for the purpose in accordance with the Articles, the applicable laws of the Cayman Islands and the GEM Listing Rules. Our Company may not repurchase its own Shares on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any repurchases by our Company may be made out of profits, out of our Company's share premium account or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Act, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time our Shares are repurchased or, if authorised by the Articles and subject to the Companies Act, out of capital.

(iii) Connected parties

The GEM Listing Rules prohibit our Company from knowingly repurchasing our Shares on GEM from a “core connected person” (as defined in the GEM Listing Rules), which includes a Director, chief executive or substantial shareholder of our Company or any of its subsidiaries and a core connected person shall not knowingly sell Shares to our Company on GEM.

(b) *Exercise of the Repurchase Mandate*

On the basis of 300,000,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue, our Directors would be authorised under the Repurchase Mandate to repurchase up to 30,000,000 Shares, being 10% of the total number of Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue, during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid up.

(c) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and its Shareholders for our Directors to have a general authority from 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 our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and Shareholders.

(d) *Funding of repurchases*

In repurchasing our Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the GEM Listing Rules and the applicable laws and regulations of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) *General*

None of our Directors or to the best of their knowledge, having made all reasonable enquiries, any of their close associates (as defined in the GEM Listing Rules), has any present intention to sell any Shares to our Company if the Repurchase Mandate is exercised.

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, the Articles and the applicable law and regulations from time to time in force in the Cayman Islands.

If, as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. In certain circumstances, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code) depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

Save as disclosed above, our Directors are not aware of any consequences which may arise under the Takeovers Code as a consequence of any repurchase of Shares if made immediately after the listing of our Shares pursuant to the Repurchase Mandate. At present, so far as is known to our Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that our Directors exercise the power in full to repurchase our Shares pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the GEM Listing Rules). No core connected person (as defined in the GEM Listing Rules) has notified our Company that he/she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts


The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by our Group within the two years preceding the date of this prospectus and are or may be material in relation to the business of our Company taken as a whole:

- (a) the Deed of Indemnity; and
- (b) the Public Offer Underwriting Agreement.

2. Intellectual Property Rights of our Group

(a) Trademarks

As at the Latest Practicable Date, our Group had registered the following trademark:

Trademark	Place of registration	Registrant	Class	Trademark no.	Expiry date
	Hong Kong	Grand Power Express International Limited	39	300417807	9 May 2025

(b) Domain names

As at the Latest Practicable Date, our Group was the owner of the following domain names which are material to the business of our Group:

Domain name	Expiry Date
grandpowerexpress.com	25 August 2024
grandpowergroup.com.hk	23 February 2021
grandpowergroup.com	22 February 2021
grandpowergroup.hk	23 February 2021
grandpowergroup.net	22 February 2021
grandpowergroup.org	22 February 2021
grandpowerlogistics.com	1 May 2021
grandpowerlogisticsgroup.com	14 February 2021
grandpowerlogisticsgroup.com.hk	14 February 2021
redcaplogistics.com	13 June 2021

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of Interests

(a) *Interests of our Directors and chief executive in the share capital, underlying shares and debentures of our Company and its associated corporations*

So far as the Directors are aware, immediately following the completion of the Share Offer and the Capitalisation Issue, but taking no account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the Repurchase Mandate, the interests and short positions of our Directors or chief executive of our Company in the share capital, underlying Shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed on GEM, 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

any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors, to be notified to our Company and the Stock Exchange, will be as follows:

(i) *Interests in our Shares*

Name of Director	Capacity/Nature	Number of Shares held (L) ^(Note 1)	Percentage of shareholding
Mr. Chiu	Interest in controlled corporations ^(Note 2)	225,000,000	75%
Ms. Wong	Interest of spouse ^(Note 3)	225,000,000	75%

Notes:

- The letter "L" denotes long position in our Shares.
- These 225,000,000 Shares are held as to 50% by Peak Connect and 50% by Profit Virtue. Peak Connect is owned as to 92.32% and 7.68% by Mr. Chiu and Ms. Wong, respectively. Profit Virtue is wholly-owned by Mr. Chiu. Therefore, Mr. Chiu is deemed to be interested in all our Shares held by Peak Connect and Profit Virtue for the purpose of the SFO.
- Ms. Wong is the spouse of Mr. Chiu, and is deemed to be interested in all our Shares in which Mr. Chiu has interest for the purpose of the SFO.

(b) *Interests of substantial and other Shareholders in our Shares and Underlying Shares*

So far as is known to our Directors and taking no account of any Shares which may be taken up under the Share Offer, and Shares to be issued pursuant to options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Capitalisation Issue and the Share Offer, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Capacity/Nature	Number of Shares held (L) ^(Note 1)	Percentage of shareholding
Profit Virtue	Beneficial owner	112,500,000	37.5%
Peak Connect	Beneficial owner	112,500,000	37.5%

Note:

- The letter "L" denotes long position in our Shares.

