

Sun Kong Holdings Limited 申港控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8631

Share Offer

Sole Sponsor

SUNWAH KINGSWAY
新華滙富

Kingsway Capital Limited

Joint Bookrunners and Joint Lead Managers

SUNWAH KINGSWAY
新華滙富

Kingsway Financial Services
Group Limited

 **藍山金融**
BLUEMOUNT

Bluemount Securities Limited

Co-Lead Managers

 **恒明珠證券有限公司**
ETERNAL PEARL SECURITIES LTD.

Eternal Pearl Securities Limited

KAISER

Kaiser Securities Limited

 **Pacific
Foundation**

Pacific Foundation
Securities Limited

IMPORTANT

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

Sun Kong Holdings Limited 申港控股有限公司

(Incorporated in the Cayman Islands with limited liability)

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

Number of Offer Shares: 100,000,000 Shares (subject to the Offer Size Adjustment Option)

Number of Placing Shares: 90,000,000 Shares (subject to reallocation and the Offer Size Adjustment Option)

Number of Public Offer Shares: 10,000,000 Shares (subject to reallocation)
Offer Price: Not more than HK\$0.7 per Offer Share and expected to be not less than HK\$0.5 per Offer Share, plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)

Nominal value: HK\$0.01 per Share

Stock code: 8631

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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 "Documents delivered to the Registrar of Companies in Hong Kong and available for inspection – Documents delivered to the Registrar of Companies in Hong Kong" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or around Monday, 31 December 2018. The Offer Price will not be more than HK\$0.7 per Offer Share and is currently expected to be not less than HK\$0.5 per Offer Share. If, for any reason, the Offer Price is not agreed on or before Friday, 4 January 2019 between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company, the Share Offer will not proceed and will lapse. In the case of such event, a notice will be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.skhl.com.hk. The Joint Lead Managers (for themselves and on behalf of the Underwriters), with the consent of our Company, may extend or reduce the indicative Offer Price range stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. Further details are set out in the sections headed "Structure and conditions of the Share Offer" and "How to apply for Public Offer Shares" of this prospectus.

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

The obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Public Offer Shares, are subject to termination by the Joint Lead Managers if certain grounds arise prior to 8:00 a.m. on the day that trading in the Offer Shares commences on the Stock Exchange. Such grounds are set out in the section headed "Underwriting – Underwriting arrangement and expenses – Grounds for termination" of this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable US state securities laws. The Offer Shares are being offered and sold outside the United States in reliance on Regulation S under the U.S. Securities Act and the applicable laws of each jurisdiction where those offers and sales occur.

21 December 2018

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

EXPECTED TIMETABLE

If there is any change to the following expected timetable, we will publish an announcement on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.skhl.com.hk.

Date⁽¹⁾

Latest time for completing electronic applications under HK eIPO White Form service through the designated website at www.hkeipo.hk ⁽²⁾⁽⁴⁾	11:30 a.m. on Friday, 28 December 2018
Application lists of Public Offer open ⁽²⁾	11:45 a.m. on Friday, 28 December 2018
Latest time for lodging WHITE and YELLOW Application Forms and giving electronic application instructions to HKSCC ⁽³⁾	12:00 noon on Friday, 28 December 2018
Latest time for completing payment of HK eIPO White Form applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Friday, 28 December 2018
Application lists of Public Offer close ⁽²⁾	12:00 noon on Friday, 28 December 2018
Expected Price Determination Date ⁽⁵⁾	on or around Monday, 31 December 2018
Announcement of the final Offer Price, the level of indications of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares under the Public Offer to be published on our Company's website at www.skhl.com.hk and the website of the Stock Exchange at www.hkexnews.hk on or before	Monday, 7 January 2019

EXPECTED TIMETABLE

Date⁽¹⁾

Results of allocations in the Public Offer (with successful applicants' identification document numbers or business registration numbers, where applicable) to be available through a variety of channels as described in the paragraph headed "How to apply for Public Offer Shares – 11. Publication of results" in this prospectus Monday, 7 January 2019

Results of allocations in the Public Offer will be available at **www.tricor.com.hk/ipo/result** with a "search by ID Number/Business Registration Number" function from Monday, 7 January 2019

Despatch/collection of share certificates or deposit of the share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer on or before⁽⁶⁾ Monday, 7 January 2019

Despatch/collection of refund cheques or **HK eIPO White Form e-Auto Refund** payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Public Offer on or before⁽⁶⁾ Monday, 7 January 2019

Dealings in the Shares on GEM expected to commence at 9:00 a.m. on Tuesday, 8 January 2019

Notes:

1. All times and dates refer to Hong Kong local time and date unless otherwise stated in this prospectus. Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and conditions of the Share Offer" in this prospectus.
2. If there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. to 12:00 noon on Friday, 28 December 2018, the application lists will not open or close on that day. Further information is set out in the paragraph headed "How to apply for Public Offer Shares – 10. Effect of bad weather on the opening of the application lists" in this prospectus.

EXPECTED TIMETABLE

3. Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the paragraph headed “How to apply for Public Offer Shares – 6. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
4. You will not be permitted to submit your application through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
5. The Price Determination Date is expected to be on or around Monday, 31 December 2018 and, in any event, not later than Friday, 4 January 2019. If, for any reason, the final Offer Price is not agreed between the Joint Lead Managers (for themselves and on behalf of Underwriters) and our Company on or before Friday, 4 January 2019, the Share Offer will not proceed and will lapse.
6. Refund cheques or e-Auto Refund payment instruction will be used in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identify card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque.

Applicants who have applied on **WHITE Application Forms** or **HK eIPO White Form** for 1,000,000 or more Public Offer Shares and have provided all information required by their Application Forms may collect any refund cheques and/or Share certificates in person from our Company’s Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, 7 January 2019. Applicant being individuals who is eligible for personal collection may not authorise any other person to collect on their behalf. Applicants being corporations which are eligible for personal collection must attend through their authorised representatives bearing letters of authorisation from their corporations stamped with the corporation’s chop. Both individuals and authorised representatives of corporations must produce evidence of identity acceptable to our Hong Kong Branch Share Registrar at the time of collection.

Applicants who have applied on **YELLOW Application Forms** for 1,000,000 or more Public Offer Shares may collect their refund cheques, if any, in person but may not elect to collect their Share certificates as such Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW Application Form** applicants are the same as those for **WHITE Application Form** applicants.

EXPECTED TIMETABLE

Applicants who have applied for Public Offer Shares by giving electronic application instructions to HKSCC via CCASS should refer to the paragraph headed “How to apply for Public Offer Shares – 14. Despatch/Collection of share certificates and refund monies” in this prospectus for details.

Applicants who have applied through the **HK eIPO White Form** service and paid their applications monies through single bank accounts may have refund monies (if any) despatched to the bank account in the form of e-Auto Refund payment instructions. Applicants who have applied through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address specified in their application instructions in the form of refund cheques by ordinary post at their own risk.

Applicants who have applied for less than 1,000,000 Public Offer Shares and any uncollected share certificates and/or refund cheques will be despatched by ordinary post, at the applicants’ risk, to the addresses specified in the relevant applications.

Further information is set out in the paragraphs headed “How to apply for Public Offer Shares – 13. Refund of application monies” and “How to apply for Public Offer Shares – 14. Despatch/Collection of shares certificates and refund monies” in this prospectus.

Share certificates will only become valid certificates of title to which they relate at 8:00 a.m. (Hong Kong time) on the Listing Date provided that (i) the Share Offer has become unconditional in all respects; and (ii) the right of termination described in the paragraph headed “Underwriting – Underwriting arrangements and expenses – Grounds for termination” in this prospectus has not been exercised and has lapsed. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid certificates of title do so entirely at their own risk.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Share Offer in Hong Kong and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Offer Shares. This prospectus may not be used for the purpose of, and does not constitute an offer to sell or a solicitation of an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than in Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

Prospective investors 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, the Co-Lead Managers and the Underwriters have not authorised anyone to provide prospective investors with information that is different from what is contained in this prospectus. Any information or representation not contained in this prospectus and the Application Forms must not be relied on by prospective investors as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers and the Underwriters, any of their respective affiliates, directors, officers, employees, agents, or representatives, or any other person or party 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 and therefore does not contain all the information which 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. Various expressions used in this section are defined in the sections headed “Definitions” and “Glossary of technical terms” in this prospectus.

BUSINESS OVERVIEW

We are principally engaged in the sale of diesel oil in Hong Kong. Our sale services include sourcing diesel oil through oil trading companies, dispatching our fleet of diesel tank wagons to collect diesel oil from oil depots designated by our suppliers, and eventually delivering diesel oil to destinations designated by our customers. In addition to our sale services as described above, in September 2018, we also started to provide ancillary transportation service to an Oil Major whereby we help the Oil Major transport the diesel oil to its customers. This does not involve any purchase of diesel oil from such Oil Major. As at the Latest Practicable Date, we provide our services in Kowloon and the New Territories.

We strive to provide quality diesel oil to our customers with timely delivery services. Over the years, with the support of our experienced management team, we have become an established diesel oil provider focusing on the logistics sector in Hong Kong. We are able to develop an in-depth understanding and industry knowhow in the industry regarding our customers’ demand and requirements to fulfill their daily business needs. Therefore, we are also able to customise our services to suit their business needs by recommending the delivery schedule and required amount of diesel oil to be used for their business activities and providing guidance on safety precautions and environmental protection.

According to the CIC Report, the estimated market size of diesel consumption for transportation and industrial use grew between 2013 and 2017 and has increased to 1,397.8 thousand kilolitres by 2017. Consumption from transportation (buses and goods vehicles) and industrial use contributed to around 70.8% and 13.1% of overall consumption in 2017, respectively. Hong Kong’s market size for diesel is expected to grow at a CAGR of 1.0%, reaching a total 1,468.7 thousand kilolitres by 2022, among which industrial processes/equipment is expected to consume 249.4 thousand kilolitres and transportation is expected to consume 1,219.3 thousand kilolitres. With around 80 market participants selling diesel for industrial and transportation use in Hong Kong, and around 10 of them are authorised agents in 2017, the diesel sales market in Hong Kong continues to be considered relatively fragmented. The top five diesel distributors currently take up about 32.4% of total market share. We ranked the second among these diesel distributors, with a market share of 10.5% in terms of the total revenue generated from the sale of diesel through diesel distributors and 8.4% in terms of the diesel sales through both the Oil Majors and diesel distributors as of 2017.

SUMMARY

As at the Latest Practicable Date, we had seven diesel tank wagons of various capacity to meet our customers' requirement and needs. Our own fleet of diesel tank wagons allows us to satisfy our customers' immediate or unplanned purchase demands by supplying diesel oil to our customers within a short time frame and responding to our customers' delivery schedule in a more flexible manner.

BUSINESS MODEL

Our Group's revenue is mainly derived from the sale of diesel oil, as well as diesel exhaust fluid, to our customers in Hong Kong during the Track Record Period. The following table sets forth a breakdown of our revenue by product types during the Track Record Period:

	2016		Year ended 31 March				Four months ended 31 July			
	HK\$'000	%	2017	%	2018	%	2017	%	2018	%
			HK\$'000		HK\$'000		HK\$'000 (unaudited)		HK\$'000	
Diesel oil	193,625	99.8	386,824	99.9	442,797	99.9	143,848	99.8	162,693	99.9
Diesel exhaust fluid	310	0.2	545	0.1	639	0.1	231	0.2	194	0.1
Total	<u>193,935</u>	<u>100.0</u>	<u>387,369</u>	<u>100.0</u>	<u>443,436</u>	<u>100.0</u>	<u>144,079</u>	<u>100.0</u>	<u>162,887</u>	<u>100.0</u>

Our Group's revenue for the year ended 31 March 2017 increased by approximately 99.7% or approximately HK\$193.5 million as compared to that for the year ended 31 March 2016. Our Group's revenue further increased by approximately HK\$56.0 million or approximately 14.4% to approximately HK\$443.4 million for the year ended 31 March 2018 from approximately HK\$387.4 million for the year ended 31 March 2017. Our Group's revenue for the four months ended 31 July 2018 increased by approximately 13.1% or approximately HK\$18.8 million as compared to that for the four months ended 31 July 2017. The increase in revenue is mainly contributed from the increased orders of sales of diesel oil and the increased selling price of diesel oil during the Track Record Period.

CUSTOMERS

Our customers are mostly logistics companies which constantly require diesel oil to operate their vehicle fleets. We served over 50 customers for the Track Record Period. All of our customers are located in Hong Kong. For each of the three years ended 31 March 2016, 2017 and 2018 and the four months ended 31 July 2018, the revenue generated from our five largest customers in aggregate accounted for approximately 92.3%, 93.8%, 93.9% and 92.4% of our total revenue, respectively; and the revenue from our largest customer accounted for approximately 74.7%, 43.3%, 34.1% and 28.9% of our total revenue, respectively. For details of our Group's customers, please refer to the paragraph headed "Business – Customers" in this prospectus.

SUMMARY

SUPPLIERS

We generally source diesel oil from oil trading companies which are the authorised agents of the Oil Majors. As our purchases are driven by confirmed customers' orders, we make purchases of diesel oil from our suppliers on a back-to-back basis after our customers' orders are confirmed. During the Track Record Period, all of our purchases were completed in Hong Kong. For each of the three years ended 31 March 2016, 2017 and 2018 and the four months ended 31 July 2018, our five largest suppliers accounted for approximately 100.0%, 98.6%, 99.9% and 100.0% of our total purchases, respectively; and the purchases from our largest supplier accounted for approximately 86.6%, 34.4%, 53.2% and 51.8% of our total purchases, respectively. For details of our Group's suppliers, please refer to the paragraph headed "Business – Suppliers" in this prospectus.

COMPETITIVE STRENGTHS

We believe the following competitive strengths of our Group, details of which are set out in the section headed "Business – Competitive strengths" in this prospectus, have contributed to our success to date: (i) we are an established diesel oil provider primarily for the logistics sector in Hong Kong; (ii) we have an established customer base; (iii) we have an experienced management team; (iv) we possess our own fleet of diesel tank wagons and drivers who are permitted to access the respective oil depots; and (v) we have stable relationships with our key suppliers.

BUSINESS STRATEGIES

Our goal is to further enhance our performance as one of the leading providers of diesel oil in Hong Kong. We plan to expand our business and strengthen our market position in Hong Kong by pursuing the following business strategies: (i) expand our logistics team by enhancing our fleet of diesel tank wagons; (ii) increase our manpower; and (iii) upgrade our information technology systems. For details of our business strategies, please refer to the section headed "Business – Business strategies" in this prospectus.

RISK FACTORS

There are risks involved in our Company's operations. Prospective investors should read carefully the section headed "Risk factors" in this prospectus for details of all the risk factors before making any investment decision in the Offer Shares. Some of the major risks are summarised as follows:

- We are dependent on our five largest suppliers (in terms of total purchases), for the supply of diesel oil. Any shortage or delay in the supply of diesel oil from them may materially and/or adversely affect our business and results of operations if we cannot secure alternative sources of supply immediately.

SUMMARY

- A significant portion of our revenue was attributable to the sale of diesel oil and our profitability may be adversely affected if demand for diesel oil declines for any reason.
- Our five largest customers accounted for approximately 90% or more of our revenue during the Track Record Period and we rely heavily on our five largest customers.
- Our Company does not enter into long-term agreements with our customers and our customers are not subject to any minimum purchase requirement to place orders with us.
- Our cash flows may deteriorate due to net operating cash outflow or potential mismatch in time between receipt from our customers and payments to our suppliers.
- We may be unable to pass an increase in cost of sales fully to our customers.
- Any failure to renew the dangerous goods licence for our diesel tank wagons for conveyance of diesel oil could adversely affect our business, operations and profitability.
- Our historical financial conditions and results of operations may not be indicative of our future growth.

SUMMARY OF FINANCIAL INFORMATION

The following tables summarise the combined financial information of our Group during the Track Record Period. The summarised financial data should be read in conjunction with the combined financial information in the Accountants' Report set out in Appendix I to this prospectus.

Highlights of combined statements of profit or loss and comprehensive income

	Year ended 31 March			Four months ended 31 July	
	2016	2017	2018	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Revenue	193,935	387,369	443,436	144,079	162,887
Cost of sales	(183,955)	(368,267)	(420,961)	(137,275)	(155,388)
Gross profit	9,980	19,102	22,475	6,804	7,499
Gross profit margin	5.1%	4.9%	5.1%	4.7%	4.6%
Profit and total comprehensive income for the year	5,051	12,355	4,882	4,627	4,545

SUMMARY

Our Group's revenue is mainly derived from the sale of diesel oil and diesel exhaust fluid to our customers. The selling price of our diesel oil will be determined based on purchase cost of diesel oil, quantity of diesel oil to be sold, delivery location, length of credit period and length of business relationship with customers. The gross profit earned by our Group represents the price spread between the selling price to the customers and the cost incurred in the course of business (such as diesel oil costs, staff costs and depreciation for the diesel tank wagons).

Our revenue increased by approximately 99.7% or approximately HK\$193.5 million from approximately HK\$193.9 million for the year ended 31 March 2016 to approximately HK\$387.4 million for the year ended 31 March 2017. The increase in revenue was mainly contributed by the increase in quantity of diesel oil sold to Customer E and Customer F of approximately HK\$76.4 million and HK\$61.9 million during the year ended 31 March 2017, respectively.

Our revenue for the year ended 31 March 2018 increased by approximately 14.4% or approximately HK\$56.0 million as compared to that for the year ended 31 March 2017. The increase in revenue was mainly contributed by the increase in average selling price of diesel oil due to increased purchase cost of diesel oil and an increase in quantity of diesel oil sold to Hung Wan Company and other new customers.

Our Group's revenue increased by approximately 13.1% or approximately HK\$18.8 million from approximately HK\$144.1 million for the four months ended 31 July 2017 to approximately HK\$162.9 million for the four months ended 31 July 2018. The increase in revenue was mainly contributed from increased orders of sales of diesel oil during the period.

Our gross profit increased by approximately HK\$9.1 million, or 91.4% from approximately HK\$10.0 million for the year ended 31 March 2016 to approximately HK\$19.1 million for the year ended 31 March 2017, and was mainly due to the increase in revenue of approximately HK\$193.5 million. The gross profit margin maintained at approximately 5.0% throughout the three years ended 31 March 2018.

Our gross profit increased by approximately HK\$3.4 million, or 17.6% from approximately HK\$19.1 million for the year ended 31 March 2017 to approximately HK\$22.5 million for the year ended 31 March 2018, and was mainly due to the increase in revenue of approximately HK\$56.0 million.

Our gross profit increased by approximately HK\$0.7 million, or 10.2% from approximately HK\$6.8 million for the four months ended 31 July 2017 to approximately HK\$7.5 million for the four months ended 31 July 2018, and was mainly due to the increase in revenue of approximately HK\$18.8 million. The gross profit margin maintained at around 4.7% for the four months ended 31 July 2017 and 2018.

SUMMARY

In addition, we have also started to provide ancillary transportation service to an Oil Major whereby we help the Oil Major transport diesel oil to its customers since 1 September 2018. The gross profit margin for the above provision of transportation service to the Oil Major since 1 September 2018 and up to the Latest Practicable Date is approximately 3.3%.

Highlights of combined statements of financial position

	As at 31 March		As at 31 July	
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current asset	5,263	5,846	3,912	3,294
Current assets	8,845	17,165	21,219	22,538
Non-current liabilities	2,930	2,743	1,348	1,116
Current liabilities	6,884	9,619	11,452	7,840
Net current assets	1,961	7,546	9,767	14,698
Net assets	4,294	10,649	12,331	16,876

The current liabilities increased from approximately HK\$6.9 million as at 31 March 2016 to approximately HK\$9.6 million as at 31 March 2017 and further increased to approximately HK\$11.5 million as at 31 March 2018, and was mainly due to (i) the new bank borrowings obtained in February 2018, and (ii) accrued Listing expenses and increases in trade payables as at 31 March 2018 as compared to preceding dates. The current liabilities reduced to approximately HK\$7.8 million as at 31 July 2018 was mainly due to the repayment of trade payables and bank borrowings.

Highlights of combined statements of cash flows

	Year ended 31 March			Four months
	2016	2017	2018	ended 31 July
	HK\$'000	HK\$'000	HK\$'000	2018
				HK\$'000
Operating cash inflows before changes in working capital	7,142	16,731	9,840	6,219
Net cash generated from/(used in) operating activities	4,606	5,985	7,339	(106)
Net cash used in investing activities	(360)	(443)	(55)	(4)
Net cash used in financing activities	(1,259)	(8,121)	(5,598)	(1,804)
Net increase/(decrease) in cash and cash equivalents	2,987	(2,579)	1,686	(1,914)

SUMMARY

For the year ended 31 March 2018, we recorded net operating cash inflow of approximately HK\$7.3 million from operating activities, primarily due to the combined effects of (i) approximately HK\$9.8 million operating cash flows before movements in working capital; and (ii) the increase in trade and other payables of approximately HK\$4.2 million. This is partially offset by (i) the increase in other receivables of approximately HK\$2.8 million; (ii) the interest paid of approximately HK\$0.1 million; and (iii) the income taxes paid of approximately HK\$4.2 million. We recorded net cash outflow of approximately HK\$5.6 million from financing activities, mainly attributable to (i) the advance to a director of approximately HK\$4.4 million; (ii) dividend paid of approximately HK\$3.2 million; (iii) repayment of bank loans of approximately HK\$0.3 million; (iv) repayment of obligations under finance lease of approximately HK\$1.7 million; and (v) new bank borrowings of approximately HK\$4.0 million.

Please refer to the section headed “Risk factors – Our cash flows may deteriorate due to net operating cash outflow or potential mismatch in time between receipt from our customers and payments to our suppliers” of this prospectus for more details.

Key financial ratios

The following table sets out a summary of key financial ratios as at 31 March 2016, 31 March 2017, 31 March 2018 and 31 July 2018. For more discussion on our Group’s financial ratios, please refer to the section headed “Financial information – Summary of key financial ratios” of this prospectus.

		As at/For the year ended 31 March			As at/For the four months ended 31 July
	Notes	2016	2017	2018	2018
Gross profit margin	1	5.1%	4.9%	5.1%	4.6%
Net profit margin	2	2.6%	3.2%	1.1%	2.8%
Current ratio (<i>times</i>)	3	1.3	1.8	1.9	2.9
Gearing ratio (<i>times</i>)	4	0.9	0.4	0.5	0.2
Net debt to equity (<i>times</i>)	5	N/A	0.2	0.2	0.2
Return on equity	6	117.6%	116.0%	39.6%	26.9%
Return on total assets	7	35.8%	53.7%	19.4%	17.6%
Interest coverage ratio (<i>times</i>)	8	35.8	92.8	54.1	69.1

Notes:

- Gross profit margin equals gross profit for the year/period divided by revenue for the relevant year/period.
- Net profit margin equals net profit for the year/period divided by revenue for the relevant year/period.
- Current ratio is calculated by current assets over current liabilities as at the end of the respective year/period.

SUMMARY

4. Gearing ratio is calculated by total debt over total equity as at the end of the respective year/period. Total debt is defined to include all interest-bearing borrowings and obligations under finance leases.
5. Net debt to equity is calculated by net debt over total equity as at the end of the respective year/period. Net debt includes all borrowings net of cash and cash equivalent.
6. Return on equity is calculated by profit for the year/period over total equity as at the end of the respective year/period.
7. Return on total assets is calculated by profit for the year/period over total assets at the end of the respective year/period.
8. Interest coverage ratio is calculated by profit for the year/period before interest and tax over interest expense for the year/period.

LISTING EXPENSES

The total expenses for the Listing (including the underwriting commission) are estimated to be HK\$25.2 million based on the Offer Price of HK\$0.6 (being the mid-point of the indicated Offer Price range stated in this prospectus) and assuming the Offer Size Adjustment Option is not exercised, of which approximately HK\$7.6 million is directly attributable to the issue of the Offer Shares pursuant to the Listing and is expected to be accounted for as a deduction from equity upon the Listing. Of the remaining listing expenses of approximately HK\$17.6 million, approximately HK\$9.4 million was charged to the combined statement of comprehensive income of our Group for the year ended 31 March 2018 and approximately HK\$0.4 million for the four months ended 31 July 2018, and approximately HK\$7.8 million will be charged to the combined statement of comprehensive income of our Group for the eight months ending 31 March 2019. The total estimated listing expenses of HK\$25.2 million is a current estimation for reference only and the final amount is subject to adjustments based on the actual amount incurred or to be incurred. Prospective investors should note that the financial performance of our Group for the year ending 31 March 2019 would be materially and adversely affected by the listing expenses mentioned above.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Our revenue, gross profit and net profit for the six months ended 30 September 2018 recorded an increase when compared to the six months ended 30 September 2017. The increase was primarily due to (i) an increase in the market diesel oil price which resulted in an increase in the the selling price of the diesel oil sold by us and thus our revenue; (ii) the full depreciation of one of our diesel tank wagons during the period resulting in a decrease in the depreciation cost; and (iii) the decrease in listing expenses from approximately HK\$4.0 million for the six months ended 30 September 2017 to approximately HK\$0.4 million for the six months ended 30 September 2018.

SUMMARY

In September 2018, we also started to provide transportation service to an Oil Major whereby we use our diesel tank wagons to collect diesel oil from its oil depots and deliver the same to its customers. Subsequent to the Track Record Period and up to the date of this prospectus, save as disclosed above our business and revenue model have remained unchanged. We have continued to focus on carrying on the business of sale of diesel oil and diesel exhaust fluid in Hong Kong. As at the Latest Practicable Date, our operations had continued to contribute revenue to our Group and we were not subject to any material interruption.

On 1 October 2017, we entered into master supply agreements with three of our five largest suppliers during the Track Record Period, namely Yee Sing Hong, Sino Ray Investment Limited and Wing Shing Worldwide Petroleum Limited, respectively, for a term of two years from 1 October 2017 to 30 September 2019 (both days inclusive), details of which are set out in the section headed “Business – Suppliers – Our relationship with our certain suppliers” in this prospectus. Our Directors consider that we will continue to purchase diesel oil from our key suppliers which can provide us with a continuous steady supply of quality diesel oil at reasonable prices on a long-term basis.

We currently expect that our financial results for the year ending 31 March 2019 will be negatively impacted by the non-recurring listing expenses. In addition, as we will acquire two diesel tank wagons and recruit administrative and operational staffs with the use of the net proceeds from the Share Offer, the depreciation expenses of the new tank wagons and the salaries of the new staffs will increase our cost of sales and our administrative and other operating expenses, and this will further adversely affect our financial results for the year ending 31 March 2019. For further details regarding our listing expenses, please refer to the paragraph headed “Listing expenses” in this section and the section headed “Financial information – Listing expenses” of this prospectus.

Saved as disclosed above and in the paragraph headed “Financial Information – Listing expenses” in this prospectus, our Directors confirmed that subsequent to the Track Record Period and up to the date of this prospectus, (i) there had been no material adverse change in the market conditions or the industry and environment in which our Group operates that materially and adversely affect our financial and operating position; (ii) there was no material adverse change in the trading and financial position or prospect of our Group; and (iii) no event had occurred that would materially and adversely affect the information shown in the Accountants’ Report set out in Appendix I to this prospectus.

SUMMARY

SHAREHOLDERS' INFORMATION

Immediately after completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme), Fully Fort will beneficially own 75% of the entire issued share capital of our Company. Fully Fort is owned as to 100% by Mr. Yik Law, an executive Director. Mr. Yik Law and Fully Fort are our Controlling Shareholders. Please refer to the section headed "Relationship with our Controlling Shareholders" in this prospectus for details.

REASONS FOR THE SHARE OFFER AND USE OF PROCEEDS

Our goal is to further enhance our performance as one of the leading providers of diesel oil in Hong Kong. The net proceeds of the Share Offer will provide us with the necessary funding to expand our business. Our Directors believe that Listing will allow us to access the capital market for raising funds in the future. More importantly, a public listing status will enhance our corporate profile and recognition, which our Directors believe can (i) promote our brand to potential new customers by having greater market presence; and (ii) strengthen our relationships with our existing suppliers and customers based on higher confidence in our financial condition shown in our published financial reports.

The aggregate net proceeds from the Share Offer to be received by us (assuming the Offer Price is at HK\$0.60, being the mid-point of the Offer Price range and the Offer Size Adjustment Option is not exercised) is estimated to be approximately HK\$34.8 million. Our Directors intend to apply such net proceeds in the following manner:

- (a) approximately HK\$15.0 million, representing approximately 43.1% of the net proceeds, will be used for purchasing six diesel tank wagons;
- (b) approximately HK\$12.5 million, representing approximately 35.9% of the net proceeds, will be used for expanding our manpower, including recruitment of four drivers, one administrative staff, two accounting staff, one safety manager and two logistic assistants;
- (c) approximately HK\$5.0 million, representing approximately 14.4% of the net proceeds, will be used for upgrading our information technology systems; and
- (d) the remaining balance of approximately HK\$2.3 million, representing approximately 6.6% of the net proceeds, will be used for general working capital of our Group.

For details of our use of proceeds and implementation plan, please refer to the section headed "Future plans and use of proceeds" in this prospectus.

SUMMARY

DIVIDENDS

During the Track Record Period, a subsidiary of our Group, Wing Ko, declared and paid dividends of approximately HK\$6.0 million for the year ended 31 March 2017 and approximately HK\$3.2 million for the year ended 31 March 2018 to our Controlling Shareholders, respectively. Save as disclosed above, our Group did not declare any dividend during the financial years ended 31 March 2016, 2017 and 2018 and for the four months ended 31 July 2018.

As at the Latest Practicable Date, we have not adopted any dividend policy and we had no fixed dividend payout ratio. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Board in the future.

THE SHARE OFFER AND OFFER STATISTICS

The Share Offer comprises the Public Offer of 10,000,000 Shares initially offered in Hong Kong, and the Placing of 90,000,000 Shares (subject to the Offer Size Adjustment Option and reallocation on the basis as described in the section headed “Structure and conditions of the Share Offer” in this prospectus).

	Based on the minimum indicative Offer Price of HK\$0.5 per Share	Based on the maximum indicative Offer Price of HK\$0.7 per Share
Market capitalisation	HK\$200.0 million	HK\$280.0 million
Unaudited pro forma adjusted combined net tangible assets per Share ^(Note)	HK\$0.13	HK\$0.18

Note: The unaudited pro forma adjusted combined net tangible assets per Share has 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.

DEFINITIONS

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

“Accountants’ Report”	the accountants’ report of the Group set out in Appendix I to this prospectus
“affiliate(s)”	any other person(s), directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s), individually or collectively, as the context may require
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company adopted on 11 December 2018, with effect from the Listing Date, a summary of which is set out in Appendix III to this prospectus, and as amended from time to time
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“business day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of 299,999,900 new Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as detailed to in the section headed “Further information about our Company and its subsidiaries – 3. Resolutions in writing of the sole Shareholder passed on 11 December 2018” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

DEFINITIONS

“CCASS Clearing Participant(s)”	person(s) admitted to participate in CCASS as direct clearing participant(s) or general clearing participant(s)
“CCASS Custodian Participant(s)”	person(s) admitted to participate in CCASS as custodian participant(s)
“CCASS Investor Participant(s)”	person(s) admitted to participate in CCASS as investor participant(s) who may be individual(s) or joint individuals or corporation(s)
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participants(s)”	CCASS Clearing Participant(s), CCASS Custodian Participant(s) or CCASS Investor Participant(s)
“CEO” or “Chief Executive Officer”	chief executive officer of our Company, Mr. Li
“CIC” or “China Insights Consultancy”	China Insights Consultancy Limited, an Independent Third Party, being a market research company
“CIC Report”	a market research report commissioned by us and prepared by CIC on the overview of the diesel oil sales market in which our Group operates
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Co-Lead Managers”	Eternal Pearl Securities Limited, Kaiser Securities Limited and Pacific Foundation Securities Limited
“Companies Law”	the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) 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

DEFINITIONS

“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”, “our Company”, “us” or “we”	Sun Kong Holdings Limited (申港控股有限公司), an exempted company incorporated in the Cayman Islands under the Companies Law with limited liability on 31 October 2017
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules and, in the context of our Company, refers to Fully Fort and Mr. Yik Law or, where the context so requires, any one of them
“core connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Dangerous Goods Ordinance”	the Dangerous Goods Ordinance (Chapter 295 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Deed of Indemnity”	the deed of indemnity dated 11 December 2018 entered into by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries from time to time), regarding certain indemnities as more particularly set out in the section headed “Other information – 14. Tax and other indemnities” in Appendix IV to this prospectus

DEFINITIONS

“Deed of Non-Competition”	the deed of non-competition dated 11 December 2018 entered into by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries from time to time), regarding the non-competition undertakings as more particularly set out in the section headed “Relationship with our Controlling Shareholders – Non-competition undertaking” in this prospectus
“Director(s)”	the director(s) of our Company
“Employees’ Compensation Ordinance”	Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Fire Services Department”	the Fire Services Department of the Government
“Forever Treasure”	Forever Treasure Holdings Limited (永寶控股有限公司), a company incorporated in the BVI on 14 November 2017 with limited liability, being the intermediate holding company of our Group upon completion of the Reorganisation
“Fully Fort”	Fully Fort Group Limited (全堡集團有限公司), a company incorporated in the BVI on 18 August 2017 with limited liability, being one of our Controlling Shareholders
“GDP”	gross domestic product
“GEM”	GEM operated by 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
“Government”	unless otherwise stated, the government of Hong Kong
“ GREEN Application Form(s)”	the application form(s) to be completed by HK eIPO White Form Service Provider

DEFINITIONS

“Group”, “our Group”, “we, “our” or “us”	our Company and its subsidiaries or any of them, or where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“ HK eIPO White Form ”	the application of the Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website at www.hkeipo.hk
“ 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
“HKFRSs”	Hong Kong Financial Reporting Standard(s)
“HKICPA”	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” or “HKSAR”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, the branch share registrar and transfer office of our Company in Hong Kong
“Independent Third Party(ies)”	individual(s) or company(ies) who or which is/are independent of and not connected with (within the meaning of the GEM Listing Rules) any of the directors, chief executive and substantial shareholders (within the meaning of the GEM Listing Rules) of our Company, its subsidiaries or any of their respective associates
“Joint Bookrunners” or “Joint Lead Managers”	Kingsway Financial Services Group Limited and Bluemount Securities Limited
“Labour Department”	the Labour Department of the Government

DEFINITIONS

“Latest Practicable Date”	12 December 2018, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained herein
“Legal Counsel”	Mr. Jon K.H. Wong, barrister-at-law of Hong Kong
“Listing”	the listing of the Shares on GEM
“Listing Date”	the date on which dealings in our Shares first commence on GEM, which is expected to be on or about 8 January 2019
“Listing Division”	the Listing Division of the Stock Exchange
“Mandatory Provident Fund Schemes Ordinance”	Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company adopted on 11 December 2018, a summary of which is set out in Appendix III to this prospectus, and as amended from time to time
“Mr. Li” or “CEO” or “Chief Executive Officer”	Mr. Li Isaiah (李依澹), our chief executive officer
“Mr. S. F. Law” or “COO” or “Chief Operating Officer”	Mr. Law Sung Fai (羅崇輝), our chief operating officer
“Mr. Yik Law” or “Chairman”	Mr. Law Ming Yik (羅名譯), chairman of our Board and one of our Controlling Shareholders
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$0.7 per Share and expected to be not less than HK\$0.5 per Share, at which the Offer Shares are to be offered under the Share Offer, to be determined in the manner as set out in the section headed “Structure and conditions of the Share Offer” of this prospectus
“Offer Shares”	the Public Offer Shares and the Placing Shares

DEFINITIONS

“Offer Size Adjustment Option”	the option granted by our Company to the Joint Lead Managers (for themselves and on behalf of the Placing Underwriters), to require our Company to allot and issue up to an aggregate of 15,000,000 additional Placing Shares representing up to 15% of the Offer Shares initially available under the Share Offer, to cover any excess demand or over-allocations, which may be made in connection with the distribution of the Placing Shares, as described in the paragraph headed “Structure and conditions of the Share Offer – Offer Size Adjustment Option” in this prospectus
“Placing”	the conditional placing of 90,000,000 new Shares by the Underwriters on behalf of our Company for cash at the Offer Price, subject to the terms and conditions as described in the section headed “Structure and conditions of the Share Offer” of this prospectus
“Placing Shares”	the 90,000,000 new Shares initially offered for subscription at the Offer Price under the Placing, subject to re-allocation and together, where relevant, with any additional Shares which may fall to be issued pursuant to the Offer Size Adjustment Option, as described under the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Underwriters”	the underwriters of the Placing, who are expected to enter into the Placing Underwriting Agreement
“Placing Underwriting Agreement”	the conditional underwriting agreement relating to the Placing and expected to be entered into by, among others, our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriters, as further described in the section headed “Underwriting – Underwriting arrangements and expenses – Placing” in this prospectus
“PRC”	the People’s Republic of China which, for the purpose of this prospectus and for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before the commencement date of the Companies Ordinance
“Price Determination Agreement”	the agreement to be entered into between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on the Price Determination Date to determine and record the Offer Price
“Price Determination Date”	the date, expected to be on or around Monday, 31 December 2018, or such other date as may be agreed between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters), on which the Offer Price is determined
“Public Offer”	the offer by our Company of the Public Offer Shares for subscription to the public in Hong Kong at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) as described in the section headed “Structure and conditions of the Share Offer” in this prospectus and on and subject to the terms and conditions stated herein and in the Application Forms relating thereto
“Public Offer Shares”	the 10,000,000 new Shares initially offered by our Company for subscription at the Offer Price pursuant to the Public Offer, as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer named in the section headed “Underwriting – Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 20 December 2018 relating to the Public Offer entered into, among others, our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters, as further described in the section headed “Underwriting” in this prospectus
“Regulation S”	Regulation S under the U.S. Securities Act

DEFINITIONS

“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing, details of which are set out in the section headed “History and development, Reorganisation and Group structure – Reorganisation” in this prospectus
“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)”	share(s) with nominal or par value of HK\$0.01 each in the share capital of our Company
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company, further details of which are described in the section headed “Statutory and general information – Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of our Share(s)
“significant shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Sole Sponsor”	Kingsway Capital Limited, being the Sole Sponsor to the Listing and a corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined in the SFO
“sq.ft.”	square feet
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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 and, in the context of our Company, refers to the entities disclosed in the section headed “Substantial Shareholders” in this prospectus or, where the context so requires, any one of them

DEFINITIONS

“Takeovers Code”	the Hong Kong 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 the three financial years ended 31 March 2018 and the four months ended 31 July 2018
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States” or “US”	the 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, as amended, and the rules and regulations promulgated thereunder
“ WHITE Application Form(s)”	the application form(s) for use by the public who require such Public Offer Shares to be issued in the applicant’s own name(s)
“Wing Fung”	Wing Fung Co (永豐運輸物流公司), a sole proprietorship carried on by Ms. Law So Lin, the aunt of Mr. Yik Law
“Wing Ko”	Wing Ko Petroleum Chemistry (China-Hong Kong) Limited (永高石油化工(中港)有限公司)(formerly known as Wing Ko Petroleum Chemisty (China-Hong Kong) Limited (永高石油化工(中港)有限公司)), a company incorporated in Hong Kong with limited liability on 18 December 2002 and an indirect wholly-owned subsidiary of our Company
“Yee Sing Hong”	Yee Sing Hong Petroleum Chemicals Company Limited (義盛行石油化工有限公司), a company incorporated in Hong Kong and one of our five largest suppliers (in terms of purchases during the Track Record Period) and an Independent Third Party

DEFINITIONS

“**YELLOW** Application Form(s)” the application form(s) for use by the public who require such Public Offer Shares to be deposited directly in CCASS

“%” per cent

Unless otherwise expressly stated or the context otherwise requires, all data in this prospectus is as at the Latest Practicable Date.

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

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains terms used in this prospectus in connection with our business or our Group. As such, these terms and their meanings may not correspond to standard industry meanings or usages of these terms.

“authorised agent”	an oil trading company which is appointed by an Oil Major company and has authorised access to the oil depots from the Oil Major company at Tsing Yi, the New Territories
“crude oil”	petroleum as it comes from the ground, before refining
“diesel oil”	any liquid fuel used in diesel engines, whose fuel ignition takes place, without spark, as a result of compression of the inlet air mixture and then injection of fuel
“Euro Standards”	European emission standards, such as Euro IV, Euro V, etc., aiming to reduce levels of harmful car and van exhaust emissions, both in petrol and diesel cars
“litre” or “L”	a measurement unit for diesel oil
“lubricant oil”	a substance introduced to reduce friction between surfaces in mutual contact, which ultimately reduces the heat generated when the surfaces move
“Oil Majors”	the four major international oil suppliers in Hong Kong, namely ExxonMobil, Sinopec, Shell and Caltex
“ppm”	one part per million, which denotes one part per 1,000,000 parts, a measurement unit for sulphur contents
“viscosity”	the state of being thick, sticky, and semi-fluid in consistency, due to internal friction
“°C”	degree Celsius, a scale and unit of measurement for temperature

FORWARD-LOOKING STATEMENTS

FORWARD-LOOKING STATEMENTS CONTAINED IN THIS PROSPECTUS ARE SUBJECT TO RISKS AND UNCERTAINTIES

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this prospectus. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, but are not limited to, relating to:

- our operation and business prospects;
- future developments, trends and competition in the industry and markets in which we operate;
- our strategy, implementation plans and objectives and our ability to successfully implement them;
- our dividend distribution policy;
- the prospective financial information regarding our business;
- our future financial condition and results of operations;
- the amount, and nature of, and potential for future development of our business;
- general political and economic conditions, including the performance of global financial markets;
- macroeconomic measures taken by the Government to manage economic growth;
- changes in general political and economic conditions in Hong Kong and the PRC that may be detrimental to the industry in which we operate;
- competition for our business activities and the actions and development of our competitors;

FORWARD-LOOKING STATEMENTS

- changes to our development plans and use of capital expenditures;
- realisation of the benefits of our future plans and strategies;
- changes to regulatory and operating conditions in the markets in which we operate, including changes in our ability to access the capital markets and changes in the level of interest rates; and
- other factors beyond our control.

All statements other than statements of historical facts included in this prospectus, without limitation, including statements regarding our future financial position, strategy, plans and objectives of management for future operations where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “project”, “seek”, “should”, “will”, “would” or similar expressions or the negative of these words or other similar expressions or statements, are forward-looking statements. Although we believe that the expectations reflected in those forward-looking statements are reasonable, we can give no assurance that those expectations will prove to have been correct, and you are cautioned not to place undue reliance on such statements.

We believe that the sources of information and assumptions contained in such forward-looking statements are appropriate sources for such statements and have taken reasonable care in extracting and reproducing such information and assumptions. We have no reason to believe that information and assumptions contained in such forward-looking statements are fake or misleading or that any fact has been omitted that would render such forward-looking statements fake or misleading in any material respect.

The information and assumptions contained in the forward-looking statements have not been independently verified by us, our Directors, our Controlling Shareholders, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, the Underwriters, and any other party involved in the Share Offer or their respective directors, officers, employees, advisers or agents and no representation is given as to the accuracy or completeness of such information or assumptions on which the forward-looking statements are made. Additional factors that could cause our actual performance or achievements to differ materially include, but are not limited to, those disclosed under the section headed “Risk factors” and elsewhere in this prospectus.

FORWARD-LOOKING STATEMENTS

Furthermore, these forward-looking statements are based on current plans and estimates which merely reflect our current view with respect to future events and apply only as of the date they were made but are not a guarantee of future performance. Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation and do not intend to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events, or otherwise. Because of these risks, uncertainties or 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 statements. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

In this prospectus, statements of or references to our intentions or those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future development.

RISK FACTORS

Prospective investors should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the following risks associated with an investment in our Company before making any investment decision in relation to our Company. Our business, financial condition and results of operations could be adversely affected by the materialisation of any of the following risks. Trading prices of the Shares could decline due to any of the following risks, and you may lose part or all of your investment.

RISKS RELATING TO OUR BUSINESS

We are dependent on our five largest suppliers (in terms of total purchases), for the supply of diesel oil. Any shortage or delay in the supply of diesel oil from them may materially and/or adversely affect our business and results of operations if we cannot secure alternative sources of supply immediately

For the three years ended 31 March 2018 and the four months ended 31 July 2018, the amount of purchases from our five largest suppliers accounted for approximately 100.0%, 98.6%, 99.9% and 100.0%, respectively, of our total purchases; and the purchases from our largest supplier accounted for 86.6%, 34.4%, 53.2% and 51.8% of our total purchases for the relevant periods, respectively. Accordingly, we are heavily dependent on the continuous supply of diesel oil from our five largest suppliers. To the best of our Directors' knowledge and having made all reasonable enquiries, except Wing Shing Worldwide Petroleum Ltd ("**Wing Shing**") and Supplier C, our five largest suppliers were Independent Third Parties during the Track Record Period. To avoid continuing connected transactions upon Listing, Mr. Yik Law, our Controlling Shareholder and an executive Director, has ceased to be a shareholder and director of Wing Shing and hence Wing Shing will not become a connected person of our Company upon Listing; and our Company also ceased to purchase diesel oil from Supplier C (a diesel oil trading company whose three shareholders are the uncle of Mr. Yik Law and the uncle's daughter and son (who both are also directors of Supplier C)) after the year ended 31 March 2018 and up to the Latest Practicable Date. For details of our relationship with our suppliers, please refer to the paragraph "Business – Suppliers". There is no assurance that there will be no deterioration in our relationship with our five largest suppliers, which may have an impact on our ability to secure future supply of diesel oil.

Any shortage of or delay in the supply of diesel oil by our five largest suppliers or any change in its existing marketing strategies, such as any sudden reduction in supply volume to us, may affect our ability to fulfil our customers' demand. We cannot assure you that we are able to respond to such shortage or delay in supply or new marketing strategies effectively by finding alternative suppliers within a short period of time and as such, our customers may choose to source products from alternative suppliers, causing a shortfall in our revenue that could materially and adversely affect our business and financial results.

RISK FACTORS

A significant portion of our revenue was attributable to the sale of diesel oil and our profitability may be adversely affected if demand for diesel oil declines for any reason

For the three years ended 31 March 2018 and the four months ended 31 July 2018, the sale of diesel oil remained the largest contributor to our revenue and accounted for approximately 99.8%, 99.9%, 99.9% and 99.9% of our total revenue for the relevant periods, respectively. Accordingly, we have a concentrated revenue portfolio as a significant portion of our revenue was attributable to the sale of diesel oil. There can be no assurance that we will be able to secure supply of diesel oil from our suppliers or demand for diesel oil from our customers. If the customers' requirements change or the demand for diesel oil declines for any reason, the potential loss in revenue would adversely affect our profitability.

Our five largest customers accounted for approximately 90% or more of our revenue during the Track Record Period and we rely heavily on our five largest customers

Our largest customer accounted for approximately 74.7%, 43.3%, 34.1% and 28.9% of our total revenue, and our five largest customers accounted for approximately 92.3%, 93.8%, 93.9% and 92.4% of our total revenue for the three years ended 31 March 2016, 2017 and 2018 and the four months ended 31 July 2018, respectively. To the best of our Directors' knowledge and having made all reasonable enquiries, all our five largest customers during the Track Record Period (other than Wing Fung, a sole proprietorship in the logistic business carried on by Ms. Law So Lin, the aunt of Mr. Yik Law, (being our Controlling Shareholder and an executive Director)) were Independent Third Parties. Our Group will continue to supply diesel oil and diesel exhaust fluid to Wing Fung after the Listing, and our sales to Wing Fung will constitute continuing connected transactions of our Group. Details of our sales to Wing Fung after the Listing are set forth in the section headed "Continuing connected transaction" in this prospectus.

There is no absolute assurance that these largest customers will continue to purchase diesel oil from us at prices acceptable to our Group or that our Group can maintain our relationship with them in the future.

In the event that our Group is unable to retain these customers or to successfully seek replacement customers, our business, results of operation and profitability may be adversely affected.

RISK FACTORS

Our Company does not enter into long-term agreements with our customers and our customers are not subject to any minimum purchase requirement to place orders with us

Our Company does not enter into long-term agreements with our customers and they place orders with us based on their needs on a case-by-case basis. Our customers are not subject to any minimum purchase requirement to place orders with us. There is no assurance that these customers will continue to purchase from us in the future. If any of our major customers terminates its business relationship with us, and we fail to secure new orders on a timely basis, there may be an adverse effect on our business operations, financial performance and profitability.

Our cash flows may deteriorate due to net operating cash outflow or potential mismatch in time between receipt from our customers and payments to our suppliers

As an established diesel oil provider, we source diesel oil from oil trading companies in Hong Kong and deliver diesel oil to different customers, a majority of which are logistics companies. We are generally required by our suppliers to settle the full payment of our purchase orders on the same day of our purchases. We also typically require our customers to settle the full payment on the same day of delivery. Depending on the credit terms of the customers, however, we may grant up to 30 days of credit period to our customers, resulting in a material cash flow mismatch. As such, we would record significant cash outflow in the event that we accept too many customers' orders at a particular period of time.

As at 31 March 2016, 2017 and 2018 and the four months ended 31 July 2018, we recorded trade receivables of approximately HK\$4.4 million, HK\$15.5 million, HK\$15.1 million and HK\$18.0 million, respectively, whereas our trade receivables turnover days increased from 7 days for the year ended 31 March 2016 to 9 days for the year ended 31 March 2017 and to 13 days for the year ended 31 March 2018 and maintained at 13 days for the four months ended 31 July 2018. On the other hand, as at 31 March 2016, 2017 and 2018 and the four months ended 31 July 2018, the trade payables amounted to approximately HK\$0.5 million, HK\$1.1 million, HK\$4.7 million and HK\$1.7 million, respectively, whereas the respective trade payables accounted for approximately 6.7%, 11.3%, 40.8% and 22.2% of the total current liabilities, respectively. In addition, the trade payables' turnover days were approximately 1 day, 1 day, 3 days and 3 days for the three years ended 31 March 2016, 2017 and 2018 and the four months ended 31 July 2018, respectively. For the four months ended 31 July 2018, we recorded net operating cash outflow of approximately HK\$0.11 million.

RISK FACTORS

We rely on cash inflow from our customers to meet our payment obligations to our suppliers. Our cash inflow depends on prompt settlement by our customers. Even if our customers settle such payments on time and in full, there is no assurance that we would not experience any significant cash flow mismatch or cash outflow. Further, there is no assurance that our cash flow management measures could function properly or at all. If there were any significant and substantial cash flow mismatch or significant cash outflow, our cash flow position may be adversely affected and we might have to raise funds by resorting to internal resources and/or banking facilities in order to meet our payment obligations in full and on time.

Our operation and financial position may be adversely affected if our customers fail to make payment on time or in full

Depending on the credit terms of the customers, we may grant up to 30 days of credit period to our customers. However, the complete financial and operational condition of our customers is not always available to us, and we may not be in any position to obtain such information. As a result, if any of our customers experience any financial difficulty or the creditworthiness of our customers deteriorates, we may not receive the trade receivables due from our customers in time or at all and our operation and financial position may be adversely affected.

We may be unable to pass an increase in cost of sales fully to our customers

During the three years ended 31 March 2018 and for the four months ended 31 July 2017 and 2018, our gross profit margin was approximately 5.1%, 4.9%, 5.1%, 4.7% and 4.6% respectively. There is no assurance that our gross profit margin can be maintained in the future.

Our ability to obtain and maintain suitable pricing for our services is essential. The price we charge our customers' orders is determined based on a cost-plus approach with mark-up and on order-by-order basis. In determining our said mark-up for each customer order, we primarily consider the factors including but not limited to: (i) purchase cost of diesel oil; (ii) quantity of diesel oil to be sold; (iii) delivery location; (iv) length of credit period; and (v) length of business relationship with customers. In any event, our Company may be unable to pass the increase in cost of sales fully to our customers. In particular, a significant increase in labour costs could result in a downward pressure on our profit margins.

Any failure to renew the dangerous goods licence for our diesel tank wagons for conveyance of diesel oil could adversely affect our business, operations and profitability

As at the Latest Practicable Date, we had a total of seven diesel tank wagons duly licensed by the Fire Services Department to convey diesel oil which is classified as category 5 dangerous goods under the Dangerous Goods Ordinance. Generally, the validity period of a dangerous goods licence lasts for one year, subject to annual review and renewal. Please refer to the section headed "Business – Licences and permits" in this prospectus for further details. If we fail to comply with the Dangerous Goods Ordinance and any of the relevant rules and regulations or pass the required annual assessments, we may not be able to renew the dangerous goods licences or such licences may be suspended or revoked. In such cases, our operations would be significantly disrupted or even suspended, thereby adversely affecting our business, operations and profitability.

RISK FACTORS

Our historical financial conditions and results of operations may not be indicative of our future growth

For the three years ended 31 March 2016, 2017, 2018 and for the four months ended 31 July 2018, our revenue amounted to approximately HK\$193.9 million, HK\$387.4 million, HK\$443.4 million and HK\$162.9 million, respectively, while our gross profit amounted to approximately HK\$10.0 million, HK\$19.1 million, HK\$22.5 million and HK\$7.5 million respectively, with gross profit margin of approximately 5.1%, 4.9%, 5.1% and 4.6% respectively. Such historical financial information is a mere analysis of our past performance only and does not have any positive implication or may not necessarily reflect our financial performance in the future. There is no assurance that our profit margins in the future will remain at a level comparable to those recorded during the Track Record Period.

We cannot assure that we will be able to operate our business as successful in the future or that the macro-economic condition of Hong Kong will not deteriorate. Our financial conditions and results of operations may be adversely affected if we fail to operate our business as successful or the macro-economic condition in Hong Kong becomes unfavourable.

We depend on key management personnel

Our success depends to a significant degree upon the expertise, experience, continuity, network and committed service of our senior management personnel, most of whom have an in-depth understanding of our industry and operations and would be difficult to replace. Our key management, including Mr. Yik Law, Mr. Li Isaiah and Mr. S.F. Law, are essential to our success because of their experience and connection in the diesel oil transport market in Hong Kong, market development skills and expertise in managing our operations. Details of their expertise and experience are set out in the section headed “Directors and senior management” in this prospectus. In addition, the relationship and reputation that our management team have established and maintained with our customers and suppliers contribute to our ability to maintain good business relationships with them.

As a result, the departure of any of our key management members could be disruptive to our business development and could have a material adverse effect on our business and financial conditions. We cannot guarantee that the services of such personnel will continue to be available to us or that we will be able to replace any such personnel with individuals with similar knowledge, experience or network.

RISK FACTORS

If leakage of diesel oil occurs during the transportation process, we may be liable for related accidents and our reputation and business operation may be affected

We deliver diesel oil to our customers by our own fleet of diesel tank wagons. Our diesel tank wagons pick up the required quantity of diesel oil from the oil depots designated by our suppliers for delivery to our customers. Diesel is pumped from our diesel tank wagons directly to designed drums or containers as designated by customers. Oil leakage may occur during the transportation process. Leakage of diesel oil or other hazardous substances can cause health and environmental risks, including pollution, potential fire and explosion. If such accident occurs, we will be liable and subject to potential claims, penalty and criminal prosecutions. In such event, our reputation, business operation and operating results may be adversely affected.