2. Particulars of service contracts

Each of our Directors has entered into a service contract or an appointment letter (as the case maybe) with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice served by either party on the other, and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Memorandum and Articles.

3. Remuneration of Directors

- (a) The aggregate remuneration paid by our Group to our Directors in respect of the years ended 31 December 2017, 2018, 2019 and eight months ended 31 August 2020 were approximately HK\$2.5 million, HK\$1.8 million, HK\$1.9 million and HK\$6.3 million respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 December 2020 will be approximately HK\$7.0 million.
- (c) Each of our Directors has entered into a service contract and appointment letter (as the case may be) with our Company for a term of three years commencing from the Listing Date.

4. Agency fees or commissions received

Save as disclosed in the section headed "Underwriting — Underwriting arrangements and expenses — Fees, commission and expenses" in this prospectus, none of our Directors or the experts named in the paragraph headed "E. Other information — 8. Consents of experts" in this section had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

5. Related party transactions

Details of the related party transactions are set out under Note 26 in the the section headed "Appendix I — Accountants' Report" in this prospectus.

6. Disclaimers

Save as disclosed in this section and in the section headed "Substantial Shareholders" in this prospectus:

- (a) taking no account of any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the Repurchase Mandate, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following the completion of the Share Offer and the Capitalisation Issue, have an interest or short position in our Shares

or underlying Shares which will fall to be disclosed to our Company and the Stock Exchange pursuant to 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 nominal value or any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;

- (b) none of our Directors or chief executive of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on GEM;
- (c) none of our Directors or the experts named in the paragraph headed “E. Other information — 7. Qualifications of experts” in this section is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of our Directors or the experts named in the paragraph headed “E. Other information — 7. Qualifications of experts” in this section 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 our Directors or the experts named in the paragraph headed “E. Other information — 7. Qualifications of experts” in this section has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (f) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the GEM Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group;
- (g) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)); and
- (h) no remuneration or other benefits in kind have been paid by any member of our Group to any Director since the date of incorporation of our Company, nor are any remuneration or benefits in kind payable by any member of our Group to any Director in respect of the current financial year under any arrangement in force as at the Latest Practicable Date.

D. SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 11 December 2020. The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

(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 11 December 2020:

(i) Purposes 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. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward the employees, our Directors and other selected participants for their contributions to our Group.

(ii) Who may join

Our Directors may, at its 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) of our Company, any of its subsidiaries (“**Subsidiaries**”) or any entity (“**Invested Entity**”) in which our Group holds an equity interest (“**Eligible Employee**”);
- (bb) any non-executive directors (including independent non-executive directors) of our Company, any Subsidiaries 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 growth of our Group.

The eligibility of any of the above class of participants to the grant of any option shall be determined by our Directors from time to time on the basis of our Directors' option 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 the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of our Group shall not exceed 30% of the issued share capital of our Company from time to time. No options may be granted under the Share Option Scheme or any other share option scheme of our Group if this will result in the limit being exceeded.
- (bb) The total number of Shares which may be 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 10.0% of our Shares in issue on the day on which dealings in our Shares first commence on GEM (i.e. not exceeding 30,000,000 Shares) (the "**General Scheme Limit**").
- (cc) Subject to (aa) above but without prejudice to (dd) 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 issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Group shall not exceed 10.0% of our 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.

(dd) Subject to (aa) above and without prejudice to (cc) 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 (cc) 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 general 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 (v) (bb) below, the total number of Shares issued and which may fall 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 1.0% of the issued share capital of our Company for the time being ("**Individual Limit**"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to our Shareholders and our Shareholders' approval in general meeting of our Company with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting. 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 (v)(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 (as defined under the GEM Listing Rules) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).
- (bb) Without prejudice to (v)(aa) above, where any grant of options to a substantial Shareholder of our Company or an independent non-executive Director or any of their respective associates, would result in our 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 our Shares in issue; and
 - ii. having an aggregate value, based on the closing price of our Shares at the date of each grant, in excess of HK\$5 million;

such further grant of options must be approved by Shareholders of our Company in general meeting. Our Company must send a circular to our Shareholders. All proposed grantee, its associates and core connected persons of our Company must abstain from voting 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 our Shareholders of our Company 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 a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option 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 will be a price determined by our Directors, but shall not be less than the highest of (i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of our Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of a Share.

A nominal consideration of HK\$1.0 is payable on acceptance of the grant of an option.

(ix) Ranking of Shares

- (aa) Shares allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles of Association of our Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders

thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the Exercise Date. 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 equity share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or reduction of the share capital of our Company from time to time.