Failure to comply with safety measures and procedures may lead to accidents, personal injuries, property damage or fatal accidents

In the course of our operations, we require our employees to comply with and implement all safety measures and procedures as stipulated in our in-house rules and those set by the Fire Services Department. Nevertheless, we cannot guarantee that there will be no violation of these safety measures or other related rules and regulations by our employees. Any such violation may lead to the occurrence of personal injuries, property damage or fatal accidents and exposed ourselves to claims and litigation, which may adversely affect our reputation, operations and financial results.

Our insurance may not cover every potential loss and claim, and any uninsured losses incurred could be substantial and therefore adversely affect our operations and financial results

We maintain insurance coverage against, among other things, (i) liability for third party bodily injury occurred in our office premises; (ii) employees' compensation insurance for our employees; and (iii) third-party liability in relation to the use of our diesel tank wagons and other vehicles. For more details of our insurance policies, please refer to the section headed "Business – Insurance" in this prospectus. However, certain types of risks, such as the risk in relation to the collectability of our trade receivables and liabilities arising from events such as epidemics, natural disasters, adverse weather conditions, political unrest and terrorist attacks, are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks.

In addition, there is no guarantee that insurance coverage will always be available to us at economically favourable premiums (or at all) or that, in the event of a claim, the level of insurance maintained by us now or in the future is or will be adequate or cover the entire claim/liability. We may be subject to liabilities which have not been insured adequately at all.

RISK FACTORS

Therefore, if we are held liable for uninsured losses or amounts and claims for insured losses exceeding our insurance coverage, our operations and financial results may be materially and adversely affected. With respect to losses which are covered by our insurance policies, it may be a difficult and lengthy process to recover such losses from insurers. In addition, we may be unable to recover the amount from the insurer.

There is no assurance that our business strategies and future plans will be successfully implemented

Our Directors are of the view that the future plan of our Group has been prepared after due enquiry by reference to, among other matters, the expected future prospect of the diesel sales market in Hong Kong and the continuation of our competitive advantages and other factors considered relevant. Some of our future business plans are based on certain assumptions. The successful implementation of our business strategies and future plans will be affected by various factors, including but not limited to government policies relevant to our industry, the general economic conditions in Hong Kong, our ability to maintain our existing competitive advantages, our relationship with our customers, the availability of sufficient funds and the threat of substitutes and new market entrants. We plan to expand our market share in the diesel sales market in Hong Kong by broadening our customer base in the construction sector. From October 2017, we started to supply diesel oil to new customers in the construction sector. However, there is no guarantee that customers in the construction sector will continue to purchase diesel oil from us or our expansion plan to broaden our customer base in the construction sector will materialise. There is no assurance that we will be able to successfully implement our business strategies or future plans. Even if our business strategies or future plans are implemented, there is no assurance that they will increase our market share or enhance our market position. Our results of operations and financial position may be materially and adversely affected if our business strategies or future plans are not successfully implemented.

We may fail to deliver diesel oil timely to our customers or maintain our reputation and this can adversely affect our Group's business, financial condition and results of operations

We believe that the reputation we have built over the years plays a significant role in attracting customers and securing our customers' orders. Whether or not we can maintain or promote our reputation depends largely on our ability to provide quality and timely services to our customers. If we fail to meet their needs or are unable to deliver diesel oil requested by them at the designated place in a timely manner, our customers no longer perceive our services to be of a high quality and our reputation could be adversely affected. This will in turn negatively affect our business, financial condition and results of operations.

RISK FACTORS

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

We operate in a highly competitive industry, and failure to compete efficiently would materially and adversely affect our operations and financial results

We operate in a highly competitive environment. According to the CIC Report, the diesel oil sales market in Hong Kong was relatively mature and there were approximately 80 market participants engaging in the business of selling diesel for transportation and industrial use in Hong Kong. We compete with a large number of diesel oil transport service providers for customers. In particular, in September 2018, we started to provide ancillary transportation service to an Oil Major whereby we help the Oil Major transport diesel oil to its customers. The Oil Majors, and some of our competitors may, have longer track records, larger operational scale, greater financial and marketing resources and more established market reputation than us. There is no assurance that we can compete successfully in the future. In the event that we are unable to compete effectively with other market players, including other diesel distributors, authorised agents appointed by the Oil Majors and even the Oil Majors, our business, financial condition, results of operations and prospects will be materially and adversely affected.

RISKS RELATING TO HONG KONG

The state of economy in Hong Kong may adversely affect our performance and financial condition

All of our revenue are generated from Hong Kong. If Hong Kong experiences any adverse economic conditions due to events beyond our control, such as a local economic downturn, natural disasters, contagious disease outbreaks or terrorist attacks, or if the local authorities adopt regulations that place additional restrictions or burdens on us or on our industry in general, our overall business and results of operations may be materially and adversely affected.

The state of political environment in Hong Kong may adversely affect our performance and financial condition

Hong Kong is a special administrative region of the PRC and enjoys a high level of autonomy under the principle of “one country, two systems” according to the Basic Law of Hong Kong. However, we are not in any position to guarantee the implementation of the “one country, two systems” principle and the level of autonomy as currently in place at the moment. Since all of our operations are based in Hong Kong, any change of such political arrangements may pose immediate threat to the stability of the economy in Hong Kong, thereby directly and adversely affecting our results of operations and financial positions.

RISK FACTORS

RISKS RELATING TO THE SHARE OFFER

There has been no prior public market for our Shares, and the liquidity, market price and trading volume of our Shares may be volatile

Prior to the Share Offer, there was no public market for our Shares. The Offer Price may differ significantly from the market price of our Shares following the Share Offer. We have applied for the listing of and permission to deal in our Shares on GEM. However, even if approved, being listed on GEM does not guarantee that an active trading market for our Shares will develop following the Share Offer or that our Shares will always be listed and traded on GEM. We cannot assure you that an active trading market will develop or be maintained following the completion of the Share Offer, or that the market price of our Shares will not decline below the Offer Price.

The price and trading volume of our Shares may be highly volatile and could fluctuate significantly and rapidly in response to, *inter alia*, the following factors, some of which are beyond our Company's control:

- (a) variation in our Company's results of operation;
- (b) success or failure of our Company's management team in implementing stated business and growth strategies;
- (c) gain or loss of an important business relationship(s);
- (d) changes in securities analysts' recommendations, perceptions or estimates of our Company's financial performance;
- (e) changes in conditions affecting the industry, the general economic conditions or stock market sentiment or other events and factors;
- (f) changes in market valuations and share prices of companies that may be listed in Hong Kong;
- (g) additions or departures of key personnel;
- (h) fluctuations in market prices for our goods and/or services;
- (i) fluctuations in stock market prices and volume; or
- (j) involvement in litigation.

In addition, shares of other companies listed on GEM have experienced substantial price volatility in the past, and it is likely that from time to time, our Shares will be subject to changes in price that may not be directly related to our financial or business performance.

RISK FACTORS

Investors for our Shares will experience immediate dilution and may experience further dilution if we issue additional Shares in the future

The Offer Price is higher than the net tangible asset value per Share. Therefore, investors of the Offer Shares will experience an immediate dilution in the unaudited pro forma adjusted combined net tangible asset value to HK\$0.1 per Share and HK\$0.2 per Share based on the Offer Price of HK\$0.5 per Share and HK\$0.7 per Share, respectively.

We may need to raise additional funds in the future to finance expansion of or new developments relating to our existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to our existing Shareholders, the percentage ownership of such Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the Offer Shares.

Future sales by our existing Shareholders of a substantial number of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares

We cannot assure you that our existing Shareholders, which are our Controlling Shareholders, will not dispose of our Shares that they own following the expiration of their respective lock-up periods after completion of the Share Offer. We cannot predict the effect, if any, that any future sales of our Shares by our Controlling Shareholders, or the availability of our Shares for sale by our Controlling Shareholders may have on the market price of our Shares. Sales of substantial amounts of our Shares by our Controlling Shareholders or the market perception that such sales may occur, could materially and adversely affect the prevailing market price of our Shares.

There can be no assurance that we will pay dividends in the future

The declaration, payment and amount of any future dividends are subject to the discretion of our Directors depending on, among other things, our Company's earnings, financial condition and cash requirements and the provisions governing the declaration and distribution as contained in the Articles of Association, applicable laws and other relevant factors. We have not adopted any dividend policy, please refer to the paragraph headed "Financial Information – Dividend" in this prospectus. We cannot assure investors when or whether we will pay dividends in the future.

RISK FACTORS

Shareholders and investors could face difficulties in protecting their interests because our Company was incorporated under the laws of the Cayman Islands and these laws could provide different protections to minority Shareholders than the laws of Hong Kong

Our corporate affairs are governed by the Memorandum and the Articles and by the Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders could differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. Such differences could mean that the minority Shareholders could have different protections than they would have under the laws of Hong Kong.

RISKS RELATING TO STATEMENTS IN THIS PROSPECTUS

Investors should read the entire prospectus and should not rely on any information contained in press articles, websites or other media coverage regarding us and the Share Offer

We strongly caution our investors not to rely on any information contained in press articles, websites or other media regarding us and the Share Offer. Prior to the publication of this prospectus, there may be press, website and media coverage regarding the Share Offer and us. Such press, website and media coverage may include references to certain information that does not appear in this prospectus, including certain operating and financial information and projections, valuations and other information. We have not authorised the disclosure of any such information in the press, website or media and do not accept any responsibility for any such press, website or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it and our investors should not rely on such information.

RISK FACTORS

Certain facts, forecast and other statistics in this prospectus obtained from publicly available sources have not been independently verified and may not be reliable

Certain facts, forecast and other statistics in this prospectus have been derived from various government and official resources. However, our Directors cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, such information has not been independently verified by us, the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Co-Lead Managers, the Underwriters or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics. Further, we cannot assure our investors that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, our investors should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

WAIVER FROM STRICT COMPLIANCE WITH THE GEM LISTING RULES

For the purpose of the Listing, we have sought a waiver, as described below, from the Stock Exchange in relation to certain requirements under the GEM Listing Rules. Details of the waiver are described below:

CONTINUING CONNECTED TRANSACTION

Our Group has entered into and are expected to continue certain transaction, which will constitute a non-exempt continuing connected transaction subject to announcement, independent shareholders' approval, circular, annual review and reporting requirements, upon Listing. We have applied for and have been granted a waiver from strict compliance with the relevant requirements set out in Chapter 20 of the GEM Listing Rules in relation to the non-exempt continuing connected transactions of our Company referred to above. Further details of such waiver are set out in the section headed "Continuing Connected Transaction" of 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 (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 about our Group. 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 respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

INFORMATION ON THE SHARE OFFER

This prospectus is published solely in connection with the Share Offer and the listing of the Shares on GEM, which is solely sponsored by the Sole Sponsor and managed by the Joint Lead Managers and the Co-Lead Managers.

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

Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and conditions of the Share Offer” of this prospectus, and the procedures for applying for the Public Offer Shares are set out in the section headed “How to apply for Public Offer Shares” of this prospectus and in the relevant Application Forms.

APPLICATION FOR LISTING OF OUR SHARES ON GEM

Our Company has applied to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer, the Capitalisation Issue and as otherwise described herein on GEM (including any Shares which may be issued pursuant to the Offer Size Adjustment Option and any Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme).

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

No part of the 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 the Shares or loan capital on any other stock exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on GEM is 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 us by the Stock Exchange.

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 25% of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules). A total of 100,000,000 Offer Shares, representing 25% of the enlarged issued share capital of our Company will be in the hands of the public immediately following completion of the Share Offer and the Capitalisation Issue and upon Listing (without taking into account the Shares to be allotted and issued upon the exercise of the Offer Size Adjustment Option and any options to be granted under the Share Option Scheme).

ABOUT THE SHARE OFFER

We have not authorised anyone to provide any information or to make any representation not contained in this prospectus. You should not rely on any information or representation not contained in this prospectus as having been authorised by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, the Underwriters or any of our or their respective directors, officers or representatives or any other persons involved in the Share Offer.

The delivery of this prospectus should not, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply the information contained in this prospectus is correct as at the date subsequent to the date of this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

PROCEDURE FOR APPLICATION FOR PUBLIC OFFER SHARES

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

FULLY UNDERWRITTEN

This prospectus is published in connection with the Share Offer. The Listing is sponsored by the Sole Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters under the terms and conditions of the Public Offer Underwriting Agreement. The Placing Underwriting Agreement relating to the Placing is expected to be entered on or around the Price Determination Date, subject to agreement on pricing of the Offer Shares between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company. The Share Offer is managed by the Sole Sponsor, the Joint Lead Managers and the Co-Lead Managers. Further information relating to the Underwriters and the Share Offer and the underwriting arrangements is set out in the section headed “Underwriting” of this prospectus.

If, for any reason, the Offer Price is not agreed, the Share Offer will not proceed and will lapse. For further information about the Underwriters and the underwriting arrangements, please refer to the section headed “Underwriting” of this prospectus.

RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The Public Offer Shares are offered to the public for subscription solely on the basis of the information contained and the representations made in this prospectus and the related Application Forms. No person is authorised in connection with the Share Offer to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, the Underwriters, any of their respective directors or any other person involved in the Share Offer.

Each person acquiring the Offer Shares will be required, and is deemed by his acquisition of the Offer Shares, to confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered any Offer Shares in circumstances that contravene any such restrictions.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exception therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the United States.

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.

HONG KONG REGISTER AND STAMP DUTY

Our principal register of members will be maintained by the principal share registrar in the Cayman Islands. Dealings in the Shares on GEM will be registered on our Hong Kong branch register of members maintained in Hong Kong by Tricor Investor Services Limited.

Only Shares registered on our Hong Kong branch register of members maintained by the Hong Kong Branch Share Registrar in Hong Kong may be traded on GEM. Dealings in our Shares registered on our branch register of members in Hong Kong will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for or purchasing, holding or disposing of or dealings in our Shares, you should consult your professional advisers. None of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, the Underwriters, their respective directors and any other person involved in the Share Offer accepts responsibility for any tax effects on, or liability of, any person or holders of Shares resulting from subscribing for, purchasing, holding or disposing of or dealings in our Shares.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares on GEM and our Company complies 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 on GEM or, under contingent situation, such other date HKSCC chooses. 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, interest and liabilities.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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 our Shares to be admitted to CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

COMMENCEMENT OF DEALINGS IN OUR SHARES

Dealings in our Shares on GEM are expected to commence at 9:00 a.m. on Tuesday, 8 January 2019.

Our Shares will be traded in board lots of 10,000 Shares each. The stock code for our Shares is 8631. We will not issue temporary documents of title.

CURRENCY TRANSLATIONS

Unless otherwise specified, translations of US\$ into HK\$ in this prospectus are based on the exchange rate set out below (for the purpose of illustration only):

$$\text{US\$1.00} = \text{HK\$7.80}$$

No representation is made that any amounts in US\$ and HK\$ can be or could have been converted at the relevant dates at the above exchange rate or any other rates or at all.

ROUNDING

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

Law Ming Yik (羅名譯)	G/F, Block B Phoenix Court No. 272 Shan Pui Tsuen Yuen Long New Territories Hong Kong	Chinese
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Li Isaiah (李依濤)	Flat F, 28/F, Block 4 Tai Po Center Tai Po New Territories Hong Kong	Chinese
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Independent non-executive Directors

Fenn David (范德偉)	Flat B, 8/F, Tower 2 No. 1 Po Shan Road Mid-Levels Hong Kong	Chinese
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Wong Ka Chun Matthew (黃家俊)	Flat C, 4/F Block 16 Provident Centre North Point Hong Kong	Chinese
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Ho Cheung Kong (何長江)	Flat E, 8/F, Block 2 Greenfield Garden 2-20 Palm Street Tai Kok Tsui Kowloon Hong Kong	Chinese
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For further information on the profile and background of our Directors, please refer to the section headed “Directors and senior management” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED

Sole Sponsor

Kingsway Capital Limited

7/F, Tower One
Lippo Centre
89 Queensway
Hong Kong

Joint Bookrunners and Joint Lead Managers

Kingsway Financial Services Group Limited

7/F, Tower One
Lippo Centre
89 Queensway
Hong Kong

Bluemount Securities Limited

Room 2403-05, Jubilee Centre
18 Fenwick Street
Wan Chai
Hong Kong

Co-Lead Managers

Eternal Pearl Securities Limited

19/F, 88 Gloucester Road
Wan Chai
Hong Kong

Kaiser Securities Limited

Unit 3102-05, 31/F
West Tower, Shun Tak Centre
168-200 Connaught Road
Hong Kong

Pacific Foundation Securities Limited

11/F, New World Tower II
16-18 Queen's Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Legal advisers to our Company	<i>as to Hong Kong Law</i> Robertsons 57th Floor The Center 99 Queen's Road Central Hong Kong <i>as to Cayman Islands Law</i> Conyers Dill & Pearman Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands <i>as to certain statements regarding Hong Kong laws referred to in this prospectus</i> Mr. Jon K.H. Wong (Barrister-at-law of Hong Kong) Suites 902-905, Bank of America Tower 12 Harcourt Rd, Central, Hong Kong
Legal advisers to the Sole Sponsor, the Joint Lead Managers and the Underwriters	<i>as to Hong Kong Law</i> CFN Lawyers in association with BROAD & BRIGHT 27th Floor Neich Tower, 128 Gloucester Road Wan Chai, Hong Kong
Reporting accountants and auditors	Mazars CPA Limited <i>Certified Public Accountants</i> 42nd Floor, Central Plaza 18 Harbour Road Wanchai, Hong Kong
Internal control consultant	Baker Tilly Hong Kong Risk Assurance Limited 2nd Floor, 625 King's Road North Point, Hong Kong
Independent industry consultant	China Insights Consultancy Limited 10/F, Tomorrow Square 399 West Nanjing Road Huangpu District Shanghai, China
Receiving Bank	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong

CORPORATE INFORMATION

Registered office in the Cayman Islands	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in Hong Kong registered under Part 16 of the Companies Ordinance	20/F., Glassview Commercial Building No. 65 Castle Peak Road Yuen Long Yuen Long New Territories Hong Kong
Company secretary	Mr. Leung Cheuk Wai (<i>Certified Public Accountant</i>) Flat D, 8/F, Tower 6 Tung Shan Mansion Taikoo Shing Hong Kong
Compliance officer	Mr. Law Ming Yik G/F, Block B, Phoenix Court No. 272 Shan Pui Tsuen Yuen Long New Territories Hong Kong
Compliance adviser	Kingsway Capital Limited 7/F, Tower One Lippo Centre 89 Queensway Hong Kong
Authorised representatives	Mr. Law Ming Yik G/F, Block B, Phoenix Court No. 272 Shan Pui Tsuen Yuen Long New Territories Hong Kong Mr. Li Isaiah Flat F, 28/F, Block 4 Tai Po Center Tai Po New Territories Hong Kong

CORPORATE INFORMATION

Members of Audit Committee	Mr. Ho Cheung Kong (<i>Chairman</i>) Mr. Wong Ka Chun Matthew Mr. Fenn David
Members of Remuneration Committee	Mr. Fenn David (<i>Chairman</i>) Mr. Law Ming Yik Mr. Ho Cheung Kong
Members of Nomination Committee	Mr. Law Ming Yik (<i>Chairman</i>) Mr. Wong Ka Chun Matthew Mr. Fenn David
Cayman Islands principal share registrar and transfer office	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 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal banker(s)	DBS Bank (Hong Kong) Limited G/F, The Center 99 Queen's Road Central Central, Hong Kong
Company website	www.skhl.com.hk

INDUSTRY OVERVIEW

Unless otherwise indicated, the information presented in this section is derived from the CIC Report prepared by CIC, which was commissioned by us and is prepared primarily as a market research tool intended to reflect estimates of market conditions based on publicly available resources. References to CIC should not be considered as its opinion as to the value of any security or the advisability of investing in our Group. Our Directors believe that the sources of information and statistics are appropriate sources for such information and statistics. Our Directors have no reason to believe that such information and statistics is 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 Co-Lead Managers, the Underwriters or any other party involved in the Share Offer or their respective directors, officers, employees, advisers and agents, and no representation is given as to its accuracy and completeness. Accordingly, such information should not be unduly relied upon.

SOURCE OF INFORMATION

We have commissioned CIC, an independent third party, to both conduct an analysis of, and draft a final report on the diesel sales market in Hong Kong. The report we commissioned, or namely the CIC Report, has been prepared by CIC independent of our influence. We paid CIC a fee of HKD600,000 for the preparation of the report, which we consider in line with market rates.

CIC REPORT

China Insights Consultancy conducts both primary and secondary research using a variety of resources. Primary research involves interviewing key industry experts and leading industry participants. Secondary research involves analysing data from various publicly available data sources, such as the Hong Kong Census and Statistics Department, industry associations, etc.

The market projections in the commissioned report are based on the following key assumptions: (i) Hong Kong's economic and industrial development are likely to maintain a steady growth trend during the next decade; (ii) related key industry drivers are likely to drive continued growth of Hong Kong's diesel sales market during the forecast period, including growth in the transportation industry, the development of the residential construction industry, the accelerated construction of infrastructure projects and projects connecting Hong Kong with the mainland, as well as the accrued performance advantages of diesel, among other factors; and, (iii) there is no extreme force majeure or industry regulation in which the market may be affected either dramatically or fundamentally.

Analyses outlined in the Report have taken into account, among other considerations, the following parameters with regards to relevant markets in Hong Kong: (i) energy and oil consumption in Hong Kong; (ii) the market size for diesel sales in Hong Kong; and (iii) the gross value of construction work.

INDUSTRY OVERVIEW

All statistics are reliable and based on information available as of the date of this report. Other information sources, including from the government, industry associations, or market participants, may have provided some of the information on which the analysis or its data is based.

All the information pertaining to the Company has been sourced from the Company's own audited report or through management interviews. Information regarding the Company has not been independently verified by China Insights Consultancy.

Except as otherwise noted, all the data and forecasts in this section are derived from the CIC Report. Our Directors confirm that, after taking reasonable care, there was no adverse change in any of the market information since the release date of the CIC Report, changes which may qualify, contradict, or have an impact on the information as disclosed in this section.

OVERVIEW OF THE DIESEL SALES MARKET IN HONG KONG

Diesel is a combustible liquid used as fuel in diesel engines as found in most freight trucks, trains, buses, boats, construction vehicles, and other vehicles used in farming. Diesel is also used in diesel engine generators to produce electricity. Diesel is generally obtained from fractions of crude oil that are less volatile than the fractions used in gasoline, and is ignited not by a spark, as in gasoline engines, but by injecting fuel into a combustion chamber after compressing air at elevated temperatures. Diesel releases more energy during combustion in comparison with equal volumes of gasoline, so diesel engines are generally characterised as having better fuel economy. However, the sulphur present in diesel fuel also produces air pollution that is harmful to human health. Increasingly more countries and regions around the world have introduced ultra-low-sulphur-diesel (ULSD), replacing conventional diesel to meet stricter emission standards.

Industrial value chain of Hong Kong's diesel market

Oil imports

Diesel is a common grade commodity that can easily be sourced from the open market. The six special import license holders for industrial diesel include Shell Hong Kong Ltd., Caltex Oil Hong Kong Ltd., Mobil Oil Hong Kong Ltd., Esso Hong Kong Ltd., China Resources Petroleum Co. Ltd., AFSC Operations Ltd. (only deals with aviation fuel). Their main responsibility in the value chain is to import diesel oil from overseas market or mainland China.

Oil agents

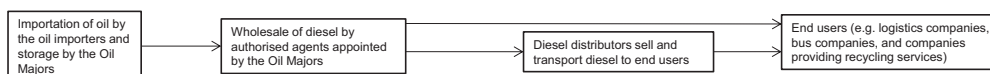
Diesel agents in Hong Kong include authorised agents (wholesalers) and diesel distributors (retailers). Authorised agents operate in the wholesale diesel business and source diesel directly from the Oil Majors. Furthermore, downstream operators act as a bridge between these authorised agents and end customers. The base of end-customers in the diesel sales market remains relatively fragmented, which includes construction companies, barge owners, property owners, hospitals, etc., and with their demand for diesel often being both irregular and unpredictable. Diesel distributors have their own transportation fleet and provide oil delivery services for end users.

INDUSTRY OVERVIEW

Oil Majors in Hong Kong refer to ExxonMobil, Sinopec, Shell and Caltex, who are the largest-scale oil companies in terms of their revenue, sizes and market positions. Their main responsibilities include store, distribute and sell diesel oil.

Authorised agents deal with the wholesale of diesel oil, and they are appointed by the Oil Majors. Authorised agents' customers include diesel distributors (like our Group) and end customers with predictable and regular demands of large quantity of diesel oil.

The following chart indicates the value chain of Hong Kong's diesel market.



The authorised agents usually sell diesel directly to end customers with large demand in quantity, such as infrastructure construction companies, metro companies and bus companies. The authorised agents would prefer to assign diesel distributors (like our Group) to sell diesel to end customers with unplanned purchases. Meanwhile, authorised agents would also tend to work with their preferred diesel distributors (like our Group) for business connection, sales channel, transportation capabilities and their understanding of the end customers' needs and requirements.

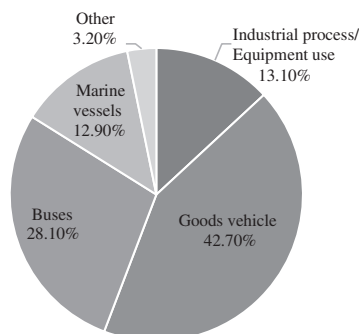
The diesel distributors have a much larger customer base than the Oil Majors and authorised agents do. Downstream customers such as logistics companies may also appoint sub-contractor drivers to assist to deliver diesel due to the shortage of transportation capacity, and it is industry practice for logistics companies to supply diesel to the sub-contractor drivers. In addition, major authorised agents, typically does not have any tank barge and only few tank wagons, whereas the diesel distributors usually have a strong fleet of diesel tank wagons for provision of timely delivery services of diesel oil to the end customers. The transportation capacities of authorised agents are limited to cater all the demands from end customers, since diesel is an essence fuel source that commonly used by a wide range of downstream industries, such as logistics, public transportation, industrial processes, construction equipment, marine use, etc. The demand of some end industries can be infrequent and irregular, as a result, cooperation with diesel distributors can help authorised agents reach out to more end customers. With diesel distributors' understanding on the end customers' business, they can transport diesel to those end customers in a reliable and strictly timely manner. Therefore, diesel distributors (like our Group) can help authorised agents with the business connection, sales channel, transportation capabilities and their understanding of the end customers' needs and requirements. It is industry practice for diesel distributors to work on a daily basis in order to fulfill any unplanned demands from downstream customers.

In addition to the Oil Majors, other parties are not allowed to store large quantity of diesel oil in Hong Kong. In order to convey diesel in Hong Kong, vehicle license is required for the Conveyance of Dangerous Goods in Category 5 from Hong Kong Fire Services Department. In addition, drivers need to have training classes and receive certificates from the entities appointed by the government. Due to limited transportation capacity, most authorised agents often use third-party logistics companies or diesel distributors (like our Group) to transport diesel oil to the end customers when they sell diesel oil directly to end customer in large quantity.

INDUSTRY OVERVIEW

End users

The following chart illustrates major end customers of diesel in Hong Kong in 2017 by quantity of diesel consumed by various sectors:



Source: HKC&SD, China Insights Consultancy

End customers	Description
Transportation (Buses and goods vehicles)	Transportation companies provide transportation services, which mainly comprise of buses and goods vehicles, including public buses, logistics fleets, and shuttle buses, most of which are diesel-based in Hong Kong given diesel's fuel efficiency and lower purchase price. Franchised buses and mini buses in Hong Kong can fuel up at bus depots and are exempt from additional fuel duties. Some companies, including logistics companies and non-franchised bus companies, can fuel up either at petro stations or directly with diesel distributors depending on the their business scale and the volume demanded.
Industrial processes/ equipment	Diesel is used to power most construction equipment given its power, fuel efficiency, and safety advantages when compared with gasoline. Diesel-powered equipment used in general construction includes dozers, loaders, excavators, pavers, compactors, graders, scrapers, trenchers, welders, etc. Diesel is also used in other sectors, including in laundromats, dyeing factories, restaurants, etc.

INDUSTRY OVERVIEW

End customers	Description
Marine use	Marine vessel diesel mainly targets different types of seagoing vessels operating within Hong Kong waters, which includes fishing vessels, pilot vessels, ferries, engineering ships for construction use, barges, small cargo vessels, and cruise ships. Meanwhile vessel fuel oil (heavy diesel) is mainly used for long distance ships, including import and export merchant ships, container ships, cruise ships, and bulk carriers.
Others	Other sectors that use diesel in Hong Kong include diesel engine power generators installed in large buildings, institutional facilities, recycling companies, hospitals, etc., including those used for backup and emergency power supply, agriculture, etc.

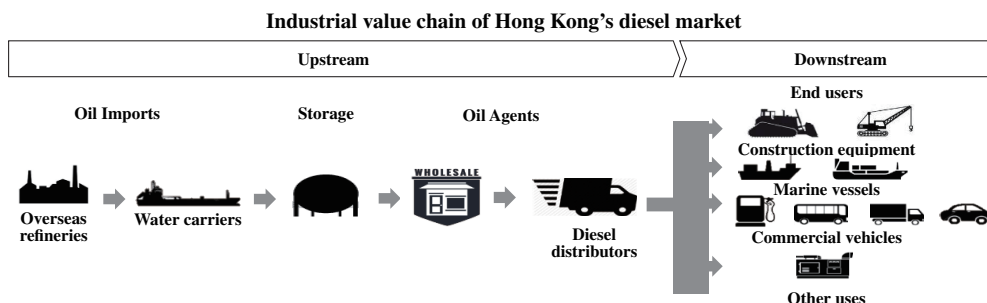
Logistics use of diesel was accounted for approximately 42.7% of total diesel use by quantity in 2017. Logistics companies usually have unplanned and irregular purchases from diesel distributors because of their business nature. Meanwhile, diesel distributors, like our Group, understand the business nature of logistics companies and are able to provide timely delivery and comprehensive services to those customers.

In addition to logistics use of diesel, other uses include buses, marine vessels, industrial processes/equipment use and others took about 28.1%, 12.9%, 13.1% and 3.2% respectively in 2017. Many diesel distributors focus on other sectors of diesel use in Hong Kong and large portion of their revenue generally come from the same sector. For example, Company B is a diesel distributor in Hong Kong, and 97.1% of its revenue was generated from diesel sales for industrial use in 2017.

Therefore, it is industry common practice that diesel distributors' reliance on a limited number of major customers as they could fulfill their different needs, and such reliance is mutual and complementary.

INDUSTRY OVERVIEW

Industrial value chain of Hong Kong's diesel market

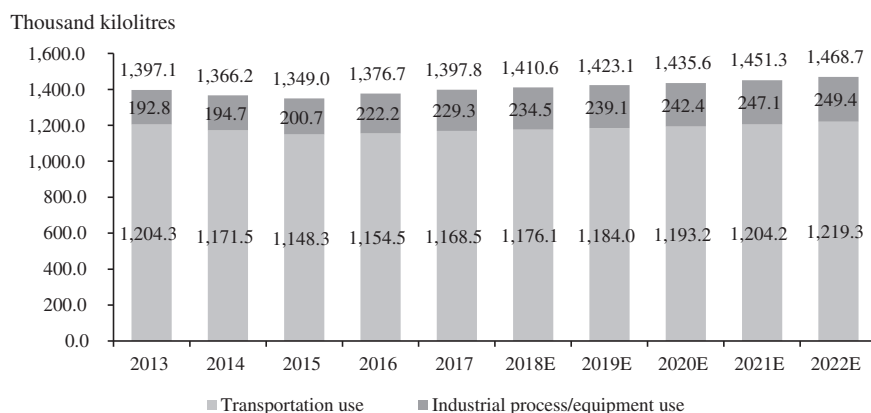


Source: China Insights Consultancy

Market size of diesel consumption for transportation and industrial use in Hong Kong

Between 2013 and 2017, the estimated market size for diesel consumption for transportation and industrial use has increased to 1,397.8 thousand kilolitres by 2017. Consumption from transportation (buses and goods vehicles) and industrial use contributed to around 70.8% and 13.1% of overall consumption in 2017, respectively. Meanwhile, the expanding market size for diesel consumption in Hong Kong is mainly being driven by increases in infrastructure expenditure, as well as a prosperous construction industry and a growing demand for diesel used in transportation in Hong Kong. During the forecast period, Hong Kong's market size for diesel is expected to grow at a CAGR of 1.0%, reaching a total 1,468.7 thousand kilolitres by 2022, among which industrial processes/equipment is expected to consume 249.4 thousand kilolitres and transportation is expected to consume 1,219.3 thousand kilolitres.

Market size of diesel consumption for transportation and industrial use, Hong Kong, 2013-2022E



Note: not included diesel consumption for private use.

Source: China Insights Consultancy

INDUSTRY OVERVIEW

Drivers of the diesel market in Hong Kong

Future development of the logistics industry

The trading and logistics industry is among the four most important industries in Hong Kong in terms of value added to GDP, which contributed 21.6% of GDP in 2016. The other three industries includes tourism (4.7%), financial services (17.7%), and professional services and other producer services (12.5%). In 2016, logistics industry contributed HKD76.8 billion, or 3.2% of total GDP in 2016 to Hong Kong's GDP. Moreover, the trade value generated by land-based logistics accounted for 38.4% of the total trade value in 2013, or HKD2,922.5 billion for that year, having further increased to 39.1% of the total trade value in 2017, or HKD3,220.6 billion.

As a major hub connecting mainland China to the rest of the world, Hong Kong plays a vital role in the global economy. As such, Hong Kong's government continues to pursue new trade and investment agreements with the mainland and ASEAN so as to expand trade and grow its commercial markets. Recent activities include the following:

- In 2015, Hong Kong and mainland China signed the framework agreement for CEPA, which aims to establish a comprehensive free trade arrangement between the two parties.
- Hong Kong-Zhuhai-Macao Bridge has been officially opened in October 2018, which connects the west and east sides of the Pearl River Delta. The 55-kilometer-long bridge-island-tunnel system is jointly invested by the governments of Guangdong, Hong Kong and Macao in 2010. This important logistics infrastructure is expected to provide more convenient transportation in the Greater Bay Area, which is also anticipated to increase the demands for ground logistics services in the area.

With improvements in the trade environment, future anticipated development in the land-based logistics industry is likely to expand the size of diesel consumption in Hong Kong.

Development of the residential construction industry

Hong Kong's construction industry has maintained a strong level of growth, posting a CAGR of 9.1% for the recorded period. The industry's gross value increased from HKD176.6 billion in 2013 to HKD249.9 billion in 2017. This strong growth trend was driven not only by massive infrastructure development and housing programs in the public sector but also in reaction to private developers and their own expansion plans. The huge amount of capital investment on infrastructure, including the Ten Major Infrastructure Projects announced in 2007, will continue to support growth in the construction industry. Moreover, the large quantity of new public and private sector projects will further stimulate development in the market. Thus, construction activity is expected to remain at a high level throughout the next five year period. The gross value for construction works is expected to register a CAGR of 7.9% during the forecast period, reaching HKD365.7 billion by 2022. Therefore, more and more diesel-powered construction equipment is expected to be put to use in the future, fuelling additional growth in Hong Kong's diesel market.

INDUSTRY OVERVIEW

Acceleration of infrastructure construction

In order to achieve the objective of promoting economic growth through the development of infrastructure, the Hong Kong government has increased its infrastructure investment over the past few years. The Hong Kong government approved its plan for the Ten Major Infrastructure Projects (timeline: 2009-2024), which includes the construction of a third runway for the Hong Kong International Airport (starting 2016/8/1; timeline: 2016-2024; estimated investment in 2015: HKD141.5 billion) and an artificial island for Hong Kong's Boundary Crossing Facilities (HKBCF) (timeline: 2011-2018). These two projects are among the most costly infrastructure projects in Hong Kong, which will therefore continue stimulating the construction and related industries. In addition, a handful of site formation projects in Hong Kong are currently being planned, which includes the Advance Site Formation and Engineering Infrastructure Works Project situated in the Kwan Tung North and Fanling North New Development Areas, projects which will provide an additional boost to the demand for diesel.

Performance advantages of diesel vehicles and machinery

Diesel can provide high heating efficiency and a maximum torque even when at a low rotation speeds, which means that diesel often proves to be exceedingly more reliable and cost efficient when compared with other fuel choices. Given a higher performance advantage for vehicles and machinery using diesel and given Hong Kong's new European VI diesel emission standards, diesel has become "the cleaner" option when compared with gasoline, with diesel's percent conversion and level of energy consumption being relatively more superior.

Market trends of diesel sales market in Hong Kong

Stable and high-level investment in local public infrastructure

In recent years, the government's investment in infrastructure has remained at high levels, with several construction and transportation projects being carried forward at the same time. In the 2017/18 Budget, the Hong Kong government projected public expenditure on capital works to reach HKD83.7 billion for the fiscal year ending March 2017. Total government expenditure on infrastructure has increased steadily in recent years, rising from HKD80.8 billion for the period 2015-16 to HKD87.1 billion for the period 2017-18.

Future development of logistics services between Hong Kong, mainland China, and other regions/countries

Since Hong Kong has long been a global hub connecting mainland China and the rest of the world, Hong Kong is able to offer first-class global logistics services with extensive related logistics experience serving clients all over the world. This longstanding reputation has helped Hong Kong's logistics industry maintain growth in recent years. As well, recent infrastructure projects, such as the HK-Zhuhai-Macao Bridge and the West Kowloon High-speed Railway Station, are expected to encourage further trade between Hong Kong and the mainland, which in turn will have a positive influence driving the demand for transportation services for both cargo and passengers.

INDUSTRY OVERVIEW

Strict regulations regarding diesel production and emission standards

Like many other major cities, air emissions from industry and motor vehicles are the two key sources of air pollution in Hong Kong. Under *A Clean Air Plan for Hong Kong*, the Hong Kong government aims to achieve the goals set out in the new Air Quality Objectives (AQO) plan by 2020. Integrated urban and industrial emission standards, as well as regulatory controls on oil products, have enabled the government to take converted action on environment protection.

Increasing proportion of diesel engine cars and trucks

Given strengthened support for environmentally-friendly lifestyles, more and more private car owners are switching from gasoline-based engines to those using diesel instead. Since diesel engines typically have a better working life and fuel consumption compared with gasoline engines, the accrued advantages of diesel engines are less obvious in a low gasoline price environment. However, if oil prices pick up again, economic considerations would likely impel buyers to change their preference towards the purchase of diesel-powered engines.

Challenges of the diesel sales market in Hong Kong

Homogenisation of products among major players in the market

Diesel distributors do not produce diesel products by themselves. All companies have nearly the same source of initial suppliers with products of similar quality (Euro V standard), thus market competition has been rather homogeneous. To grab market share, diesel distributors may adopt lower price strategy, the price war among major competitors would largely reduce the industry profit margin.

Fluctuations in the oil price

As a major trading commodity, the price of crude oil is sensitive to a number of influential outside factors, including politics, economics, climate, etc. As such, the monthly European Brent spot crude price dropped to around USD30.0 per barrel in January 2016. Meanwhile, the highest monthly price during the period from January 2010 to December 2016 in March 2012 reached USD125.5 per barrel. Fluctuations in oil prices are expected to remain a challenge in the diesel sales industry, with higher oil prices generally having a negative effect on the diesel sales industry. For example, operators in the logistics industry are an important part of the customer base in the diesel sales industry, which means higher oil prices can increase fuel costs for these operators, with these higher fuel costs in turn taking up a significant share of total costs in the industry.

COMPETITIVE LANDSCAPE

As a relatively mature market in Hong Kong with around 80 market participants selling diesel for transportation and industrial use, the diesel sales industry is associated with a high level of competition in terms of both service and pricing. Given a stable number of downstream customers in Hong Kong, the competition to acquire additional market share can be quite intense and may therefore reduce overall profitability in the industry.

INDUSTRY OVERVIEW

With around 80 market participants selling diesel for industrial and transportation use in Hong Kong and around 10 of them are authorised agents and the rest are diesel distributors in 2017, the diesel sales market in Hong Kong continues to be considered relatively fragmented. The top five diesel distributors currently take up about 32.4% of total market share. Our Company ranked the second among these diesel distributors, with a market share of 10.5% in terms of the total revenue generated from the sale of diesel through diesel distributors and 8.4% in terms of the total revenue generated from the sale of diesel through both the Oil Majors and diesel distributors as of 2017. Details of the competition rankings are set out below:

Rank	Company	Headquarters location	Listing status	Revenue in 2017 (HKD million)	Approximate market share (%)
1	Company A	Hong Kong	Private	520.0	12.4
2	The Company (Note)	Hong Kong	Private	442.8	10.5
3	F8 Enterprises (Holdings) Group Ltd	Hong Kong	Listed	159.7	3.8
4	Company C	Hong Kong	Private	130.0	3.1
5	Company D	Hong Kong	Private	110.0	2.6
Subtotal:				1,362.5	32.4
Others:				2,844.4	67.6
Total:				4,206.9	100

Note: Revenue of our Company refers to the total revenue from 1 April 2017 to 31 March 2018.

Entry barriers to the diesel sales market in Hong Kong

Capital requirement

There is an initial and substantial amount of investment required before starting up a viable business in the diesel sales market, which includes the initial working capital and investments for purchasing oil tank trucks together with the hiring of experienced drivers capable of transporting dangerous cargo, not to mention the additional costs associated with rental fees, insurance fees, and the management of client accounts.

Relationship with suppliers and customers

Since oil companies and wholesaler often offer a variety of discounts and other preferential to diesel distributors, companies having a good relationship with their suppliers and a proven track record normally pay a price lower than the original reference price. In addition, oil companies pay close attention to any safety issue concerning diesel distributors, which means that newcomers lack a relevant set of records and experience to draw on when dealing with these issues.

INDUSTRY OVERVIEW

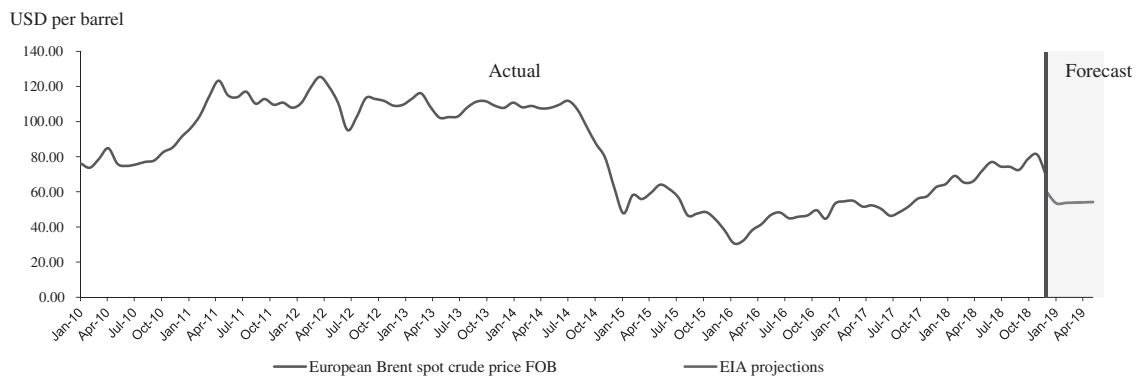
Furthermore, it may be difficult for new entrants to establish a stable business relationship with customers and understand end customers' market and requirements in the absence of a solid track period and industry experience. The diesel sales business is characterised by long-standing relationships between diesel distributors and end customers. Even though transportation capabilities and pricing are important factors requiring consideration in the diesel sales business, having previous experience and a track record positions a company to better develop their business and manage business relationships in support of repeat orders.

Brand awareness

In general, most end users prefer purchasing diesel from companies with a strong brand awareness so as to avoid fluctuations in diesel product quality and longer delivery periods which may risk delays. For new entrants, establishing a new brand name can be difficult as it takes several years before proving that their business can meet the relevant industry standards, including issues associated with safety and quality.

HISTORICAL SPOT CRUDE OIL PRICE AND FORECAST ON CRUDE OIL PRICE

European Brent spot crude price, January 2010-June 2019E



Source: EIA, China Insights Consultancy

Global oil prices have experienced a significant decrease since the second half of 2014, with this decrease having been precipitated for a number of reasons, including turmoil in Iraq and Libya, weak global economic activity, increased US shale oil production, etc. Falling to its lowest point, the monthly European Brent spot crude price dropped to around USD30.0 per barrel in January 2016. The highest monthly price during the period between January 2010 and December 2016 was in March 2012 when prices reached a high of USD125.5 per barrel.

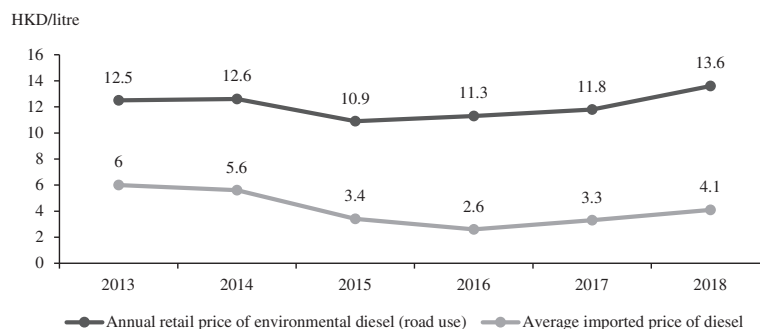
Oil prices rebounded after January 2016 and rose to as high as USD48 per barrel as of June 2016. This rebound can be attributable to a number of supply issues, especially as a result of reduced exports from both Iraq and Nigeria. In addition, oil production in the U.S. fell in December 2015 given production declines in the biggest shale-producing states. This was the first year-on-year drop in the past several years, with no indications that output declines continued accelerating in 2016.

INDUSTRY OVERVIEW

According to the International Monetary Fund (IMF), recent geopolitical instability, particularly the deterioration in regional diplomatic relationships with Qatar, have created a potential for disruptions in the production and transportation of crude oil. Brent prices are expected to remain on average between USD52.0 – USD52.5 per barrel for the year 2017. Brent prices are moreover expected to grow at a moderate rate after 2017 given expanded demand, with prices projected to average anywhere between USD51.8 – USD54.1 in 2018.

European Brent spot crude price is an important benchmark price for purchase of light and low-sulphur oil worldwide, which is a good reference for diesel distributors to study the general future price trend in order to better choose supplier, set price and decide sales promotion accordingly. Given the business nature of diesel in terms of its sale and transportation, diesel distributors are not expected to face significant losses as a result of higher crude oil price levels.

Average price per litre for oil products, Hong Kong, 2013-2018*



*Note:

1. 2018 average imported price covers to June 2018.
2. 2018 retail price covers only to November 2018.

Source: HKC&SD, China Insights Consultancy

Following the European Debt Crisis in 2012, Hong Kong's economy slowed down and the overall quantity of imported oil products fell by 7.8% that year. Oil imports recovered in 2013 at a rate of 1.2% and reached 25,385.4 thousand kilolitres overall by 2016. The quickened pace of growth between 2014 and 2015 was mainly in reaction to the drop in petroleum, oil and lubricants (POL) prices precipitated during those years. In addition, diesel increased from 21.0% to 26.7% as a percentage of total oil imports over the same period, which indicates a stronger demand for diesel in the years ahead.

The average import price of diesel in Hong Kong meanwhile decreased from HKD6.2 per litre in 2012 to HKD3.3 per litre in 2017. At the same time, the annual retail price for environmental diesel (road use) rebounded to HKD11.8 per litre in 2017.

REGULATORY OVERVIEW

REGULATORY REQUIREMENTS IN HONG KONG

We are an established provider of diesel oil and diesel exhaust fluid in Hong Kong. Our sale services include sourcing diesel oil and diesel exhaust fluid through oil trading companies, dispatching our fleet of diesel tank wagons to collect diesel oil from oil depots designated by our suppliers, and eventually delivering diesel oil to destinations designated by our customers. A summary of certain material aspects of the Hong Kong laws and regulations applicable to our business and operation is set out below:

DANGEROUS GOODS RELATED

Dangerous Goods Ordinance (Chapter 295 of the Laws of Hong Kong) (“DGO”)

The DGO controls the usage, storage, manufacturing and conveyance of the dangerous goods under the ordinance and sets out the relevant licensing requirements in relation to these activities. Section 3 of the DGO gives a broad meaning of dangerous goods, which include all explosives, compressed gases, petroleum and other substances giving off inflammable vapours, substances giving off poisonous gas or vapour, corrosive substances, substances which become dangerous by interaction with water or air, substances liable to spontaneous combustion or of a readily combustible nature, and there are over thousands of substances and chemicals which are classified as dangerous goods. These dangerous goods are grouped into categories and classes in accordance with their potential hazardous nature. As at the Latest Practicable Date, there were 11 categories of dangerous goods according to the subordinate legislations of the DGO (namely Categories 1 to 9, 9A and 10). Diesel oil is categorised as one of the dangerous goods in Category 5, Class 3 thereunder. As such, our Group’s transportation of diesel oil is regarded as conveyance of dangerous goods under the DGO. As such, our business is regulated by the DGO.

The Fire Services Department is the licensing authority for Categories 2 to 10 dangerous goods (excluding liquefied petroleum gas (“LPG”)) on land. Pursuant to section 6 of the DGO, no person shall store, convey or use any dangerous goods in excess of exempted quantity in any premises or places without a licence issued by the director of the Fire Services Department. Any person who contravenes section 6 of the DGO shall be guilty of an offence and is liable to a fine of HK\$25,000 and to imprisonment for 6 months.

Pursuant to section 9B of the DGO, a breach of any term or condition endorsed upon any licence issued pursuant to section 9 of the DGO shall constitute an offence which shall be punishable on summary conviction by a fine not exceeding HK\$10,000 and imprisonment not exceeding 1 month.

REGULATORY OVERVIEW

Under section 10 of the DGO, no person shall deliver to any warehouse owner or carrier from any part of Hong Kong by land or water unless the (a) true name or description of such goods is distinctly written, printed or marked in English and Chinese on the outside of the case or other package containing such goods; (b) the prescribed label, if any, is attached to the outside of the case or other package containing such goods; and (c) in the case of delivery, notice in writing has been given to any warehouse owner or carrier of the true name or description of such goods and the dangerous nature thereof. Any person who contravenes section 10 of the DGO commits an offence and is liable on summary conviction to a fine of HK\$25,000 and to imprisonment for 6 months.

Pursuant to section 15 of the DGO, any employee or agent of any person holding a licence issued under the DGO who commits an offence under this ordinance is liable for such offence and to the penalty provided therefor, unless he proves that the offence was committed without his knowledge or consent and that he had exercised all due diligence to prevent the commission of the offence. And pursuant to section 16 of the DGO, where an offence under the DGO is committed by a company, every director and every officer concerned in the management of the company shall be guilty of the like offence unless he proves that the act constituting the offence took place without his knowledge or consent.

Dangerous Goods (Application and Exemption) Regulations (Chapter 295A of the Laws of Hong Kong) (“DG (AE) R”)

Diesel oils (distillates and/or light residuals), furnace oils and other fuel oils having a flash point of or over 66°C, are categorised as dangerous goods in Category 5, Class 3.

Dangerous Goods (General) Regulations (Chapter 295B of the Laws of Hong Kong) (“DG (G) R”)

DG (G) R sets out certain restrictions and requirements in relation to various categories of dangerous goods. It also provides the exempted categories and quantity of the dangerous goods for which a licence is not required for the conveyance, storage and usage of the dangerous goods. According to Regulation 99 of the DG (G) R, dangerous goods in Category 5, Class 3, have to be stored or conveyed in any appropriate main or inner packing. The maximum quantity for which no licence is required for storage is 2,500 litres. Further, according to Regulation 99A of the DG (G) R, no person shall store in bulk in liquid form any dangerous goods in Category 5, Class 3, except in a tank which has been approved in writing by the Director of Fire Services Department subject to the compliance of conditions set out in the DG (G) R. Meanwhile, pursuant to regulation 95 of the DG (G) R, nothing in part IV of the DG (G) R shall apply to any fuel conveyed in the fuel tank of any mechanically propelled vehicle.

REGULATORY OVERVIEW

Regulation 101 of the DG (G) R provides that unless a licence approved by the director of Fire Services Department is obtained for the use of such vehicle, no person shall use, or cause or permit to be used, any mechanically propelled vehicle for the conveyance by road of any Category 5 dangerous goods in containers. There are mainly three (3) types of dangerous goods licences issued by the Fire Services Department, namely (i) licence for the storage of dangerous goods (Categories 2 to 10 (excluding LPG)); (ii) licence for the manufacture of dangerous goods (Categories 2 to 10 (excluding LPG)); and (iii) licence (“**DGV Licence**”) for any mechanically propelled vehicle (“**DGV**”) for the conveyance by road of any dangerous goods (Category 2 (other than LPG) and/or Category 5). According to the DGO, “conveyance” includes the situation when dangerous goods are loaded in a vehicle irrespective of whether the vehicle is moving or being parked stationary until the dangerous goods are unloaded from the vehicle. Our Group is required to obtain the DGV Licence for our daily operation. Our diesel tank wagons have to meet the requirements as set out in the DG (G) R, which includes (but not limited to) the engine design, and notice in English and Chinese conspicuously displayed at the front and rear of the vehicle declaring the presence of inflammable goods.

Part VI of the DG (G) R also stipulates other operations and maintenance of tank wagon and the storage of dangerous goods in Category 5 including but not limited to the following:

- No person shall deposit, or cause or permit to be deposited, any dangerous goods in Category 5 in any place, other than a store, for any purpose or for any length of time except such as is reasonably necessary in the course of handling such goods in transit.
- No person shall cause or permit any dangerous goods to enter any sewer or drain or, in the case of any substance immiscible with water, the waters of Hong Kong.
- No person shall convey or cause or permit to be conveyed, by road any dangerous goods in liquid form in bulk except in a tank wagon of a size, type and construction approved, either generally or in any particular case, by the Fire Services Authority and equipped for the carriage, loading and discharge of such liquid to the satisfaction of the Fire Services Authority.
- No person shall fuel any vehicle directly from any tank wagon.
- Except in the case of a tank wagon equipped with a radio communication system to the satisfaction of the Fire Services Authority, no person shall convey, or cause or permit to be conveyed, on any tank wagon any dangerous goods in Category 5 in liquid form unless the wagon is attended by at least one person, in addition to the driver, having reasonable experience in the carriage of such liquids in bulk.

Contravention to the above commits an offence and the maximum penalty could range from a fine of HK\$5,000 to HK\$25,000 and imprisonment from 1 month to 3 months.

REGULATORY OVERVIEW

DANGEROUS GOODS (APPLICATION AND EXEMPTION) REGULATION 2012 ("DG(A&E)R 2012")

The DG(A&E)R 2012 was published in the Gazette on 27 April 2012 but it has not come into operation until it is appointed by the Secretary for Security by notice in the Gazette. The regulation is aimed to amend the existing DGO and its subsidiary regulations for the control of dangerous goods on land and at sea as the existing DGO was enacted in 1956 and some of the provisions are no longer in line with international practice. The dangerous goods under control on land will expand from about 1,100 to about 2,300 types and largely adopt the classification system of the International Maritime Dangerous Goods Code. Under the DG(A&E)R 2012, diesel fuel will be classified under class 3A.