(x) Restrictions on the time of grant of options

No offer for grant of options shall be made after inside information has come to our knowledge until such information has been announced in accordance with the requirements of the GEM Listing Rules. In particular, our Company may not make any offer during the period commencing one month immediately preceding the earlier of (aa) the date of the meeting of the Board for the approval of 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 publish an announcement of its 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 announcement of the results. No offer may be made during any period of delay in publishing a 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 on which the Share Option Scheme is adopted.

(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) will 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 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.

(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 associate has committed any breach of any contract entered into between the grantee or his 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 repurchase 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, shareholders of our Company. If such offer becomes or is declared unconditional, 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 in exercise of his option at any time before 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 of a resolution being proposed for the voluntary winding-up of our Company during the option period, 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 before the date on which such resolution is to be considered and/or passed, 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 our Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolution is to be considered and/or passed whereupon the grantee shall accordingly be entitled, in respect of our 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 our Shares in issue on the day prior to the date of such resolution. 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 capital of our Company whilst an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of or an independent financial adviser to our Company as fair and reasonable will be made to the number or nominal amount of Shares, the subject matter of the Share Option Scheme and the option so far as unexercised and/or the option price of the option concerned, provided that (i) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such adjustment; (ii) no

alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and (iii) the issue of Shares or other securities of our Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment; (iv) any adjustment must be made in compliance with the GEM Listing Rule and such rules, codes and guidance notes of the Stock Exchange from time to time. 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 provision 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 our Shareholders pursuant to subparagraphs (iii) (cc) and (dd) 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. 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 option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (aa) the expiry of the period for exercise of the options referred to in paragraph (vi);
- (bb) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvi) and (xvii); and
- (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) by the grantee in respect of that or any other options.

(xxiv) Others

- (aa) The Share Option Scheme is conditional on the Stock Exchange granting the listing of and permission to deal in, such number of Shares to be 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.
- (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 our Shareholders in general meeting.
- (cc) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by our Shareholders of our Company 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, 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 shall be approved by our Shareholders of our Company 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 the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be 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 our Shares to be 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.

E. OTHER INFORMATION

1. Tax and other indemnities

Our Controlling Shareholders (the “**Indemnifiers**”) have, under the Deed of Indemnity, given joint and several indemnities to our Company for itself and as trustee for its subsidiaries in connection with, among other things, (a) any taxation falling on any member of our Group (i) in respect of or by reference to any income, profits or gains earned, accrued or received or deemed or alleged to have been earned, accrued or received on or before the date on which the Share Offer becomes unconditional; or (ii) in respect of or by reference to any transaction, act, omission or event entered into or occurring or deemed to enter into or occur on or before the date on which the Share Offer becomes unconditional; and (b) any claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group as a result of or in connection with any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings instituted by or against any member of our Group in relation to events occurred on or before the date on which the Share Offer becomes unconditional. The Indemnifiers will, however, not be liable under the deed of indemnity to the extent that, among others:

- (a) specific provision, reserve or allowance has been made for such liability in the audited combined accounts of our Company for the Track Record Period; or
- (b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Share Offer becomes unconditional; or
- (c) the taxation liability is caused by the act or omission of, or transaction voluntarily effected by our Group which is carried out or effected in the ordinary course of business after the date on which the Share Offer becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

2. Litigation

Our Directors confirmed that as at the Latest Practicable Date, save as disclosed in the section headed “Business — Legal Proceedings and Compliance” in this prospectus, no member of our Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is pending or threatened by or against any member of our Group.

3. Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Division for listing of and permission to deal in our Shares in issue and to be issued as mentioned herein and any Shares which may fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

The Sponsor’s fee in relation to the Listing is HK\$7 million.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK\$42,588 and are payable by our Company.

5. Compliance adviser

In accordance with the requirements of the GEM Listing Rules, our Company has appointed VBG Capital Limited as our compliance adviser to provide advisory services to our Company to ensure compliance with the GEM Listing Rules for a period commencing on the Listing Date, and ending 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 compliance adviser agreement is otherwise terminated upon the terms and conditions set out therein.

6. Promoter

Our Company has no promoter for the purpose of the GEM Listing Rules.

7. Qualifications of experts

The following are the respective qualifications of the experts who have given their opinion or advice which is contained in this prospectus:

Name	Qualification
VBG Capital Limited	A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Chan Chung	Barrister-at-law of Hong Kong
Jingtian & Gongcheng	PRC legal advisers
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
WICH Law Firm	Macau legal advisers
Mazars CPA Limited	Certified Public Accountant
China Insights Consultancy Limited	Industry consultant
BT Corporate Governance Limited (formerly known as Baker Tilly Hong Kong Risk Assurance Limited and subsequently known as Corporate Governance Professionals Limited)	Internal control adviser
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Property valuer
RSM Tax Advisory (Hong Kong) Limited	Tax adviser

8. Consents of experts

Each of the experts named in the paragraph headed “E. Other information — 7. Qualifications of experts” in this section has given and has not withdrawn its written consents to the issue of this prospectus, with the inclusion of its name and letters and/or reports and/or statements and/or opinions and/or summary thereof (as the case may be) and all references thereto in the form and context in which they respectively appear.