As at the Latest Practicable Date, there was no indication on when the DG(A&E)R 2012 will come into effect. Moreover, according to the publication by the HKSAR Government on 25 April 2012, the HKSAR Government intends to introduce two new regulations to replace the existing Dangerous Goods (General) Regulations and Dangerous Goods (Packing, Marking and Labelling) Regulation to provide for the detailed control requirements for the manufacture, storage, conveyance and use of dangerous goods on land, and the packing, marking and labelling requirements for dangerous goods. As the two new regulations are still under review, it could not be determined how and when these three new regulations will impact the Company.

DUTIABLE GOODS RELATED

Dutiable Commodities Ordinance (Chapter 109 of the Laws of Hong Kong)

The Dutiable Commodities Ordinance and its subsidiary legislations provide the taxation and control of liquors, tobacco, hydrocarbon oil, methyl alcohol and other substances. The duty payable on ultra-low sulphur diesel and Euro V diesel shall be at HK\$2.89 per litre from 1 January 2009 onwards and HK\$0 per litre from 14 July 2008 onwards.

Dutiable Commodities (Marking And Colouring Of Hydrocarbon Oil) Regulations (Chapter 109C of the Laws of Hong Kong) ("DC(MCHO)R")

The Dutiable Commodities (Marking And Colouring Of Hydrocarbon Oil) Regulations stipulate the specification and proportion of marker and colouring substance. No person shall add any marker and colouring substance to any light diesel oil except with the permission of the commissioner of Customs and Excise and any deputy or assistant commissioner of Customs and Excise. Regulation 12 of the DC(MCHO)R further stipulates that no person shall deliver marked oil to any other person without also delivering a note bearing the statement "MARKED OIL IS NOT TO BE USED FOR THE PROPULSION OF MOTOR VEHICLES OR PLEASURE VESSELS" and "有標記油類不得用作推動汽車或遊樂船隻的燃料". Any person who contravenes Regulation 12 commits an offence and is liable to a maximum fine of HK\$50,000 and to imprisonment for 6 months.

REGULATORY OVERVIEW

The diesel oil currently distributed by our Group are all unmarked oil, therefore our Group had materially complied with the DC(MCHO)R in all aspect.

LAWS AND REGULATIONS IN RELATION TO SALE OF GOODS

Trade Description Ordinance (Chapter 362 of the Laws of Hong Kong)

The Trade Description Ordinance prohibits false trade description, false, misleading or incomplete information, false marks and misstatements in respect of goods provided in the course of trade. The definition of trade description under the Trade Description Ordinance covers a broad range of matters including but not limited to the following aspects of goods: quantity, method of manufacture, composition, fitness for purpose, availability, compliance with a standard, approval by any person, a person by whom the goods have been acquired, and the goods being of the same kind as goods supplied to a person etc.

It is an offence to apply a false trade description to any goods, or supply any goods which a false trade description is applied. False and misleading trade descriptions of products in advertisements are also prohibited. Any person who fails to comply with any of the provisions commits an offence and is liable on conviction on indictment, to a fine of HK\$500,000 and to imprisonment for 5 years; and on summary conviction, to a fine of HK\$100,000 and to imprisonment for 2 years.

Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong)

Contracts for the sale of goods in Hong Kong are mainly governed by the Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong). The Sale of Goods Ordinance provides that, *inter alia*, where a seller sells goods in the course of a business, there is an implied undertaking that (i) where the goods are purchased by description the goods shall correspond with the description; (ii) the goods supplied are of merchantable quality; and (iii) the goods shall be reasonably fit for the purpose for which they are purchased. Otherwise, a buyer has the right to reject the defective goods unless he or she has a reasonable opportunity to examine the goods. A breach of the implied term may give rise to a civil action for breach of contract by the customers.

Tortious Duty under Common Law

Under common law, a seller of goods, apart from contractual obligations and liabilities, may owe a duty of care to the buyer and may be liable for damages resulting from defects in goods sold which are caused by the seller's negligent acts or for any fraudulent misrepresentation made in the course of sale. When a seller knows or reasonably believes that the goods to be sold may be defective, the seller may have to cease selling such goods and to give warning and instructions to the buyer. The seller will also attract civil liability when in the course of sale, negligently performs his work and causes damage to another person or property.

REGULATORY OVERVIEW

RELEVANT LEGISLATION ON ROADS

Road Traffic Ordinance (Chapter 374 of the Laws of Hong Kong) (“RTO”)

The Road Traffic Ordinance and its subsidiary legislations provide the regulation of road traffic and the use of vehicles and roads. Every vehicle, including medium goods vehicle and heavy goods vehicle, has to be complied with the specifications and regulations set out in the RTO before it can be registered and granted a licence for using on the road. Schedule 1 of the RTO specifies 15 types of vehicles that should be registered under the RTO. The licence of a vehicle may be cancelled or refused to be granted if no valid insurance in respect of third party risks as required by the Motor Vehicles Insurance (Third Party Risks) Ordinance (Chapter 272 of the Laws of Hong Kong) is in force in respect of the vehicle.

Motor Vehicles Insurance (Third Party Risks) Ordinance (Chapter 272 of the Laws of Hong Kong) (“MVI(T)O”)

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

Section 4(2) of the MVI(T)O provides that if a person acts in contravention of section 4, he shall be liable to a fine of HK\$10,000 and to imprisonment for 12 months, and a person convicted of an offence under section 4 shall (unless the court for special reasons thinks fit to order otherwise) be disqualified from holding or obtaining a licence to drive a motor vehicle for such period as the court may determine being not less than 12 months nor more than three years from the date of conviction.

Our Group’s own vehicle fleet is required to comply with the MVI(T)O.

RELEVANT LEGISLATION ON TUNNELS

According to the website information of the Highways Department of the Hong Kong Government, there were 15 major road tunnels in Hong Kong in January 2017, three of which were immersed tube tunnels crossing the harbour, twelve of which were road tunnels. Of the 15 major road tunnels, the Hong Kong Government owns 12 road tunnels, namely the Cross-Harbour Tunnel, Eastern Harbour Crossing, Lion Rock Tunnel, Aberdeen Tunnel, Kai Tak Tunnel, Shing Mun Tunnels, Tseung Kwan O Tunnel, Cheung Tsing Tunnel, Tai Wai Tunnel, Sha Tin Heights Tunnel, Eagle’s Nest Tunnel and Nam Wan Tunnel. The remaining three tunnels, i.e. Tai Lam Tunnel, Tate’s Cairn Tunnel and Western Harbour Crossing, are operated by private companies under “Build, Operate and Transfer” arrangements.

REGULATORY OVERVIEW

The Road Tunnels (Government) Regulations (Chapter 368A of the Laws of Hong Kong) (as amended by the Eastern Harbour Crossing Legislation (Amendment) Ordinance 2016, “**RT(G)R**”) stipulates the operation and restriction on the use of Cross-Harbour Tunnel, Aberdeen Tunnel, Eastern Harbour Crossing, Kai Tak Tunnel, Lion Rock Tunnel, Shing Mun Tunnels, Tate’s Cairn Tunnel and Tseung Kwan O Tunnel. Regulation 11 of the RT(G)R provides that no person shall drive or cause or permit to be driver in or cause to remain in any tunnel of a vehicle which is constructed or adapted for the conveyance, or a vehicle carrying a container used or to be used for the storage of Category 5 dangerous goods, whether or not such vehicle or container contains any quantity of such goods. Any person who contravenes any provisions of regulation 11 of the RT(G)R commits an offence and is liable to a fine of HK\$5,000 and to imprisonment for 6 months.

There are other bylaws/regulations containing similar restrictions for other Government owned tunnels, for instance the Tsing Ma Control Area (General) Regulation (Chapter 498B) (in respect of Cheung Tsing Tunnel), and the Tsing Sha Control Area (General) Regulation (Chapter 594A) (in respect of Tai Wai Tunnel, Sha Tin Heights Tunnel, Eagle’s Nest Tunnel and Nam Wan Tunnel). Any person who contravenes the above bylaws/regulations commits an offence and is liable to a fine of HK\$5,000 and is subject to imprisonment for 6 months.

The Western Harbour Crossing Bylaw (Chapter 436D of the Laws of Hong Kong) (“**WHCB**”) stipulates the operation and restriction on the use of Western Harbour Crossing. Section 20 of the WHCB restricts the driver or owner of a vehicle which is constructed or adapted for the conveyance, or a vehicle carrying a container used or to be used for the storage of Category 5 dangerous goods, whether or not such vehicle or container contains any quantity of such goods to cause or permit the vehicle to enter or remain in the tunnel area. Any person who contravenes section 20 of the WHCB commits an offence and is liable on conviction to a fine at level 2.

Similar restrictions are set out in the by-laws/regulations governing the operation and use of other tunnels which are operated by private companies under “Build, Operate and Transfer” arrangements, for instance, the Tai Lam Tunnel and Yuen Long Approach Road Bylaw (Chapter 474C)(in respect of Tai Lam Tunnel). Any person who contravenes the above bylaws/regulations commits an offence and is liable to a fine of HK\$2,000 to HK\$5,000 and is subject to imprisonment for 6 months.

REGULATORY OVERVIEW

RELEVANT LEGISLATIONS ON VEHICLE EMISSION STANDARDS

Air Pollution Control (Vehicle Design Standards) (Emission) Regulations (Chapter 311J of the laws of Hong Kong) (“APC(VDS)(E)R”)

The Air Pollution Control (Vehicle Design Standards) (Emission) Regulations regulate the emission standard of vehicles and have been amended various times since their enactment. Under the amendment in 2012, goods vehicle which has a design weight of more than 3.5 tonnes and is registered on or after 1 June 2012 would have to comply with the Euro V emission standard adopted in the European Union, the United States of America and Japan.

In 2017, the APC(VDS)(E)R was further amended to tighten the emission standard of newly registered motor vehicles. In particular, for goods vehicle which has a design weight of more than 3.5 tonnes and is registered on or after 1 October 2018, it would have to comply with Euro VI emission standard.

According to the website information of the Government of the HKSAR, heavy duty diesel vehicles of Euro V emission standard emit about 40 per cent less nitrogen oxides when compared to their Euro IV counterparts. As to heavy duty diesel vehicles of Euro VI emission standard, they emit about 80 per cent less nitrogen oxides and 50 per cent less respirable suspended particulates when compared to their Euro V counterparts.

Air Pollution Control (Air Pollutant Emission) (Controlled Vehicles) Regulation (Chapter 311X of the Laws of Hong Kong) (“APC(APE)(CV)R”)

The Air Pollution Control (Air Pollutant Emission) (Controlled Vehicles) Regulation aims to improve roadside air quality and provide better protection to public health by regulating the phase out period of pre-Euro IV diesel commercial vehicles (including diesel goods vehicles) and introducing a 15-year service limit for newly registered diesel commercial vehicles. The Transport Department stopped issuing licences to Euro II diesel commercial vehicles after 31 December 2017 and the retirement deadline for Euro III vehicles will be on 31 December 2019.

As at the Latest Practicable Date, our Group intended to (i) retire two diesel tank wagons of Euro III emission standard; and (ii) acquire six new diesel tank wagons which will comply with the new requirements on Euro VI emission standard. Among these six new diesel tank wagons, two of them are to replace the diesel tank wagons to be retired, and the remaining four diesel tank wagons are for business expansion and/or for replacement of diesel tank wagons where necessary and appropriate.

REGULATORY OVERVIEW

OTHER RELATED ORDINANCES

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

The mandatory provident fund scheme (“**MPF Scheme**”) is defined contribution retirement scheme managed by authorised independent trustees. The Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the laws of Hong Kong) provides that an employer shall participate in an MPF Scheme and make contributions for its employees aged between 18 and 65. Under the MPF Scheme, an employer and its employee are both required to contribute 5% of the employee’s monthly relevant income as mandatory contribution for and in respect of the employee, subject to the minimum and maximum relevant income levels for contribution purposes. The maximum level of relevant income for contribution purposes is currently HK\$30,000 per month.

Employment Ordinance (Chapter 57 of the Laws of Hong Kong) (“EO”)

The EO provides for, amongst other things, the protection of the wages of employees, to regulate general conditions of employment, and for matters connected therewith. Under section 25 of the EO, where a contract of employment is terminated, any sum due to the employee shall be paid to him as soon as it is practicable and in any case not later than seven days after the day of termination. Any employer who wilfully and without reasonable excuse contravenes section 25 of the EO commits an offence and is liable to a maximum fine of HK\$350,000 and to imprisonment for a maximum of three years. Further, under section 25A of the EO, if any wages or any sum referred to in section 25(2)(a) are not paid within seven days from the day on which they become due, the employer shall pay interest at a specified rate on the outstanding amount of wages or sum from the date on which such wages or sum become due up to the date of actual payment. Any employer who wilfully and without reasonable excuse contravenes section 25A of the EO commits an offence and is liable on conviction to a maximum fine of HK\$10,000.

Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)

The Employees’ Compensation Ordinance establishes a no-fault and non-contributory employee compensation system for work injuries and lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

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

REGULATORY OVERVIEW

According to section 15 of the Employees' Compensation Ordinance, an employer must notify the Commissioner for Labour of any work accident by submitting Form 2 (within 14 days for general work accidents and within 7 days for fatal accidents), irrespective of whether the accident gives rise to any liability to pay compensation. If the happening of such accident was not brought to the notice of the employer or did not otherwise come to his knowledge within such periods of 7 or 14 days (as the case may be) then such notice shall be given not later than 7 days or, as may be appropriate, 14 days after the happening of the accident was first brought to the notice of the employer or otherwise came to his knowledge.

According to Section 40 of the Employees' Compensation Ordinance, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). An employer who fails to comply with the Employees' Compensation Ordinance to secure an insurance cover is liable on conviction to a fine of HK\$100,000 and imprisonment for two years.

According to Section 48 of the Employees' Compensation Ordinance, an employer shall not, without the consent of the Commissioner for Labour, terminate, or give notice to terminate, the contract of service of an employee (who has suffered incapacity or temporary incapacity in circumstances which entitle him to compensation under the Employees' Compensation Ordinance) before occurrence of certain events. Any person who commits breach of this provision is liable on conviction to a maximum fine of HK\$100,000.

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

Statutory Minimum Wage ("SMW") has come into force since 1 May 2011. This regime aims at striking an appropriate balance between forestalling excessively low wages and minimising the loss of low-paid jobs while sustaining Hong Kong's economic growth and competitiveness. SMW provides a wage floor to protect grassroots employees.

With effect from 1 May 2017, the SMW rate is raised from HK\$32.5 per hour to HK\$34.5 per hour for every employee employed under the Employment Ordinance (Chapter 57 of the laws of Hong Kong). Concurrently, the monetary cap on the requirement of employers keeping records of the total number of hours worked by employees is also revised from HK\$13,300 per month to HK\$14,100 per month.

SMW is expressed as an hourly rate. In essence, wages payable to an employee in respect of any wage period should be no less than the SMW rate on average for the total number of hours worked. The major provisions of the Minimum Wage Ordinance, e.g. definition of wages, are aligned as closely as possible with those of the EO to ensure consistency and effective enforcement, avoid confusion to employers and employees and minimise the compliance cost for employers. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void.

REGULATORY OVERVIEW

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

The Occupational Safety and Health Ordinance provides for the safety and health protection to employees in workplaces, both industrial and non-industrial.

Employers must as far as reasonably practicable ensure the safety and health in their workplaces by:

- (a) providing and maintaining plant and work systems that are safe and without risks to health;
- (b) making arrangement for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;
- (c) providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- (d) providing and maintaining safe access to and egress from the workplaces; and
- (e) providing and maintaining a working environment that is safe and without risks to health.

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

The Commissioner for Labour may also issue improvement notices against non-compliance of this Ordinance or the Factories and Industrial Undertakings Ordinance (Chapter 59 of the laws of Hong Kong), or suspension notices against activity of workplace which may create imminent hazard to the employees. Failure to comply with such notices constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000 respectively and imprisonment of up to one year.

Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong)

The Occupiers Liability Ordinance regulates the obligations of a person occupying or having control of premises on injury resulting to persons or damage caused to goods or other property lawfully on the land.

The Occupiers Liability Ordinance imposes a common duty of care on an occupier of a premise to take reasonable care of the premise in all circumstances so as to ensure that his visitor will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

REGULATORY OVERVIEW

LAWS AND REGULATIONS IN RELATION TO COMPETITION

Competition Ordinance (Chapter 619 of the Laws of Hong Kong)

The Competition Ordinance, which came into operation on 14 December 2015, (i) prohibits conduct that prevents, restricts or distorts competition in Hong Kong; (ii) prohibits mergers that substantially lessen competition in Hong Kong; and (iii) provides for incidental and connected matters. The Competition Ordinance provides for the establishment of the Competition Commission with investigation powers and the Competition Tribunal with adjudicative powers. The Competition Ordinance includes, among other provisions, the First Conduct Rule, which prohibits anti-competitive conduct involving more than one party; and the Second Conduct Rule prohibits anti-competitive conduct by a party with substantial market power.

The First Conduct Rule

The First Conduct Rule provides that an undertaking must not (a) make or give effect to an agreement; (b) engaged in a concerted practice; or (c) as a member of an association of undertakings, make or give effect to a decision of the association, if the object or effect of the agreement, concerted practice or decision is to prevent, restrict or distort competition in Hong Kong. Examples of serious anti-competitive conduct includes (i) fixing, maintaining, increasing or controlling the price for the supply of goods or services; (ii) allocating sales, territories, customers or markets for the production or supply of goods or services; (iii) fixing, maintaining, controlling, preventing, limiting or eliminating the production or supply of goods or services; and (iv) bid-rigging practices.

The Second Conduct Rule

The Second Conduct Rule provides that an undertaking that has a substantial degree of market power in a market must not abuse that power by engaging in conduct that has as its object or effect the prevention, restriction or distortion of competition in Hong Kong. Factors which may be taken into account when determining whether an undertaking has such power includes the market share of the undertaking, the undertaking's power to make pricing and other decisions; and any barriers to entry to competitors into the relevant market.

The Competition Ordinance prohibits the abuse of a substantial degree of market power and provides two examples of abusive conduct. An undertaking with a substantial degree of market power may commit an abuse by engaging in 'predatory behaviour towards competitors' or by 'limiting production, markets or technical development to the prejudice of consumers'.

REGULATORY OVERVIEW

Consequences of non-compliance with the Competition Ordinance

Penalties that the Competition Tribunal may impose for contraventions of a competition rule include pecuniary penalties, awards of damages, and interim injunctions during investigations or proceedings. The maximum penalty in relation to a ‘single contravention’ can be up to 10% of the annual turnover obtained by the undertaking concerned in Hong Kong for each year the infringement lasted, with a maximum of three years. The Competition Tribunal may also order the disqualification of responsible directors for up to five years, award injunctions, declare agreements to be void, award damages, confiscate illegal profits, and order the payment of costs of the Competition Commission’s investigation.

HISTORY AND DEVELOPMENT, REORGANISATION AND GROUP STRUCTURE

BUSINESS DEVELOPMENT

Our Group was founded in 2002 by two Independent Third Parties. In 2004, Mr. Law Chi Wai (羅志偉) (“**Mr. CW Law**”), being Mr. Yik Law’s father, together with his brother acquired the then entire issued capital in Wing Ko by deploying their respective financial resources. Since then Wing Ko has been engaged in the sale of diesel oil in Hong Kong. Mr. Yik Law joined our Group in 2006. Under his father’s close supervision, Mr. Yik Law was in charge of the daily operation of Wing Ko. Over the years, he also established close relationships with certain logistics and diesel oil trading companies.

In the years in assisting Mr. CW Law in Wing Ko, Mr. Yik Law saw the increasing demand for diesel oil from logistics companies, which had been attributable by the more frequent cross-boundary traffic between Hong Kong and the PRC.

In 2012, Mr. CW Law recognised his son’s ability in continuing to operate and develop our Group’s business, and promoted Mr. Yik Law to be a director of Wing Ko. In compliance with the tightened environmental control by the Government, Mr. Yik Law replaced Wing Ko’s existing fleet of diesel tank wagons with brand new diesel tank wagons which satisfy the Euro V vehicle emission standards. Under the management and supervision of Mr. Yik Law, Wing Ko also adopted a computerised system in managing its business and at the same time expanded its business by recruiting more employees and increasing the fleet size of diesel tank wagons, which enabled Wing Ko to become an established provider of diesel oil. For Mr. Yik Law’s background and working experience, please refer to the section headed “Directors and senior management” in this prospectus for details.

Over the past 12 years, our Group has expanded its fleet of diesel tank wagons in order to meet with the demands of more sizeable end customers, which include logistics companies and recycling companies. Recently in 2017, our Group also expanded and diversified its clientele into the constructions sector by entering into a framework supply agreement with Good Mind Engineering Limited, a subsidiary of GME Group Holdings Ltd., a company listed on GEM (stock code: 8188) and engages in the business of subcontracting underground construction services.

In addition, in order to meet the demand in complying with Euro V vehicle emission standards, our Group also engages in the sale of diesel exhaust fluid as our ancillary products. Through our Group and Mr. Yik Law’s effort, our Group has established a stable relationship with Hong Kong’s major oil suppliers by sourcing diesel oil and other ancillary products from them. For further particulars on the business strategies of our Group, please refer to the section headed “Business – Business strategies” in this prospectus.

HISTORY AND DEVELOPMENT, REORGANISATION AND GROUP STRUCTURE

BUSINESS MILESTONE

The key milestones in our Group's development to date are set below:

Month and year	Event/Milestone
December 2002	Incorporation of Wing Ko and the commencement of our Group. Wing Ko acquired its first diesel tank wagon.
January 2003	Wing Ko entered into the first purchase order with our largest supplier, Yee Sing Hong.
July 2004	Mr. CW Law and his brother acquired Wing Ko from Independent Third Parties.
July 2006	Mr. Yik Law joined Mr. CW Law in managing our Group's business.
March 2011	Mr. Yik Law became the sole shareholder of Wing Ko.
April 2013	Expansion of our Group's business to sale of diesel exhaust fluid.
October 2017	Wing Ko expanded its clientele into the construction sector.

HISTORY AND DEVELOPMENT, REORGANISATION AND GROUP STRUCTURE

CORPORATE HISTORY AND DEVELOPMENT

Companies within our Group

Our Company

Our Company is an exempted company incorporated in the Cayman Islands with limited liability on 31 October 2017 with an initial authorised share capital of HK\$380,000 divided into 38,000,000 Shares of a par value of HK\$0.01 each. One Share, representing the then entire issued share capital of our Company, was allotted and issued nil-paid to the initial subscriber of our Company on the incorporation date. On the same date, the said nil-paid Share was transferred to Fully Fort. As a result, our Company became a wholly-owned subsidiary of Fully Fort. Our Company remained a wholly-owned subsidiary of Fully Fort until the completion of the Reorganisation.

Our Company has become the ultimate holding company of our Group after completion of the Reorganisation.

Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 28 December 2017.

Forever Treasure

Forever Treasure is a company limited by shares incorporated in the BVI on 14 November 2017. Forever Treasure is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00. On 16 November 2017, Fully Fort subscribed for, and Forever Treasure allotted and issued to Fully Fort, 9 shares in Forever Treasure at par.

After completion of the step headed “(v) Transfer of Forever Treasure to our Company” as set out below, Forever Treasure became a wholly-owned subsidiary of our Company. Forever Treasure is an investment holding company and the intermediate holding company of Wing Ko.

Fully Fort

Fully Fort is a company limited by shares incorporated in the BVI on 18 August 2017. Fully Fort is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00. On 24 October 2017, Mr. Yik Law subscribed for, and Fully Fort allotted and issued to Mr. Yik Law, 1 share in Fully Fort at par.

HISTORY AND DEVELOPMENT, REORGANISATION AND GROUP STRUCTURE

Wing Ko Petroleum Chemistry (China-Hong Kong) Limited (formerly known as Wing Ko Petroleum Chemisty (China-Hong Kong) Limited)

Wing Ko was incorporated in Hong Kong with limited liability on 18 December 2002 by two Independent Third Parties. At the time of incorporation, Wing Ko had an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each. Upon its incorporation, 6,000 and 4,000 shares was allotted and issued to the two Independent Third Parties respectively as the initial subscribers at par. The issued share capital of Wing Ko remained the same since then.

In July 2004, Mr. CW Law and his brother acquired the entire issued share capital in Wing Ko from two Independent Third Parties at the aggregate consideration of HK\$10,000, which was determined with reference to the par value, to engage in the sale and transportation of diesel oil business.

On 31 March 2011, the entire issued 10,000 shares were transferred to Mr. Yik Law at the aggregate consideration of HK\$10,000, which was determined with reference to the par value. On 7 March 2012, Mr. Yik Law was appointed as the director of Wing Ko.

REORGANISATION

As at the Latest Practicable Date, our Group comprised our Company, Forever Treasure and Wing Ko.

The companies comprising our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the Listing. The Reorganisation involved the following steps:

(i) Incorporation of Fully Fort

Please refer to the above paragraph headed "History and Development, Reorganisation and Group Structure – Fully Fort" for further details of Fully Fort.

(ii) Incorporation of our Company

Please refer to the above paragraph headed "History and development, Reorganisation and Group structure – Our Company" for further details of our Company.

(iii) Incorporation of Forever Treasure

Please refer to the above paragraph headed "History and Development, Reorganisation and Group Structure – Forever Treasure" for further details of Forever Treasure.

HISTORY AND DEVELOPMENT, REORGANISATION AND GROUP STRUCTURE

(iv) Transfer of Wing Ko to Forever Treasure

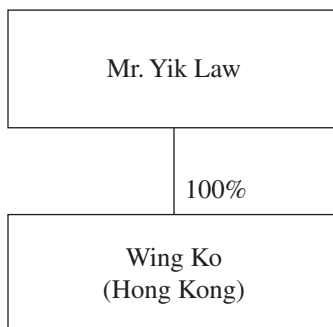
On 16 November 2018, Mr. Yik Law transferred his entire shareholding interest in Wing Ko to Forever Treasure in consideration of Forever Treasure allotting and issuing one share to Fully Fort (as nominee of Mr. Yik Law), credited as fully paid.

(v) Transfer of Forever Treasure to our Company

On 29 November 2018, as part of the Reorganisation, all the issued shares in Forever Treasure were transferred from Fully Fort to our Company, in consideration of our Company (i) allotting and issuing 99 Shares to Fully Fort, credited as fully paid; and (ii) crediting the initial nil-paid Share held by Fully Fort as fully paid at par.

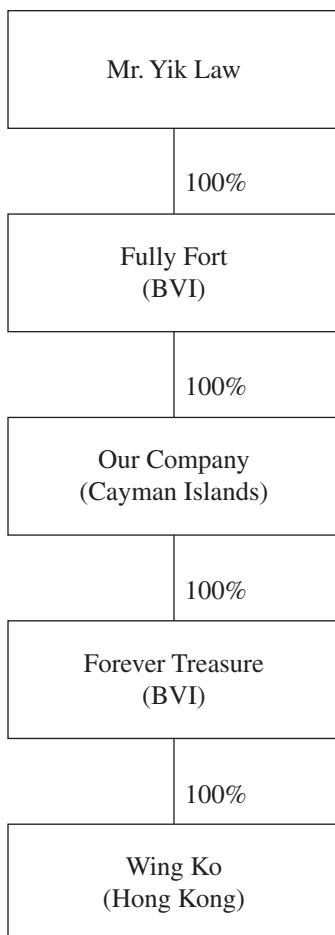
GROUP STRUCTURE

The following chart sets out the corporate structure of our Group immediately prior to the Reorganisation:



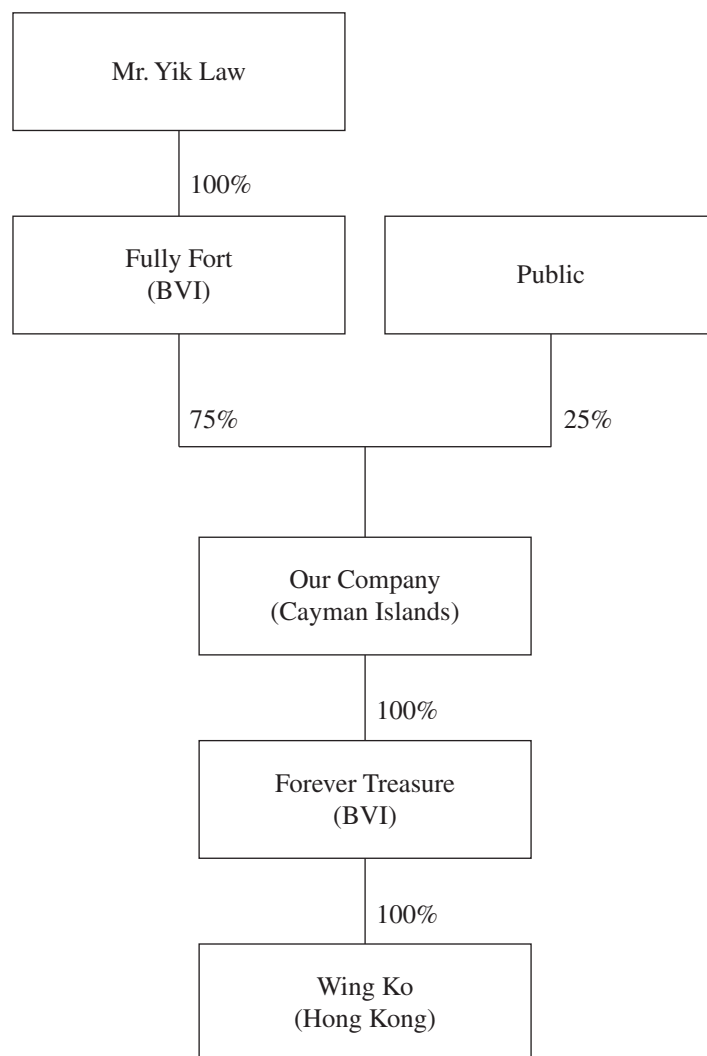
HISTORY AND DEVELOPMENT, REORGANISATION AND GROUP STRUCTURE

The following chart sets out the shareholding structure of our Group immediately following the completion of the Reorganisation and the Capitalisation Issue (without taking account of any Shares to be allotted and issued upon the exercise of the Offer Size Adjustment Option or options to be granted under the Share Option Scheme):



HISTORY AND DEVELOPMENT, REORGANISATION AND GROUP STRUCTURE

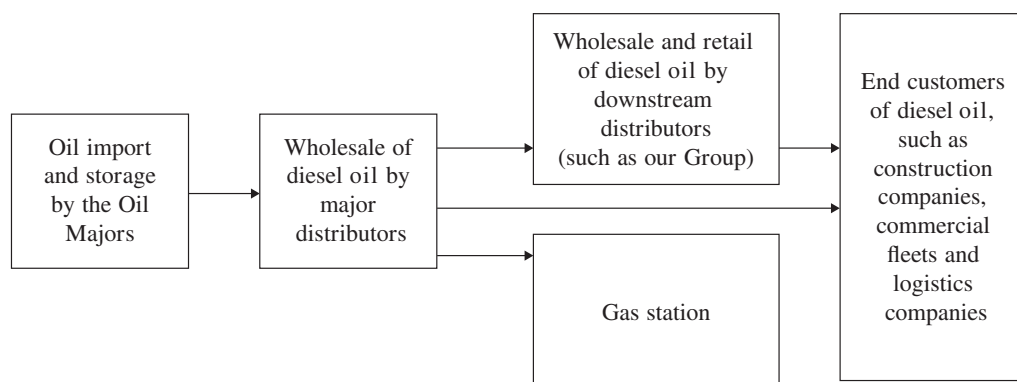
The following chart sets out the shareholding structure of our Group immediately following completion of the Share Offer and the Capitalisation Issue (but taking no account of any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option or options which may be granted under the Share Option Scheme):



BUSINESS

OVERVIEW

We are an established provider of diesel oil in Hong Kong. Our sale services include sourcing diesel oil through oil trading companies, dispatching our fleet of diesel tank wagons to collect diesel oil at the oil depots designated by our suppliers, and eventually delivering diesel oil to destinations designated by our customers. In addition to our sale services as described above, in September 2018, we also started to provide ancillary transportation service to an Oil Major whereby we help the Oil Major transport the diesel oil to its customers. This does not involve any purchase of diesel oil from the Oil Major. During the Track Record Period, we also sold diesel exhaust fluid to our customers. As at the Latest Practicable Date, we provide services in Kowloon and the New Territories. The following diagram illustrates a typical supply chain in the diesel sales market in Hong Kong:



The table below sets out our revenue, sale volume, average selling price and gross profit margin by product type:

	For the year ended 31 March								For the four months ended				For the four months ended			
	2016		2017		2018				31 July 2017				31 July 2018			
	Sales revenue	Sales volume	Average selling price	Gross profit margin	Sales revenue	Sales volume	Average selling price	Gross profit margin	Sales revenue	Sales volume	Average selling price	Gross profit margin	Sales revenue	Sales volume	Average selling price	Gross profit margin
	HK\$'000	Litre'000	(HK\$/litre)	%	HK\$'000	Litre'000	(HK\$/litre)	%	HK\$'000	Litre'000	(HK\$/litre)	%	HK\$'000	Litre'000	(HK\$/litre)	%
Diesel oil (Note 1)	193,625	52,923	3.66	5.10	386,824	110,661	3.50	4.89	442,797	111,572	3.97	5.02	143,848	40,016	3.59	4.67
Diesel exhaust fluid (Note 2)	310	65	4.77	37.13	545	113	4.82	35.62	639	112	5.71	37.70	231	48	4.81	34.95

Notes:

1. The average selling price of our diesel oil for the Track Record Period is set out above for illustrative purpose only. It is calculated based on the total revenue of diesel oil divided by its total sales volume.
2. The average selling price of our diesel exhaust fluid for the Track Record Period is set out above for illustrative purpose only. It is calculated based on the total revenue of diesel exhaust oil divided by its total sales volume.

BUSINESS

We strive to provide quality diesel oil to our customers with timely delivery services. With our experienced management team, we have become an established diesel oil provider focusing on the logistics sector in Hong Kong. We are able to develop an in-depth understanding and industry knowhow in the industry regarding our customers' demand and requirements to fulfill their daily business needs. Therefore, we are also able to customise our services to suit our customers' business needs by recommending delivery schedule and required amount of diesel oil to be used for their business activities and providing guidance on safety precautions and environmental protection during delivery.

According to the CIC Report, we ranked second with a market share of approximately 10.5% in terms of the total revenue generated from the sale of diesel through diesel distributors for industrial and transportation as of 2017.

As at the Latest Practicable Date, we had seven diesel tank wagons of various capacity to meet our customers' requirement. Our own fleet of diesel tank wagons allows us to satisfy our customers' immediate or unplanned purchase demands by supplying diesel oil to our customers within a short time frame and responding to our customers' delivery schedule in a more flexible manner.

During the Track Record Period, a majority of our customers are logistics companies which require diesel oil to fuel their trucks and vehicle fleet. Revenue derived from our five largest customers amounted to approximately 92.3%, 93.8%, 93.9% and 92.4%, and revenue derived from the largest customer amounted to approximately 74.7%, 43.3%, 34.1% and 28.9%, of our total revenue for the three years ended 31 March 2016, 2017 and 2018 and the four months ended 31 July 2018, respectively. We have maintained a stable relationship with our five largest customers (in terms of revenue) for a period ranging from approximately two to seven years.

During the Track Record Period, all our suppliers are major distributors of diesel oil in Hong Kong. On 1 October 2017, we entered into master supply agreements with three of our five largest suppliers during the Track Record Period, namely Yee Sing Hong, Sino Ray Investment Limited and Wing Shing Worldwide Petroleum Limited, respectively, for a term of two years from 1 October 2017 to 30 September 2019 (both days inclusive), details of which are set out in the paragraph headed "Suppliers – Our relationship with our certain suppliers" of this section.

Our purchases from Yee Sing Hong, being one of our five largest suppliers (in terms of total purchases) during the Track Record Period, amounted to approximately HK\$156.3 million, HK\$125.0 million, HK\$44.3 million and HK\$3.8 million for the three years ended 31 March 2016, 2017 and 2018 and the four months ended 31 July 2018, respectively, representing approximately 86.6%, 34.4%, 10.7% and 2.5% of our total purchases respectively for such periods.

BUSINESS

Our purchases from Sino Ray Investment Limited, being one of our five largest suppliers (in terms of total purchases) for the two years ended 31 March 2016 and 2018 and the four months ended 31 July 2018, amounted to approximately HK\$23.5 million, HK\$65.1 million and HK\$70.3 million, representing approximately 13.0%, 15.7% and 45.7% of our total purchases respectively for such periods.

Our purchases from Wing Shing Worldwide Petroleum Limited, being one of our five largest suppliers (in terms of total purchases) for the two years ended 31 March 2017 and 2018 and the four months ended 31 July 2018, amounted to approximately HK\$99.6 million, HK\$221.2 million and HK\$79.5 million, representing approximately 27.4%, 53.2% and 51.8% of our total purchases respectively for the such periods.

Our Directors consider that we will continue to purchase diesel oil from our key suppliers which can provide us with a continuous and steady supply of quality diesel oil at reasonable prices on a long-term basis. We have established business relationship with our suppliers for 2 to 15 years. Our Directors consider that they are reliable suppliers as they have provided us with a steady and timely supply of diesel oil at competitive prices over the years. On the other hand, given that our key suppliers, as the major distributors of diesel oil and diesel exhaust fluid, may not have the business connections to and understanding of the end customers like we do, our Directors also believe these suppliers rely on us as a bridge to reach our broader end-customer base. Given our established relationship with these suppliers, our Directors consider that barring any significant and unforeseeable changes in circumstances, it is unlikely for them to terminate or to reduce the supply of diesel oil to us in the near future.

Our Directors believe that our customers purchase diesel oil from us instead of directly sourcing from our suppliers for the following key reasons:

- We act as a bridge between our suppliers and the end customers of diesel oil;
- We are able to provide our customers with reliable and timely delivery services;
- We understand our customers' need and we have established track record.

Please refer to the paragraph headed “Business – Relationship with our customers and suppliers” in this section for further details.

BUSINESS

COMPETITIVE STRENGTHS

Our Directors believe that the following competitive strengths of our Group have contributed to our success to date:

Established diesel oil provider primarily for the logistics sector in Hong Kong

We have been operating in the diesel oil transport market in Hong Kong for over 15 years. According to the CIC Report, we ranked the second with a market share of approximately 10.5% in terms of the total revenue generated from the sale of diesel oil through distributors for industrial and transportation use in Hong Kong in 2017. As a diesel oil provider, we have continuously strengthened our capability to capture business opportunities through expanding our fleet of diesel tank wagons and expanding our customer base. As at the Latest Practicable Date, we had a total of seven diesel tank wagons duly licensed by the Fire Services Department to convey diesel oil which is classified as dangerous goods category 5 under the Dangerous Goods Ordinance. The principal product we transport for our customers is diesel oil with substantially lower sulphur content and is essential for logistics companies, our target customer sector, to operate their vehicles.

We pride ourselves on our ability to develop an in-depth understanding and industry knowhow regarding our customers' demand and requirements to fulfill their daily business needs. For most of our logistics sector customers, based on our management's experience and understanding of the nature of logistics industry, the type and performance of various vehicles involved, we customise our services to suit their needs by recommending the specifications, delivery schedule and required amount of diesel oil to be used for their fleets of vehicles.

Over the years, we have established ourselves as diesel oil provider primarily for the logistics sector in Hong Kong consistently achieving customer satisfaction and quality service, which in turn allows our Group to gain the trust of our existing customers and give us a competitive edge to capture more business opportunities in the future.

BUSINESS

Established customer base

With over 15 years of operating history, our Directors believe that we have established a strong customer network with our logistics sector customers in Hong Kong. We provide services to our customers in Hong Kong. As at the Latest Practicable Date, our business relationships with the five largest customers ranged from approximately two years to seven years. We served over 50 customers in each of the three years ended 31 March 2018, and over 40 customers for the four months ended 31 July 2018, with revenue generated from our largest customer accounting for approximately 74.7%, 43.3%, 34.1% and 28.9% respectively, of our total revenue. During the years ended 31 March 2016, 2017 and 2018 and the four months ended 31 July 2018, we had a total of 47, 40, 52 customers and 56 customers, and 44, 39, 41 and 47 of which are recurring customers.

We believe that we have built up an excellent reputation in the diesel oil industry with a proven track record of delivering our services on time and to the satisfaction of our customers. Due to our strong customer relationships and reputation, we receive new business opportunities and new customers referred to us by our existing customers.

Experienced management team

We are led by a team of dedicated and experienced management personnel in the diesel oil transport market in Hong Kong with a specific focus on the logistics sector. Our management team is led by Mr. Yik Law, our Chairman, who has over 12 years of experience in diesel oil transportation including in Hong Kong. Mr. Li, our Chief Executive Officer, also has over 9 years of experience in the industry. Mr. S.F. Law, our Chief Operating Officer, has more than 19 years of experience in transporting dangerous goods classified as category 5 under the Dangerous Goods Ordinance. Their experience and extensive knowledge of the diesel oil transportation market in Hong Kong enables our Group to better understand the market dynamism and industry practice for transporting diesel oil. For the experience and qualifications of our Directors and senior management, please refer to the section headed “Directors and senior management” in this prospectus. Our Directors believe that the combination of our management team’s expertise and industry knowledge have been and will continue to be our Group’s valuable assets and strive our Group towards greater success.

BUSINESS

Possession of our own fleet of diesel tank wagons and drivers who are permitted to access the respective oil depots

As at the Latest Practicable Date, we had seven diesel tank wagons with capacity ranging from 16,000 litres to 30,000 litres to meet our customers' requirement. Our own fleet of diesel tank wagons allows us to satisfy our customers' immediate or unplanned purchase demands by supplying diesel oil to our customers within a short time frame and responding to our customers' delivery schedule in a timely and more flexible manner. Also, we have six drivers who had undergone the training courses and passed the tests of the Oil Majors and are permitted to access the respective oil depots to collect diesel oil.

Stable relationships with our key suppliers

We have established stable business relationship with our major suppliers, the longest time with which is approximately 15 years. Our close relationship with our major suppliers enables our Group to secure stable source of diesel oil supply and also to have their continuous support in our business operations, therefore reducing the risk of shortage or delay in delivery of diesel oil causing material disruption to our services.

Our Directors consider that our stable business relationship with our major suppliers is an indication of their recognition of the quality of our services and we consider this recognition and goodwill are key factors leading to our success in the diesel oil transport market.

BUSINESS STRATEGIES

Our goal is to further enhance our performance as one of the leading providers of diesel oil in Hong Kong. We plan to expand our business and strengthen our market position in Hong Kong by pursuing the business strategies set out below:

Expand our logistics team by enhancing our fleet of diesel tank wagons

We plan to strengthen our position as an established provider of diesel oil primarily for the logistics sector in Hong Kong and also to expand our market share in the diesel sales market in Hong Kong by broadening our customer base in the construction sector. According to the CIC Report, the market size of diesel consumption for transportation and industrial use in Hong Kong is expected to grow at a CAGR of 1.0%, reaching a total of approximately 1.5 million kilolitres by 2022, among which industrial processes/equipment is expected to consume approximately 0.2 million kilolitres and transportation is expected to consume approximately 1.2 million kilolitres. For details of the market drivers relating to our Group, please refer to the section headed "Industry overview – Drivers of the diesel market in Hong Kong" in this prospectus.

BUSINESS

As at the Latest Practicable Date, we have a vehicle fleet of seven diesel tank wagons in service. In view of the anticipated growth in demand for diesel oil in both the logistics and construction industries, we plan to expand the capacity of our vehicle fleet by purchasing six additional diesel tank wagons. Out of these six additional diesel tank wagons, two of which will be used to replace two long serving pre-Euro IV diesel tank wagons. To improve roadside air quality and better protect public health, the Government has planned to phase out pre-Euro IV diesel commercial vehicles by different retirement deadlines according to their first registration dates and will stop issuing licences to the relevant diesel commercial vehicles after specified dates. As at the Latest Practicable Date, we have two diesel tank wagons which are pre-Euro IV diesel commercial vehicles and are required to be replaced by 31 December 2019. As at the Latest Practicable Date, based on the dates of acquisition of diesel tank wagons by our Group, the average age and the remaining useful lives of our diesel tank wagons is 4.31 years and 0.69 year, respectively. In addition, our Directors believe that acquiring additional diesel tank wagons will (i) enhance our delivery capacity; and (ii) increase our flexibility to devise delivery schedule for our customers.

The increase in sales amounted to approximately HK\$56.0 million and approximately HK\$18.8 million for the year ended 31 March 2018 and the four months ended 31 July 2018 respectively, in which approximately 23.2% and approximately 21.5% were attributable to the purchases of new customers in the relevant periods respectively. Thus although the market size of diesel consumption for transportation and industrial use is expected to grow minimally at a CAGR of only 1.0% from 2018 to 2022 in accordance with the CIC Report, we still have room to increase our market share by providing quality services to existing customers and by sourcing new customers.

In this connection, we intend to allocate approximately HK\$15.0 million of the proceeds from the Share Offer to acquire six diesel tank wagons for our logistics team. In the past, we had acquired our diesel wagons by way of finance lease because our Directors considered that our capital resources were limited and our working capital would have materially decreased and there would have been a material adverse impact on our operation if we had acquired the diesel tank wagons using internal source of funding. Our Company considers to acquire the new diesel wagons with the use of the net proceeds from the Share Offer instead of by way of finance lease because (i) our capital base has been improved by the banking facilities granted to us and will be further enhanced by the net proceeds from the Share Offer; and (ii) there are additional costs under finance lease which include interest costs and higher insurance coverage as we are required to insure full coverage instead of normal coverage.

BUSINESS

During the Track Record Period, our executive Directors were invited by our customers in the logistics industry to join banquet functions arranged for the logistics industry, and in such functions, the companies in the logistics industry also invited their business partners such as construction companies which engaged them to transport construction materials. We were introduced by our such customers to potential customers in the construction industry and our executive Directors explained our services to them and explored potential business opportunities. As such, we sourced new customers in the construction sector, and in October and November 2017, our Company entered into three supply agreements with new customers in the construction sector. From January 2018 to the Latest Practicable Date, the revenue contributed by the new customers in the construction sector is approximately HK\$121,000, and the profit margins of such sales to them is approximately 12.9%. Our executive Directors considered that our delivery capacity and our flexibility to devise delivery schedule for our customers are our principal competitive advantages to expand into the market of the supply of diesel oil to construction companies. Our Group will continue to evaluate the operating condition and effectiveness of our diesel tank wagons, closely monitor the market development for diesel oil within the logistics and construction sectors, and assess our need for additional diesel tank wagons in accordance with our business development and the needs of our existing and potential customers.

Increase our manpower

In anticipation of our business growth and expansion, our Directors foresee that our workload will increase significantly for our sales and procurement team and logistics team and consider that it is important to expand our sales and procurement team and logistics team to cater for such growth and expansion of our business. We also consider that a team of strong workforce equipped with appropriate knowledge and experience in our operation is crucial to our continuing success. Therefore, we plan to recruit four drivers for our expanded fleet of diesel tank wagons. Furthermore, we plan to recruit one administration staff, two accounting staff, one safety manager and two logistic assistants to cope with our overall need for business expansion. The range of monthly salary of the new hires would be from HK\$15,500 to HK\$25,000. For further details of the implementation plan for strengthening our manpower, please refer to the paragraph headed “Future plans and use of proceeds – Implementation plan” in this prospectus.

In this connection, we intend to allocate approximately HK\$12.5 million of the proceeds from the Share Offer to expand our manpower.

BUSINESS

Upgrade our information technology systems

We intend to upgrade our information technology systems by adopting enterprise resources planning system so as to enhance our operational and management efficiency. We believe such information system upgrade will provide us with a wider range of information-based solutions in a more efficient manner and hence, enhance our operating efficiency. The enterprise resources planning system shall support our business operations from taking customer orders, maintaining up-to-date and historical quotations from our suppliers, recording our purchase transactions and details with our suppliers, managing our fleet of diesel tank wagons and diesel oil inventory, to financial and management reporting.

In connection with this, we intend to allocate approximately HK\$5.0 million of the proceeds from the Share Offer to engage external professionals to upgrade our information technology systems.

BUSINESS MODEL AND SERVICES

Our Group's revenue is mainly derived from sale of diesel oil to our customers in Hong Kong during the Track Record Period. Our sale services include sourcing diesel oil through oil trading companies, dispatching our fleet of diesel tank wagons to collect diesel oil from oil depots designated by our suppliers, and eventually delivering diesel oil to destinations designated by our customers. In addition to our sale services as described above, in September 2018, we also started to provide ancillary transportation service to an Oil Major whereby we help the Oil Major transport the diesel oil to its customers. This does not involve any purchase of diesel oil from the Oil Major. As at Latest Practicable Date, we provide services in Kowloon and the New Territories.

During the Track Record Period, we primarily sell and transport diesel oil to our customers within the logistics sector who require diesel oil to operate their vehicle fleets.

In addition, if necessary, we also assist new customers or existing customers to ensure smooth delivery of diesel oil to our customers, by (i) visiting new customers' premises or new delivery destinations of existing customers to provide guidance on specifications of fuel transfer equipment, safe storage of diesel oil, safety precautions relating to fuel transfer and measures to avoid oil seepage and environmental pollution; (ii) recommending the required amount of diesel oil to be used based on the customer's business and scale such as the number of vehicles in the customer's fleet of vehicles; and (iii) understanding the customer's work schedule and advising on the time and frequency of placing purchase orders with us to ensure we can cater to their diesel oil requirements in a timely manner.

BUSINESS

The table below sets out our revenue by product type:

	For the year ended 31 March						For the four months ended 31 July			
	2016		2017		2018		2017		2018	
	Revenue HK\$'000	Percentage of total revenue %	Revenue HK\$'000	Percentage of total revenue %	Revenue HK\$'000	Percentage of total revenue %	Revenue HK\$'000	Percentage of total revenue %	Revenue HK\$'000	Percentage of total revenue %
Diesel oil	193,625	99.8	386,824	99.9	442,797	99.9	143,848	99.8	162,693	99.9
Diesel exhaust fluid	310	0.2	545	0.1	639	0.1	231	0.2	194	0.1
Total	193,935	100	387,369	100	443,436	100	144,079	100.0	162,887	100.0

Diesel oil

Diesel oil is a combustible liquid fuel used in diesel engines found in most freight trucks, trains, buses, boats, and construction and farm vehicles. It is also used in diesel engine generators to supply electricity. Diesel oil is generally obtained from fractions of crude oil that are less volatile than the fractions used in gasoline, and is ignited not by a spark as in gasoline engines, but by compression of heat air and then injection of fuel.

In addition, diesel oil consists of substantially lower sulphur content of less than 0.001% and appears in a wide range of industrial applications. Sulphur, a non-metallic element, is widely found in nature. It exists naturally in crude oil and therefore, is found in products made from oil such as diesel. Emissions of oxides of sulphur originate from sulphur impurities in the fuel. The amount of pollutants released is in proportion to the amount of fuel burnt and the percentage of sulphur contained in fuel. The sulphur content of diesel oil was a major factor to cause air pollution and engine damage in the past.

Since diesel oil now contains substantially lower sulphur content, it has become more environmental-friendly and advantageous to the operation of machinery engines by (i) reducing exhaust particulate emissions; (ii) reducing noise and visible black smoke; (iii) reducing exhaust odorous and sulphur oxide emissions; (iv) decreasing corrosion in pistons and/or cylinder liner wear; (v) reducing maintenance costs; and (vi) potentially extending lubricant oil life.

BUSINESS

The type of diesel oil sold by our Company is standard Euro V which is the exclusive type of diesel oil allow to be sold in Hong Kong market. As compared with previous type of Euro IV diesel, Euro V will reduce the respirable suspended particulates by 5% and able to reduce sulphur dioxide by 80%. The following table sets out the general specifications of the diesel oil we deliver to our customers during the Track Record Period:

Density at 15°C (kg/m ³)	Flash point PMCC (°C)	Viscosity at 40°C (mm ²)	Sulphur (ppm)
820-845	66	2.0-4.5	10

Diesel exhaust fluid

Diesel exhaust fluid is a liquid solution made with urea and deionised water in order to lower harmful emission from engines of diesel vehicles. To comply with Euro V Standard, most new diesel-powered cars manufactured since 2006 use diesel exhaust fluid.

RELATIONSHIP WITH OUR CUSTOMERS AND SUPPLIERS

Our Directors believe that our customers purchase diesel oil and/or diesel exhaust fluid from us instead of directly sourcing from our suppliers for the following key reasons:

1. We act as a bridge between our suppliers and the end customers of diesel oil

According to the CIC Report, oil trading companies (like our suppliers) operate the wholesale business of diesel and source diesel from Oil Majors. On the other hand, downstream operators (like our Group) act as a bridge between these oil trading companies and the end customers, given that downstream operators (like our Group) have a much larger end-customer base than that of oil trading companies. The end-customer base of diesel oil sales market are fragmented, including construction companies, barge owners, property owners, hospitals, etc. and their demand for diesel oil can be irregular and unplanned. Due to the lack of dedicated sales team to (i) manage end customers' demand in terms of delivery requirement, timely services and unplanned purchases; and (ii) maintain relevant sales network, major diesel oil trading companies in general do not have current business relationship with end customers for the sale of diesel oil and do not directly compete with downstream distributors (like our Group). To the best of our Directors' knowledge, information and belief, and having made reasonable enquiries:

- Our major suppliers do not have any plan to enter into the diesel market for the logistics industry in the near future; and
- Our major customers did not and will not source diesel oil directly from our suppliers during the Track Record Period and in the near future.

BUSINESS

2. We are able to provide customers with reliable and timely delivery services

As at the Latest Practicable Date, we had seven diesel tank wagons with capacity ranging from 16,000 litres to 30,000 litres to meet our customers' requirement. Our own fleet of diesel tank wagons allows us to satisfy our customers' immediate or unplanned purchase demands by supplying diesel oil to our customers within a short time frame and responding to our customers' delivery schedule in a more flexible manner. According to the CIC Report, due to significant capital investment and operating cost of diesel tank wagons, it is not efficient and effective for logistics companies to own a fleet of diesel tank wagons and it is an industry norm for logistics companies not to own their own diesel tank wagons. On the other hand, according to the CIC Report, the major authorised agents of the Oil Majors (other than Yee Sing Hong) typically do not have sufficient transportation capabilities with a strong fleet of diesel tank wagons like we do for providing timely delivery services of diesel oil, making our suppliers not be well-positioned to satisfy our customers' needs for immediate and unplanned demand.