9. 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.

10. Registration procedures

The principal register of members of our Company in the Cayman Islands will be maintained by Conyers Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained by Tricor Investor Services Limited. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable our Shares to be admitted into CCASS.

11. No material adverse change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Company or its subsidiaries since 31 August 2020 (being the date to which the latest audited financial statements of our Group were made up) and up to the Latest Practicable Date.

12. Taxation of holders of Shares**(a) Hong Kong**

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

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

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.

(c) Consultation with professional advisers

Intending holders of our 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 our Shares. It is emphasised that none of our Company, our Directors or parties involved in the Share Offer accepts 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.

13. Miscellaneous

(a) *Save as disclosed in this section and in the sections headed “History, Reorganisation and Corporate Structure”, “Business”, “Financial Information” and “Underwriting” in this prospectus:*

- (i) Within the two years immediately preceding the date of this prospectus:
 - (aa) no share or loan capital of our Company or 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 or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of our subsidiaries;
 - (cc) no commission has been paid or payable (except to sub-underwriter) for subscribing or agreeing to subscribe, procuring or agreeing to procure subscriptions, for any Shares or shares of any of our subsidiaries;
 - (dd) no founder, management or deferred shares or any debentures of our Company have been issued or agreed to be issued; and
 - (ee) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option.
- (ii) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 24 months immediately preceding the date of this prospectus;
- (iii) none of the experts named in the paragraph headed “E. Other information — 7. Qualifications of experts” in this section:
 - (aa) is interested beneficially or non-beneficially in any securities in any member of our Group, including our Shares; or
 - (bb) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group, including our Shares;
- (iv) our Company and its subsidiaries do not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans whether guaranteed or secured as at the Latest Practicable Date;

- (v) our Directors have been advised that, under Cayman Islands laws, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with the English name does not contravene Cayman Islands laws;
- (vi) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (vii) our Group has no outstanding convertible debt securities; and
- (viii) the English text of this prospectus shall prevail over the Chinese text.

14. Bilingual document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided in 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 were:

- (a) a copy of each of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) the written consents referred to in the section headed “Appendix V — Statutory and General Information — E. Other information — 8. Consents of experts” in this prospectus; and
- (c) a copy of each of the material contracts referred to in the section headed “Appendix V — Statutory and General Information — B. Further information about our business — 1. Summary of material contracts” in this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of CFN Lawyers at 27th Floor, Neich Tower, 128 Gloucester Road, Wan Chai, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the Accountants’ Report of our Group prepared by Mazars CPA Limited, the text of which is set out in the section headed “Appendix I — Accountants’ Report” in this prospectus;
- (c) the audited combined financial statements of our Group for the three years ended 31 December 2019 and eight months ended 31 August 2019 and 2020;
- (d) the report prepared by Mazars CPA Limited in respect of the unaudited pro forma financial information of our Group, the text of which is set out in the section headed “Appendix II — Unaudited Pro Forma Financial Information” in this prospectus;
- (e) the letter, summary of values and valuation certificates relating to property interests prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the text of which is set out in the section headed “Appendix III — Property Valuation” in this prospectus;
- (f) the letter of advice prepared by Conyers Dill & Pearman, our Cayman Islands legal advisers, summarising the constitution of our Company and certain aspects of Cayman Islands company law referred to in the section headed “Appendix IV — Summary of the Constitution of the Company and Cayman Islands Company Law” in this prospectus;
- (g) the Companies Act;
- (h) the material contracts referred to in the section headed “Appendix V — Statutory and General Information — B. Further information about our business — 1. Summary of material contracts” in this prospectus;

- (i) the service contracts and appointment letters entered into between our Company and each of our Directors referred to in the section headed “Appendix V — Statutory and General Information — C. Further information about Substantial Shareholders, Directors and Experts — 2. Particulars of service contracts” in this prospectus;
- (j) the written consents referred to in the section headed “Appendix V — Statutory and General Information — E. Other information — 8. Consents of experts” in this prospectus;
- (k) the opinion issued by our Hong Kong Legal Counsel;
- (l) the opinion issued by our PRC Legal Advisers;
- (m) the opinion issued by our Macau Legal Advisers;
- (n) the internal control review report issued by BT Corporate Governance Limited (formerly known as Baker Tilly Hong Kong Risk Assurance Limited and subsequently known as Corporate Governance Professionals Limited);
- (o) the report issued by RSM Tax Advisory (Hong Kong) Limited;
- (p) the CIC Report; and
- (q) the rules of the Share Option Scheme.



裕程物流集團有限公司
Grand Power Logistics Group Limited