To the best knowledge of the Directors, Yee Sing Hong, being our largest supplier, has its own diesel tank wagons and customer base as follows:

	Our Group	Yee Sing Hong
No. of diesel tank wagons	7	8
Capacity of diesel tank wagons	Ranging from 16,000 litres to 30,000 litres	Ranging from 6,700 litres to 20,000 litres
Customer base	Logistics companies	Downstream distributors as well as commercial end users in the construction, civil engineering and transportation sectors
Top five customers	End customers which are mostly logistics companies	Downstream distributors (such as our Group)

Furthermore, according to the CIC Report, diesel sales business was characterised by long-standing relationships between diesel oil providers and end customers. Even though transportation capabilities and pricing are important factors to be considered, the ability to understand end customers' market also sets a barrier for the new entrant.

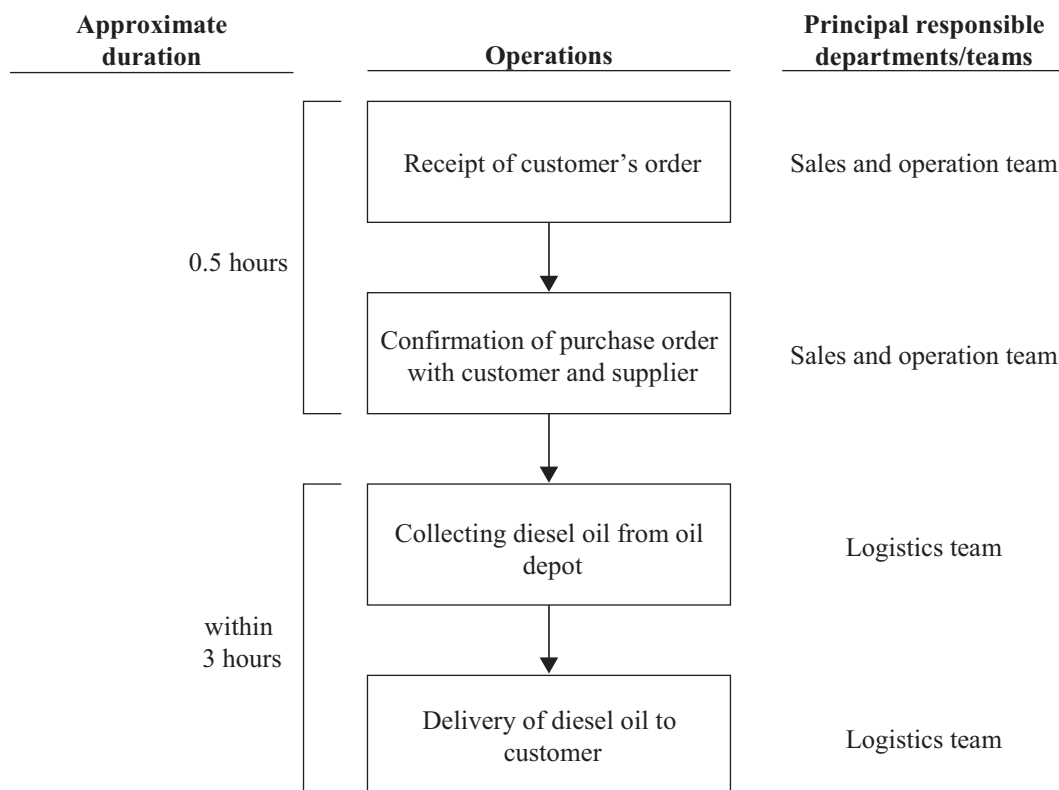
3. We understand our customers' need with established track record

Our major customers are mainly logistics companies in Hong Kong. According to the CIC Report, diesel is the key raw material to support the day-to-day operation of their vehicles. Their demand for diesel oil varies daily depending on their delivery schedule, and so a steady supply of diesel oil is essential to our customers. With over 15 years in the industry, we have developed extensive industry knowledge in understanding our customers' needs and can address their needs by recommending the required amount of diesel oil to be used and also the time and frequency of placing purchase orders to ensure we can cater for their needs. In addition, we can also provide guidance to our customers on safety issue such as safety precautions relating to fuel transfer and safe storage, etc., specifically for the logistics companies. Our Directors believe that our suppliers may not have the operational resources to provide such value-added services which are important to our customers. Moreover, we have maintained an established relationship with our five largest customers ranging from 2 years to 7 years. This can demonstrate that our customers are satisfied with our services and our Directors believe that our suppliers or other competitors cannot easily replace our services to our customers, particularly for our logistics customers.

BUSINESS

BUSINESS OPERATIONS

The following chart illustrates the major processes of our operations in our sale of diesel oil:



We receive customers' enquiries and orders by phone. Customers specify the quantity of diesel oil needed and delivery schedule and location in the purchase request. Some customers may also request diesel oil from a specific oil supplier. We will first check with our suppliers on the availability of diesel oil. Once we confirm with our suppliers that the requested amount of diesel oil is available, we will come up with a price for the customers based on the daily quotations from our suppliers. For details of our pricing policy, please refer to the paragraph headed "Sales and marketing – Pricing policy" in this section.

When we have the price ready for our customers, we will confirm their orders including the purchase quantity, price per litre, delivery time and delivery location with our customers by phone. After our customers have agreed on the selling price and other terms of the orders, we will place back-to-back purchase orders for diesel oil with our suppliers by phone.

BUSINESS

Confirmed customer orders are then passed on to our COO who will arrange our logistics staff and our diesel tank wagons for diesel oil collection and delivery. Based on the confirmed customer orders and requested delivery schedule, our COO will allocate our diesel tank wagons and drivers for the diesel oil collection and delivery tasks and will also notify our suppliers of the diesel oil quantity to be collected and the licence plate number of our diesel tank wagon to be sent by us to the oil depot. Our suppliers will assign a collection number to us which is required to access the oil depots for diesel oil collection.

We dispatch our diesel tank wagons to pick up the required quantity of diesel oil at the oil depots designated by our suppliers for delivery to our customers. We have a performance pledge of delivering diesel oil to our customers within one day after our customers placed orders with us. At times, we also respond to our customers' immediate or unplanned purchase demands for diesel oil within a short time frame and accommodate their delivery schedule in a more flexible manner. Once we deliver the diesel oil to our customers' sites, we will unload the required amount to oil drums at their sites. Our customers will then sign the delivery note to confirm delivery and receipt of the diesel oil.

Our Directors confirm that our Group's delivery process (including the delivery locations and fuel transfer equipment) and storage of diesel oil by customers complied with applicable rules, laws and regulations during the Track Record Period and up to the Latest Practicable Date. In order to ensure ongoing compliance in this regard, our Group have adopted and implemented the following measures:

- the staffs of our Group examine whether the drums designated by the customers has obtained written approval or not. A record of the relevant written approval will be kept properly;
- a training course in relation to safety and compliance with rules and regulations is organised annually by the oil depots and the drivers of our Group are required to attend the training course in order to renew their licenses for entering the respective oil depots; and
- a sudden check is performed by the head manager of drivers to confirm that the delivery process of the drivers, the locations of the delivery and the fuel transfer equipment are complied with applicable laws and regulations.

We settle full payment of our purchase orders with our suppliers on a daily basis. We also issue sales invoices to our customers upon delivery of our goods, and in general, our customers are required to settle the full payment of the invoices on the same day of delivery. Depending on the credit terms of the customers, we may grant up to 30 days of credit period to our customers.

BUSINESS

In August 2018, we entered into an agreement with an Oil Major, pursuant to which from September 2018, we started to provide ancillary transportation service to it whereby we help the Oil Major transport the diesel oil to its customers. It is the business operation of the Oil Major that engages transportation service providers like our Company to transport diesel oil to its customers. From 1 September 2018 and up to the Latest Practicable Date, we received a total of approximately HK\$41,000 for our provision of ancillary transportation service to the Oil Major and the gross profit margin therefor was approximately 3.3%. Our Directors confirm that there are no overlapping customers between that Oil Major and our Group. The major terms of the agreement are as follows:

Parties:	an Oil Major (“ Party A ”) and Wing Ko
Term:	From 1 September 2018 to 31 August 2020. The term of agreement will automatically extend for a year unless notified by Party A with a two-month notice. Party A is entitled to terminate the agreement with a three month notice during the term of the agreement.
Services to be provided by Wing Ko:	Wing Ko shall deliver diesel oil from the oil deposits of Party A to the customers of Party A in accordance with the instruction of Party A.
Fees and settlement:	A monthly fee is calculated at a fixed amount per litre of diesel oil delivered in that month and is settled within 30 days in the subsequent month.
Primary obligations of Party A:	Party A shall be responsible to provide information, training and supervision on the safety of the diesel oil and the procedures of loading diesel oil at the oil depots.
Primary obligations of Wing Ko:	Wing Ko shall be responsible to: <ul style="list-style-type: none">• have sufficient, safe and qualified diesel tank wagons to fulfil the transportation demand of Party A;• take insurance to cover third party liability, goods delivered, pollution as a result of accident, and its employees;• deliver the designated diesel oil to the customers at designated locations;

BUSINESS

- pay the necessary costs and charges regarding its diesel tank wagons;
- procure its employees to comply with all operation and safety procedures and policies established by Party A at the oil depots of Party A;
- procure its employees to participate the trainings and tests provided by Party A on safety and operations;
- return the acknowledged receipts of the customers to Party A within three business days; and
- indemnify Party A against all damages suffered by Party A as a result of breach or non-compliance of the agreement, laws, regulations, operation and safety procedures and policies by Wing Ko.

Deposit: A deposit of HK\$500,000 was given by Wing Ko as security of its due performance of its obligation under the agreement

TRANSPORT OF DIESEL OIL AND OUR DIESEL TANK WAGONS

We possess our own fleet of diesel tank wagons of different capacities ranging from 16,000 litres to 30,000 litres to meet our customers' delivery requirement. As at the Latest Practicable Date, we had a total of seven diesel tank wagons, two of which had a tank trailer, and all are duly licensed by the Fire Services Department to convey diesel oil which is classified as dangerous goods category 5 under the Dangerous Goods Ordinance. We normally purchase our diesel tank wagons from authorised dealers in Hong Kong and do not purchase any parallel-imported diesel tank wagons.

BUSINESS

The following shows some of our diesel tank wagons:



BUSINESS

Based on the specifications of our customers' purchase orders, we allocate sufficient number of diesel tank wagons to pick up diesel oil from the oil depots located at Tsing Yi and then deliver the diesel oil to the locations designated by customers. If the delivery location is situated on Hong Kong Island, our delivery may involve dangerous goods vehicular ferry service for transporting diesel oil to Hong Kong Island to comply with applicable laws and regulations. During the Track Record Period, we had not had any delivery destinations on Hong Kong Island.

We have made substantial investment in purchasing our diesel tank wagons for delivering diesel oil. As at the Latest Practicable Date, the total net book value of our diesel tank wagons amounted to approximately HK\$1.9 million. We engage external independent third party service providers for repair and maintenance of our diesel tank wagons. Our diesel tank wagons are subject to routine inspection and maintenance procedures to ensure, among others, compliance of the safety requirements imposed by the Fire Services Department, details of which are set out in the paragraph headed "Occupational health and work safety – Safety management" in this section.

Service capacity and utilisation

Our Directors consider that our diesel tank wagons were substantially deployed for delivering diesel oil for different customers as the wagons were on the road for transporting diesel oil for approximately 12 hours per day. However, due to the nature of our business operations, it is not feasible to quantify, define and disclose detailed utilisation rate of our diesel tank wagons solely with reference to their designed capacity for the following reasons:

- (a) We deploy our diesel tank wagons to deliver diesel oil according to our customers' delivery schedule and requirements which may be irregular, impromptu and unplanned. Occasionally, we may even deploy our diesel tank wagons to supply an insignificant amount of diesel oil to satisfy our customers' immediate need.
- (b) It is our practice to have two diesel tank wagons whose delivery schedule is not so tight that they are able to meet any contingency in the course of our business operations, such as vehicle breakdown and traffic accident, so as to ensure our delivery to customers will remain uninterrupted.
- (c) Considering the complexity of delivery specifications and operating fuel transfer at different customers' sites, it could take longer time for us to fuel one customer than another and therefore lengthen the operating hours of a diesel tank wagon regardless of the volume of diesel oil delivered.
- (d) A diesel tank wagon is also sometimes left unused for repair and maintenance.

BUSINESS

In view of the above, it would be difficult and impracticable to define accurate utilisation rate of our diesel tank wagons in general and to make a full account of the daily or hourly usage of each diesel tank wagon. Nevertheless, we will optimise our operational efficiency and capacity by scheduling the use of diesel tank wagons at suitable time based on our customers' requirements.

It is the Group's practice to keep two diesel tank wagons (usually one 21,700L wagon and one 30,000L wagon) idle for contingency (such as to substitute for any wagon left unused for repair and maintenance), such that the practical maximum amount of diesel oil we transport per day is 330,000 litres. Under this situation, the realistic maximum capacity taking this practice into account will be as follow:

No. of diesel oil wagon our Group owns during TRP

Diesel tank wagons capacity (litre)	For the four months ended 31 July 2018			
	2016 no. of wagons	2017 no. of wagons	2018 no. of wagons	no. of wagons
16,000	2	2	2	2
16,847	1	1	1	1
17,500	1	1	1	1
21,700	0	0	0	0
30,000	1	1	1	1
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

Practical maximum diesel oil transported per day for each type of wagon

Diesel tank wagons capacity (litre)	Practical maximum diesel oil transported per round (litre)	Average no. of rounds each wagon can perform in 12 hours	Practical maximum diesel oil transported per day (litre)
16,000	15,000	4	60,000
16,847	15,000	4	60,000
17,500	15,000	4	60,000
21,700	20,000	2	40,000
30,000	30,000	3	90,000

BUSINESS

The following calculation shows the average sales volume per day:

				Four months ended 31 July	
	2016	2017	2018	2017	2018
Revenue from sales of diesel oil (<i>HK\$'000</i>)	193,625	386,824	442,797	143,848	162,693
Sales volume (<i>Litre'000</i>)	52,923	110,661	111,572	40,016	33,184
Average sales volume per day (Assuming 365 days of operations per year) (<i>Litre'000</i>)	145	303	305	328	272

As seen from the above calculations, the practical maximum capacity per day during Track Record Period was approximately 330,000 litres, which enables the Group to satisfy the average sales volume per day. However, as the average sales volume per day in 2018 has already gone up to 305,000 litres, which is close to our maximum capacity per day, there is a pressing need to expand our fleet using the proceeds.

Useful life

As at the Latest Practicable Date, we had seven diesel tank wagons and two of them are of pre-Euro IV model and are required to be replaced by 31 December 2019.

According to the CIC Report, the useful life of diesel tank wagons ranges from five to eight years. In our most recent experience, we had purchased a diesel tank wagon in March 2010 and scrapped it in June 2015. We purchased second-hand diesel tank wagons as such second-hand diesel tank wagons had been repaired and refurbished before we purchased the same. We adopt a straight-line depreciation policy on our fleet of diesel tank wagons (no matter they were brand-new or second-hand) for five years (from the date of acquisition of such diesel tank wagons by our Group) which our Directors believe is in line with industry norm and our past experience. Similar to other property, plant and equipment, we determine the accounting useful life and residual value of the vehicle based on various factors, such as expected usage of the vehicle and expected physical wear and tear as well as the experience of our Group with similar assets. For details of the relevant accounting policies and estimates, please refer to the section headed “Financial information – Critical accounting policies & estimates – Property, plant and equipment” in this prospectus. As at the Latest Practicable Date, based on the dates of our acquisition of our diesel tank wagons, four of our diesel tank wagons have been used for less than five years whereas the remaining have been used for more than five years, and the average age and remaining useful lives of our diesel tank wagons is 4.31 years and 0.69 year, respectively. The actual useful life of diesel oil wagons can be longer than the estimated one when they are checked, maintained and repaired from time to time on a regular basis. If our diesel tank wagons are still in good condition and satisfy the applicable requirements on emission standards, even though their years of service have exceeded the accounting useful life, such vehicles will remain in service. However their actual useful life cannot be accurately estimated because it is subject to the various factors such as their physical wear and tear and whether they can still be checked, maintained and repaired at a reasonable cost.

BUSINESS

Repair and maintenance and safe keeping of our diesel tank wagons

We perform routine checks on our diesel tank wagons, such as replacing parts and tires, on ongoing basis to ensure smooth operation and delivery of diesel oil to customers. For malfunctioning that requires major examination and/or specialised skills, we will send the diesel tank wagon to the authorised dealer for repair if the diesel tank wagon is still under warranty, or send to other third-party repair companies. Furthermore, our diesel tank wagons are subject to annual inspection as required by the Transport Department and annual inspection by qualified service providers to ensure that our diesel tanks comply with the safety requirements imposed by the Fire Services Department.

Although our Directors consider that our existing diesel tank wagons are in good operating conditions in general, the breakdown frequency of our existing fleet will increase as they age and accumulate wear and tear. Our Directors consider that continued investments by upgrading and acquiring new diesel tank wagons is necessary for our business operation. For further information regarding our plan to acquire new diesel tank wagons, please refer to the paragraph “Business strategies” in this section above as well as the section headed “Future plans and use of proceeds” in this prospectus.

According to the safety requirements imposed by the Fire Services Department, dangerous goods vehicles shall not be left unattended at any time. During the Track Record Period, our diesel tank wagons were parked at a guarded car park at night time when drivers were off duty.

As our purchase and sale of diesel oil are made on an order-by-order basis daily and to ensure safety and compliance with the applicable regulations (including Part VI of the Dangerous Goods (General) Regulations (Chapter 295B of the Laws of Hong Kong) which stipulates requirements of the operations and maintenance of tank wagon and the storage of dangerous goods in Category 5, such as diesel), it is our policy to empty all diesel tank wagons of diesel oil at the close of business every day.

SALES AND MARKETING

Marketing policy

Our Directors consider that our proven track record, ability to deliver quality services and our well-established relationship with our existing customers enable us to leverage our existing customer base, reputation and our years of experience in diesel oil transportation industry such that we do not rely heavily on marketing and promotional activities. Our executive Directors are generally responsible for liaising and maintaining our relationship with customers and keeping abreast of market developments and potential business opportunities. We also have new customers referred to us by our existing customers.

BUSINESS

As a result, we focus on maintaining the quality of our services, enriching our experience and expertise in the industry, upholding our professional reputation, and maintaining our relationships with customers instead of on advertising and promotion. During the Track Record Period, we did not incur material spending on advertising and promotion.

Pricing policy

The price we charge our customers' orders is determined based on a cost-plus approach with mark-up and on order-by-order basis. In general, our suppliers provide us with daily quotations for diesel oil per litre upon opening of business every day. Our executive Directors will then decide on the on-selling price we will charge to the customers for that day and come up with another price list for our customers. Any price to be quoted to the customers must be approved by Mr. Li, our Chief Executive Officer, who must make reference to this daily price list before giving quotations to our customers. During the Track Record Period, in determining our said mark-up for each customer order, we primarily considered the factors including but not limited to: (i) purchase cost of diesel oil; (ii) quantity of diesel oil to be sold; (iii) delivery location; (iv) length of credit period; and (v) length of business relationship with customers.

For our transportation service provided to an Oil Major, the monthly fee is calculated at a fixed amount per litre of diesel oil delivered in that month and is settled within 30 days in the subsequent month. The basis was arrived at after arm's length negotiation with the Oil Major and is on a cost-plus approach with a mark-up.

Credit policy

We generally require our customers to settle the full payment on the same day of delivery of diesel oil. Depending on the credit terms of the customers, we may grant up to 30 days of credit period to our customers. We mainly accept payments from our customers by way of bank transfer or cheque. Our management closely monitors the settlement status of our trade receivables and regularly review the credit terms. During the Track Record Period, we did not have any bad debt or provisioning made for our trade receivables.

Seasonality

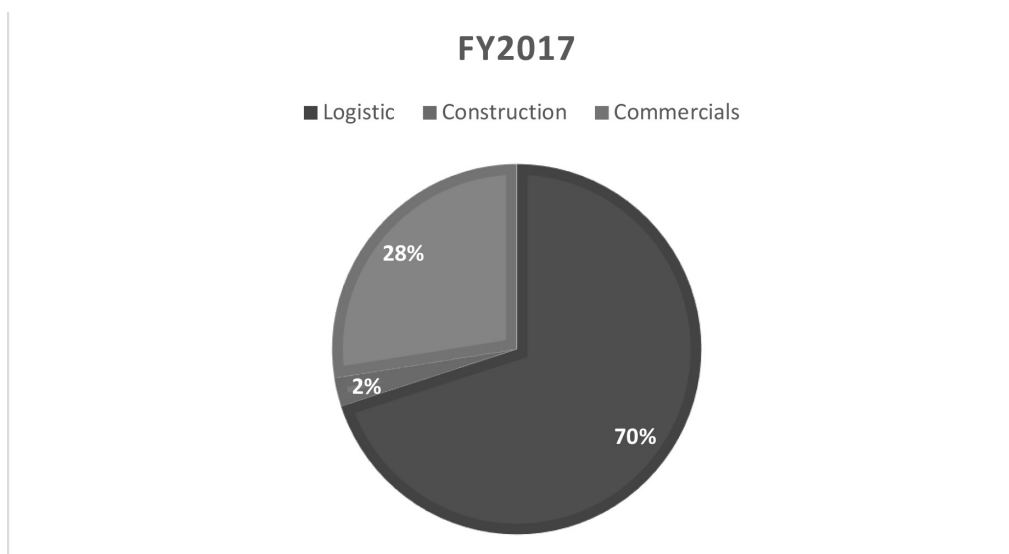
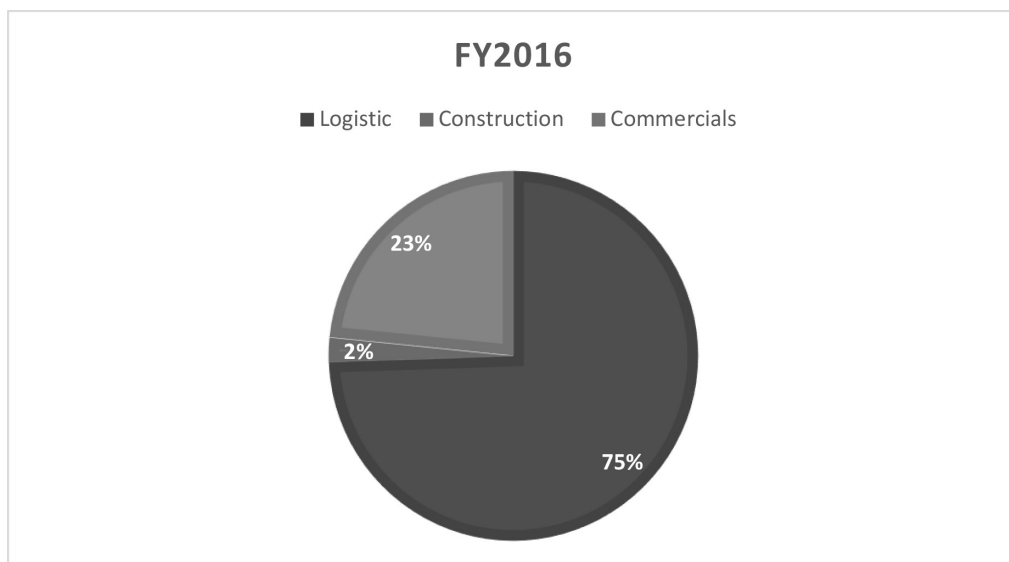
Demand of our services is subject to seasonal fluctuation. The low season for our Group is typically during Chinese New Year, as our key customers are logistics companies and their customers usually do not open for business during this period.

BUSINESS

CUSTOMERS

Our customers are mostly logistics companies which constantly require diesel oil to operate their vehicle fleets. We served over 50 customers during the Track Record Period. All of our customers are located in Hong Kong.

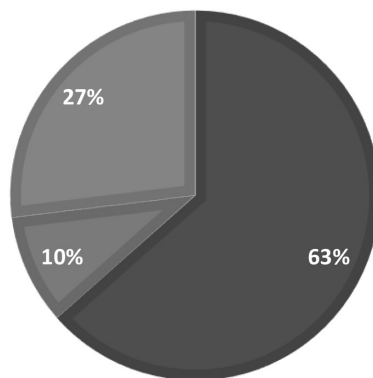
The following charts illustrate the industries of our customers during the Track Record Period:



BUSINESS

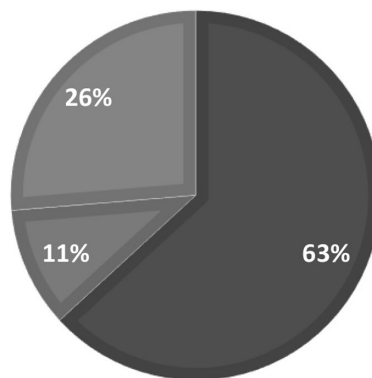
FY2018

■ Logistic ■ Construction ■ Commercials



FOR THE FOUR MONTHS ENDED 31 JULY 2018

■ Logistic ■ Construction ■ Commercials



BUSINESS

While we cannot ensure all of our customers use the products from us legally and are not engaged in illegal activities such as smuggling, we will enforce the following internal control measures to identify the red flag if our downstream customers are involved in illegal activities such as smuggling of diesel oil to other jurisdictions:

- we conduct assessment over the performance of existing customers on a quarterly basis. Performance of customers including their changes in business scope, operation status and illegal records (if any) are properly assessed, recorded and reviewed;
- we assess the daily sales volume of our top five customers in terms of transaction volumes in the most recent completed financial year on a monthly basis; and will investigate the reasons for significant fluctuations (if any);
- we correspond with oil companies, upstream suppliers from time to time so as to gather market information (such as any police investigation on those customers) which might be indicative of any illegal activities of our customers; and
- with respect to our top five customers in terms of transaction volumes in the most recent completed financial year, we will order litigation search and media background search on quarterly basis, and will make enquiry if the search results indicate any conviction record, litigation proceedings, prosecution records or negative news report which relate to our customers.

Major customers

For each of the three years ended 31 March 2018 and the four months ended 31 July 2018, the revenue from our five largest customers amounted to approximately HK\$179.0 million, HK\$363.3 million, HK\$416.5 million and HK\$150.5 million, respectively, accounting for approximately 92.3%, 93.8%, 93.9% and 92.4% of our total revenue, respectively; and the revenue from our largest customer amounted to approximately HK\$145.0 million, HK\$167.6 million, HK\$151.2 million and HK\$47.0 million, respectively, which accounted for approximately 74.7%, 43.3%, 34.1% and 28.9% of our total revenue, respectively.

BUSINESS

The following three tables set out the details of our five largest customers during the Track Record Period:

For the year ended 31 March 2016

Rank	Customer	Approximate years of business relationship with our Group	Revenue contribution HK\$'000	Approximate % of our total revenue %	Credit terms	Trade receivable turnover days
1	Customer A (Note 1)	5	144,957	74.7	30 days	6 days
2	Customer B (Note 2)	3	17,652	9.1	15 days	3 days
3	Wing Fung (Note 3)	7	8,794	4.5	15 days	18 days
4	Customer C (Note 4)	7	3,975	2.1	15 days	3 days
5	Hung Wan Company (Note 5)	4	3,621	1.9	15 days	3 days
	Total		<u>178,999</u>	<u>92.3</u>		

For the year ended 31 March 2017

Rank	Customer	Approximate years of business relationship with our Group	Revenue contribution HK\$'000	Approximate % of our total revenue %	Credit terms	Trade receivable turnover days
1	Customer A (Note 1)	5	167,637	43.3	30 days	13 days
2	Customer E (Note 6)	2	76,429	19.7	30 days	10 days
3	Customer F (Note 7)	2	61,869	16.0	15 days	0 days
4	Hung Wan Company (Note 5)	4	46,553	12.0	15 days	3 days
5	Wing Fung (Note 3)	7	<u>10,797</u>	<u>2.8</u>	15 days	20 days
	Total		<u>363,285</u>	<u>93.8</u>		

BUSINESS

For the year ended 31 March 2018

Rank	Customer	Approximate years of business relationship with our Group	Revenue contribution HK\$'000	Approximate % of our total revenue %	Credit terms	Trade receivable turnover days
1	Customer A (Note 1)	5	151,156	34.1	30 days	23 days
2	Hung Wan Company (Note 5)	4	110,377	24.9	15 days	2 days
3	Customer E (Note 6)	2	85,899	19.4	30 days	12 days
4	Customer F (Note 7)	2	56,820	12.8	15 days	2 days
5	Wing Fung (Note 3)	7	<u>12,227</u>	<u>2.7</u>	15 days	13 days
	Total		<u>416,479</u>	<u>93.9</u>		

For the four months ended 31 July 2018

Rank	Customer	Approximate years of business relationship with our Group	Revenue contribution HK\$'000	Approximate % of our total revenue %	Credit terms	Trade receivable turnover days
1	Customer A (Note 1)	5	47,049	28.9	30 days	28 days
2	Customer F (Note 7)	2	39,582	24.3	15 days	1 days
3	Hung Wan Company (Note 5)	4	35,829	22.0	15 days	3 days
4	Customer E (Note 6)	2	23,996	14.7	30 days	4 days
5	Wing Fung (Note 3)	7	<u>4,058</u>	<u>2.5</u>	15 days	12 days
	Total		<u>150,514</u>	<u>92.4</u>		

Notes:

- Customer A is a logistic company established in Hong Kong in 2013, which is a sole proprietorship carried on by an Independent Third Party. Its main business activities involve transportation of fruits and vegetables in Hong Kong and the PRC. It has more than 100 employees and operates approximately 120 vehicles.
- Customer B is a logistic company incorporated in Hong Kong in 2015 and its shareholder is an Independent Third Party.

BUSINESS

3. Wing Fung is a logistic company established in Hong Kong in 2009, which is a sole proprietorship carried on by Ms. Law So Lin, the aunt of Mr. Yik Law (being our Controlling Shareholder and an executive Director). Its main business activities involve transportation of steel materials in Hong Kong. Its customer base consists of mainly construction and express delivery companies. It has approximately 15 employees and operates 10 vehicles.
4. Customer C is a liquefied petroleum gas cylinder distributor established in Hong Kong in 2012, which is a sole proprietorship carried on by an Independent Third Party.
5. Hung Wan Company is a logistic company established in Hong Kong in 1998, which is a sole proprietorship carried on by an Independent Third Party. Its main business activities involve transportation of goods in Hong Kong and Mainland China.
6. Customer E is a logistic company established in Hong Kong in 2016, which is a sole proprietorship carried on by an Independent Third Party. Its main business activities involve transportation of seafood, fruits, vegetables and building materials in Hong Kong and Mainland China. It has approximately 60 employees and operates 65 vehicles. The executive Directors acquainted the owner of Customers E in a banquet function arranged for the logistics industry. The owner of Customer E is a well experienced person in the logistics industry as he had worked for other logistic companies since about 1986. He had also worked for Customer A prior to setting up Customer E and understands the quality of services of our Group and thus Customer E started to purchase diesel oil from the Group.
7. Customer F is a logistic company incorporated in 2010, and its shareholder is an Independent Third Party. Its main business activities involve transportation of electronic components and garment in Hong Kong and Mainland China. Its customer base consists of mainly factories and operates approximately 100 vehicles. The executive Directors acquainted the owner of Customers F in a banquet function arranged for the logistics industry. To the best knowledge of the Directors, the decrease of Customer F's purchase from the Group for the year ended 31 March 2018 was because other distributors provided a competitive price to Customer F and Customer F considered that purchasing from various distributors rather than relying on a sole distributor may increase its bargaining power.

To the best of our Directors' knowledge and having made all reasonable enquiries, all our five largest customers during the Track Record Period (other than Wing Fung) were Independent Third Parties. Save as disclosed below, none of our Directors, Shareholders (who to the knowledge of our Directors owns more than 5% of the issued share capital of our Company) or their respective close associates had any interest in any of our five largest customers during the Track Record Period.

BUSINESS

Wing Fung

Wing Fung is a logistics company in Hong Kong. The owner of Wing Fung is Ms. Law So Lin, who is the aunt of Mr. Yik Law (being an executive Director and our Controlling Shareholder). Therefore, Wing Fung is a connected person of our Company during the Track Record Period under the GEM Listing Rules. During the Track Record Period, Wing Fung had been a customer of our Group. For the three years ended 31 March 2018 and the four months ended 31 July 2018, the total historical amount paid by Wing Fung to our Group for diesel oil and diesel exhaust fluid amounted to approximately HK\$8.8 million, HK\$10.8 million, HK\$12.2 million and HK\$4.1 million, respectively, representing approximately 4.5%, 2.8%, 2.7% and 2.5% of our Group's total revenue for the corresponding periods, respectively. The purchases of diesel oil and diesel exhaust fluid by Wing Fung from our Group during the Track Record Period were entered into in the ordinary and usual course of business of our Group and the terms in those purchases were normal commercial terms and were fair and reasonable. Our Group will continue to supply diesel oil and diesel exhaust fluid to Wing Fung after the Listing, and our sales to Wing Fung will constitute continuing connected transactions of our Group. Details of our sales to Wing Fung after the Listing are set forth in the section headed "Continuing connected transaction".

Key terms of sales orders with our customers

We generally confirm the terms of the customer order by phone. The terms of the customer order including product type, price, quantity and delivery schedules are generally negotiated between us and the respective customers on an order-by-order basis. We do not require our customers to be subject to any minimum purchase requirement. A typical customer's order contains the following key terms:

Key terms	Description
Purchase specification	Purchase quantity depends on the customers' needs. Some customers may also require diesel oil from a specific oil supplier.
Pricing	We determine the sale price based on our expected cost of purchases (i.e. the purchase price offered by our suppliers) plus a mark-up. For details, please refer to the paragraph headed "Sales and marketing – Pricing policy" in this section.

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Key terms	Description
Delivery details	Delivery locations and delivery date are designated by our customers. We deliver diesel oil to our customers by our fleet of diesel tank wagons.
Payment term	<p>In general, we issue sales invoices to our customers upon delivery of diesel oil and customers usually settle the full payment on the same day of delivery.</p> <p>Depending on the credit terms of the customers, we may grant up to 30 days of credit period to our customers.</p> <p>Generally, the payment is settled by cheque or bank transfer.</p>

Mutual and complementary reliance on largest customers

Our sales to the five largest customers amounted to HK\$179.0 million, HK\$363.3 million, HK\$416.5 million and HK\$150.5 million, which accounted for approximately 92.3%, 93.8%, 93.9% and 92.4% of our total revenue during the Track Record Period, respectively, of which sales to the largest customer (namely Customer A) totaled HK\$145.0 million, HK\$167.6 million, HK\$151.2 million and HK\$47.0 million, respectively which accounted for approximately 74.7%, 43.3%, 34.1% and 28.9% of our total revenue during the Track Record Period, respectively. The terms of sales to Customer A are comparable to the terms of sales to other customers, and in particular, there were no additional discount offer to Customer A.

According to the CIC Report, there are relatively limited large-scale logistics companies in Hong Kong (43 ground logistics companies with revenue of more than HK\$50 million in 2016). It is industry common practice that diesel distributors' reliance on a limited number of major customers. Logistics companies usually have unplanned and irregular purchases from diesel distributors because of their business nature. Meanwhile, diesel distributors are able to provide timely delivery and comprehensive services to those customers. Therefore, such reliance is mutual and complementary.

SUPPLIERS

We generally source diesel oil from oil trading companies which are the authorised agents of Oil Majors. As our purchases are driven by confirmed customers' orders, we make purchases of diesel oil from our suppliers on a back-to-back basis after our customers' orders are confirmed. During the Track Record Period, all of our purchases were completed in Hong Kong.

BUSINESS

Major suppliers

For each of the three years ended 31 March 2016, 2017 and 2018 and the four months ended 31 July 2018, the total purchases made from our five largest suppliers amounted to approximately HK\$180.5 million, HK\$358.1 million and HK\$415.0 million and HK\$153.6 million, respectively, representing approximately 100.0%, 98.6%, 99.9% and 100.0% of our total purchases for the relevant periods, respectively. The purchases from our largest supplier amounted to approximately HK\$156.3 million, HK\$125.0 million, HK\$221.2 million and HK\$79.5 million for each of the three years ended 31 March 2018 and the four months ended 31 July 2018, respectively, which accounted for approximately 86.6%, 34.4%, 53.2% and 51.8% of our total purchases for the relevant periods, respectively.

During the Track Record Period, the purchase from our largest supplier during the years ended 31 March 2016 and 2017, namely Yee Sing Hong, decreased by approximately HK\$31.3 million from approximately HK\$156.3 million for the year ended 31 March 2016 to HK\$125.0 million for the year ended 31 March 2017 and further reduced to approximately HK\$44.3 million for the year ended 31 March 2018, and amounted to approximately HK\$3.8 million for the four months ended 31 July 2018. Our purchases from Yee Sing Hong decreased during the Track Record Period because we have explored new suppliers and diversified our purchases from other new suppliers, such as Wing Shing, to ensure stable supply of diesel oil and more competitive cost rate from various suppliers.

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The following three tables set out the details of our five largest suppliers during the Track Record Period:

For the year ended 31 March 2016

Rank	Supplier	Principal business	Products purchased by our Group	Approximate years of business relationship with our Group	Total purchases HK\$'000	Approximate % of our Group's total purchases %
1	Yee Sing Hong	Incorporated in 2002, an authorised liquefied petroleum gas dealer based in Hong Kong with business including retail sale of bottled or bulk liquefied petroleum gas.	Diesel oil	15	156,310	86.6
2	Sino Ray Investment Ltd	Incorporated in 1997, an authorised liquefied petroleum gas dealer based in Hong Kong.	Diesel oil	6	23,494	13.0
3	Supplier A	Incorporated in 1993, an authorised liquefied petroleum gas dealer based in Hong Kong.	Diesel oil	9	384	0.2
4	Supplier B	Incorporated in 2013, a Hong Kong based company focuses on selective catalytic reduction solution supply and related technical support.	Diesel exhaust fluid	4	192	0.1
5	Supplier C	Incorporated in 2010, a Hong Kong based company engaged in trading of petroleum.	Diesel oil	3	136	0.1
Total					180,516	100.0

BUSINESS

For the year ended 31 March 2017

Rank	Supplier	Principal business	Products purchased by our Group	Approximate years of business relationship with our Group	Total purchases <i>HK\$'000</i>	Approximate % of our Group's total purchases %
1	Yee Sing Hong	Incorporated in 2002, an authorised liquefied petroleum gas dealer based in Hong Kong with business including retail sale of bottled or bulk liquefied petroleum gas.	Diesel oil	15	124,982	34.4
2	Supplier D	Incorporated in 1999, an authorised liquefied petroleum gas dealer based in Hong Kong with business covering selling and transportation of petroleum-related products.	Diesel oil	2	102,775	28.3
3	Wing Shing Worldwide Petroleum Ltd	Incorporated in 2016, an authorised liquefied petroleum gas dealer based in Hong Kong.	Diesel oil	2	99,559	27.4
4	Supplier A	Incorporated in 1993, an authorised liquefied petroleum gas dealer based in Hong Kong.	Diesel oil	9	15,474	4.3
5	Supplier E	Incorporated in 2000, an authorised liquefied petroleum gas dealer based in Hong Kong.	Diesel oil	12	15,352	4.2
Total					358,142	98.6

BUSINESS

For the year ended 31 March 2018

Rank	Supplier	Principal business	Products purchased by our Group	Approximate years of business relationship with our Group	Total purchases <i>HK\$'000</i>	Approximate % of our Group's total purchases %
1	Wing Shing Worldwide Petroleum Ltd	Incorporated in 2016, an authorised liquefied petroleum gas dealer based in Hong Kong.	Diesel oil	2	221,174	53.2
2	Supplier D	Incorporated in 1999, an authorised liquefied petroleum gas dealer based in Hong Kong with business covering selling and transportation of petroleum-related products.	Diesel oil	2	66,911	16.1
3	Sino Ray Investment Ltd	Incorporated in 1997, an authorised liquefied petroleum gas dealer based in Hong Kong.	Diesel oil	6	65,054	15.7
4	Yee Sing Hong	Incorporated in 2002, an authorised liquefied petroleum gas dealer based in Hong Kong with business including retail sale of bottled or bulk liquefied petroleum gas.	Diesel oil	15	44,267	10.7
5	Supplier C	Incorporated in 2010, a Hong Kong based company engaged in trading of petroleum.	Diesel oil	3	17,610	4.2
Total					415,016	99.9

BUSINESS

For the four months ended 31 July 2018

Rank	Supplier	Principal business	Products purchased by our Group	Approximate years of business relationship with our Group	Total purchases HK\$'000	Approximate % of our Group's total purchases %
1	Wing Shing Worldwide Petroleum Ltd	Incorporated in 2016, an authorised liquefied petroleum gas dealer based in Hong Kong.	Diesel oil	2	79,537	51.8
2	Sino Ray Investment Ltd	Incorporated in 1997, an authorised liquefied petroleum gas dealer based in Hong Kong.	Diesel oil	6	70,252	45.7
3	Yee Sing Hong	Incorporated in 2002, an authorised liquefied petroleum gas dealer based in Hong Kong with business including retail sale of bottled or bulk liquefied petroleum gas.	Diesel oil/diesel exhaust fluid	15	3,765	2.45
4	Supplier F	Incorporated in 1972, a Hong Kong based company focuses on motor-related activities including motor leasing, used car trading and auto parts retailing and distribution.	Diesel exhaust fluid	3	56	0.05
					153,610	100.0

To the best of our Directors' knowledge and having made all reasonable enquiries, except Wing Shing Worldwide Petroleum Ltd and Supplier C, our five largest suppliers were Independent Third Parties during the Track Record Period. To the best of our Directors' knowledge, having made all reasonable enquiries, save as disclosed below, none of our Directors, their close associates or any Shareholder (who or which, to the best knowledge of our Directors, owns more than 5% of the issued share capital of our Company as at the Latest Practicable Date) had any interest in any of our five largest suppliers during the Track Record Period.

Wing Shing Worldwide Petroleum Limited

Wing Shing Worldwide Petroleum Limited ("Wing Shing") is an authorised liquefied petroleum gas dealer based in Hong Kong. Wing Shing is principally engaged in trading of diesel oil in Hong Kong, and purchases diesel oil from one of the Oil Majors and sells diesel oil to local customers. Its customers are primarily logistics service providers and our Group is not its sole client.

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As Mr. Yik Law has experience in the sale and transport of diesel oil and related products and Mr. Wang Tianqi, who did not have any experience in the diesel oil industry at that time, was trying to conclude the Hong Kong diesel oil agency agreement with one of the Oil Majors, they co-operated and participated in the market of trading diesel oil and incorporated Wing Shing in June 2016. Upon its incorporation on 14 June 2016, Wing Shing issued one share to Mr. Yik Law at HK\$1. On 15 June 2016, 4,499,999 shares were issued to Mr. Yik Law at a total consideration of HK\$4,499,999 and 4,500,000 shares were issued to Mr. Wang Tianqi at a total consideration of HK\$4,500,000. Mr. Yik Law was a director of Wing Shing from its incorporation and up to 30 October 2017, Mr. Chan Tsz Kwong was a director of Wing Shing from 30 October 2017 to 28 November 2017, whereas Mr. Wang Tianqi has been a director of Wing Shing since 15 June 2016.

For the purpose of the Listing, Mr. Yik Law was advised that the transaction between the Group and Wing Shing would constitute continuing connected transactions should he continue to hold his interest in Wing Shing. In order to demonstrate the operational independence from the Controlling Shareholders and avoid any conflict of interest between the Group and Mr. Yik Law, on 21 November 2017, Mr. Yik Law sold his 4,500,000 shares in Wing Shing to Mr. Yeung Chun Hung (being an Independent Third Party, i.e. there being no past and present relationship between Mr. Yeung Chun Hung and our Company, its directors, senior management or any of their respective associates) at a total consideration of HK\$4,705,166 based on the net asset value recorded in the management account of Wing Shing as at 31 October 2017. Mr. Yeung Chun Hung has become a director of Wing Shing since 21 November 2017. The settlement of the consideration was fully made as at 19 January 2018.

To the best knowledge of the Directors after enquiry with Mr. Wang Tianqi and Mr. Yeung Chun Hung:

- Mr. Wang was a shareholder of and had worked as a technical consultant for a land survey and planning design PRC company engaged in land survey and planning design; and had been a shareholder of a Hong Kong company engaged in cosmetics trading;
- Mr. Yeung is a shareholder of a Hong Kong company which was engaged in tea restaurant business in Hong Kong, has registered as sole proprietorship engaged in renovation works and trading of carpets, and now is also working as a supervisor for a forex company in Hong Kong;
- Mr. Yeung was interested in acquiring Mr. Yik Law's interest in Wing Shing because Wing Shing was generating operating profits; and it was Mr. Wang, being a friend of Mr. Yeung and a shareholder of Wing Shing, who introduced Mr. Yeung the opportunity to acquire the shares in Wing Shing;

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- the source of funding contributed by Mr. Wang for the establishment of Wing Shing was from Mr. Wang's personal source of funding, and the source of funding contributed by Mr. Yeung for his investment in Wing Shing was from Mr. Yeung's personal source of funding; and
- Mr. Wang and Mr. Yeung have not entered into any agreements/arrangements with other parties in relation to their shareholdings or exercise of their shareholders' rights in or the management of the affairs of Wing Shing.

In addition, to the best knowledge of the executive Directors, Mr. Wang and Mr. Yeung, the existing shareholders and directors of Wing Shing, are mainly responsible for managing customer relationships and dealing with its supplier. Moreover, Wing Shing has a full time account clerk and a full time general clerk, who has over 20 years of relevant working experience. Wing Shing has no diesel wagons and does not provide any delivery service to its customers. The business model is simple and involves merely the wholesale of diesel oil. Wing Shing's general business operation includes (i) the receipt of customer enquiry and orders, (ii) enquiring availability and pricing of diesel oil from its supplier, and (iii) distributing delivery notes to its customers which allow the customers to collect diesel oil at the oil depot of its supplier themselves.

Wing Shing will not become a connected person of our Company upon Listing under the GEM Listing Rules. During the Track Record Period, Wing Shing had been a supplier of our Group. For the three years ended 31 March 2016, 2017 and 2018 and the four months ended 31 July 2018, the total historical purchase amount we paid to Wing Shing for diesel oil amounted to nil, approximately HK\$99.6 million, HK\$221.2 million and HK\$79.5 million respectively, representing nil, approximately 27.4%, 53.2% and 51.8% of our Group's total purchase for the corresponding periods, respectively. The purchases of diesel oil by our Group from Wing Shing during the Track Record Period were entered into in the ordinary and usual course of business of our Group and the terms in those purchases were normal commercial terms and were fair and reasonable. In particular, the salient terms (such as pricing and credit terms) of the Group's transactions with Wing Shing were comparable to those transactions of the Group with other independent suppliers. The Group has continued to purchase diesel oil from Wing Shing subsequent to Mr. Yik Law's disposal of his interest in Wing Shing. On 1 October 2017, we entered into a master supply agreement with three suppliers, which include Wing Shing. During the period from 1 October 2017 and up to 31 March 2018 and the four months ended 31 July 2018, the Group's purchase of diesel oil from Wing Shing amounted to approximately HK\$121.9 million and HK\$79.5 million, representing approximately 53.0% and 51.8% of the purchase of the Group during each of such period. Please refer to the paragraph headed "Our relationship with our certain suppliers" in this section for further details of the master supply agreements we entered into with the three suppliers.

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Supplier C

Supplier C is a diesel oil trading company and its business operation includes sale and transport of petroleum and diesel and their related products. The three shareholders of Supplier C are the uncle of Mr. Yik Law and the uncle's daughter and son (who both are also directors of Supplier C). Therefore, Supplier C is a connected person of our Company under the GEM Listing Rules. During the Track Record Period, Supplier C had been a supplier of our Group. For the three years ended 31 March 2018, the total historical purchase amount we paid to Supplier C for diesel oil amounted to approximately HK\$136,000, nil and HK\$17.6 million respectively, representing approximately 0.1%, nil and 4.2% of our Group's total purchase for the corresponding periods, respectively. The purchases of diesel oil by our Group from Supplier C during the three years ended 31 March 2016, 2017 and 2018 were entered into in the ordinary and usual course of business of our Group and the terms in those purchases were normal commercial terms and were fair and reasonable. In particular, the salient terms (such as pricing and credit terms) of the Group's transactions with Supplier C were comparable to those transactions of the Group with other independent suppliers. To demonstrate the operation independence from the Controlling Shareholders and to avoid continuing connected transactions upon Listing and considering that our Group has alternative suppliers to secure supply of diesel oil for our operating purpose, we ceased to purchase diesel oil from Supplier C after the year ended 31 March 2018 and up to the Latest Practicable Date.

Ms. Law So Lin, being the aunt of Yik Law, carries on the sole proprietorship of Wing Fung which is a logistics company. Although the owner of Wing Fung is a relative of the shareholders of Supplier C, Wing Fung did not procure diesel oil directly from Supplier C because Supplier C used to transact with customers which have sizeable purchases such as the Group. In addition, the place of operation of Wing Fung is in Lau Fau Shan, which is comparatively nearer to the place of operation of the Group in Yuen Long than the place of operation of Supplier C in Lok Ma Chau. It would incur less cost and time for the Group's wagons to return to Yuen Long from Lau Fau Shan. Accordingly, it would be more economical for Wing Fung to procure diesel oil from our Group than from Supplier C.

During the Track Record Period, our Group had not experienced any material difficulties in sourcing diesel oil based on our customers' needs. Our Directors further confirmed that they were not aware of any material financial difficulties experienced by any of our major suppliers that may materially affect our Group's business.

BUSINESS

Supplier selection

We keep daily contact with our suppliers which provide us with daily quotations for diesel oil per litre. Once we receive the quotation from our suppliers, we will consider if the purchase price offered by our suppliers is reasonable and if necessary, negotiate with them for a more favourable price.

Key terms of purchase orders with our suppliers

We generally purchase diesel oil on an order-by-order basis and do not enter into any long-term supply agreements with our suppliers (other than Yee Sing Hong, Sino Ray Investment Limited and Wing Shing Worldwide Petroleum Limited). We are also not subject to any minimum purchase requirement with any of our suppliers. A typical purchase order with our supplier contains the following key terms:

Key terms	Description
Purchase quantity	Purchase quantity depends on the customers' needs. As soon as the terms of the customers' order are approved and accepted by us, our sales and procurement team will work out the total amount of purchases and the purchase quantity based on the confirmed customers' orders.
Pricing	<p>The purchase price is based on the daily quotations from our suppliers and our purchase quantity on an order-by-order basis.</p> <p>As we normally place back-to-back order for diesel oil to our suppliers when receiving orders from our customers, during the period of fluctuation of oil price, we are able to shift any increase of purchase costs to our customers prior to confirmation of customers' order and delivery.</p> <p>During the Track Record Period, we have not received any bulk purchase discounts from our major suppliers which might not be available from other suppliers.</p>
Delivery details	We arrange our diesel tank wagons to pick up the required quantity of diesel oil from the oil depots designated by our suppliers based on our customers' orders. The responsibility for and the title to the diesel oil will be transferred to us from the supplier upon delivery to our diesel tank wagons at the oil depots.
Settlement	Our suppliers issue sales invoices to us for each purchase order setting out details of the type of diesel oil we purchase, purchase date, purchase quantity, purchase price per litre and total amount of the purchase order. We usually settle full payment on the day of purchase by bank transfer.

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Our relationship with our certain suppliers

Our purchases from Yee Sing Hong, Sino Ray Investment Limited and Wing Shing Worldwide Petroleum Limited, being three of our five largest suppliers (in terms of total purchases) during Track Record Period, amounted to approximately HK\$179.8 million, HK\$229.1 million, HK\$330.5 million and HK\$153.6 million for the three years ended 31 March 2018 and the four months ended 31 July 2018 respectively, representing approximately 99.6%, 63.1%, 79.6% and 100.0% of our total purchases respectively for the same periods.

On 1 October 2017, we entered into a master supply agreement with these three suppliers respectively, pursuant to which we agree to purchase and these three suppliers agree to supply diesel oil on the terms set out below. We are not subject to any minimum purchase requirement with these three suppliers:

Term:	From 1 October 2017 to 30 September 2019 (both days inclusive)
Purchase order:	We may issue purchase order (orally or in written) place order to these three suppliers.
Obligation by these three suppliers:	They should supply the request order in time based on the purchase order placed by us.
Expected purchase quantity:	We are not subject to any minimum purchase requirement with these suppliers. There is no obligation on our part to purchase diesel oil from these suppliers and accordingly, no penalty will be imposed on us even if we do not purchase diesel oil from these suppliers.
Pricing:	The prices of diesel oil to be purchased under the master supply agreement are determined on an order-by-order basis with reference to the prevailing market condition.
Payment term:	<u>For Yee Sing Hong</u> We are required to settle the purchase price within one business day. <u>For Sino Ray Investment Limited and Wing Shing Worldwide Petroleum Limited</u> We are required to settle the purchase price within three business days.

BUSINESS

Background of Yee Sing Hong, Sino Ray Investment Limited and Wing Shing Worldwide Petroleum Limited

As at the Latest Practicable Date, Yee Sing Hong, the holding company of which namely Vico International Holdings Limited is a company listed on the Main Board (stock code: 1621), Sino Ray Investment Limited and Wing Shing Worldwide Petroleum Limited are both private companies incorporated in Hong Kong which principally engaged in the distribution of third-party branded petrochemicals mainly in Hong Kong. They are distribution agents of two Oil Majors and thus are key trading companies in the diesel sales market in Hong Kong.

Contractual arrangement with Yee Sing Hong, Sino Ray Investment Limited and Wing Shing Worldwide Petroleum Limited

Before 1 October 2017, we did not enter into any master supply agreement with Yee Sing Hong, Sino Ray Investment Limited and Wing Shing Worldwide Petroleum Limited. Consistent with our arrangements with other suppliers, we entered into purchase orders with Yee Sing Hong, Sino Ray Investment Limited and Wing Shing Worldwide Petroleum Limited on an order-by-order basis on terms similar to those of the other suppliers. Given each of them is a material supplier during the Track Record Period, our Directors believe it would be beneficial to our Group to enter into a master supply agreement with them as the suppliers have the obligations to supply the request order in time based on the purchase order placed by the Group. However, as the purchase from Yee Sing Hong dropped significantly from 86.6% of the total purchases for the year ended 31 March 2016 to 34.4% of the total purchases for the year ended 31 March 2017, our Directors do not consider that we have any reliance on Yee Sing Hong.

Inventory

We do not keep any inventories of diesel oil as our purchases are solely driven by confirmed customers' orders and we make purchases of diesel oil from our suppliers only on a back-to-back basis after our customers' orders are confirmed.

QUALITY CONTROL

We source diesel oil from the authorised agents appointed by the Oil Majors to ensure the consistent quality of diesel oil we deliver to our customers. We convey the diesel oil directly from the oil depots of the Oil Majors to our customers' premises to ensure our customers are getting diesel oil from the quality sources. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had not received any complaint nor claim for compensation from our customers due to quality issue relating to the diesel oil supplied by us.

BUSINESS

OCCUPATIONAL HEALTH AND WORK SAFETY

Safety management

Due to the nature of our industry, incidents arising from our business activities may have detrimental effects on the health and safety of our workers as well as the general public. It is our responsibility to put the safety of our employees and the general public in our top priority and therefore, we place emphasis on occupational health and work safety during the delivery of our products. We have implemented and adopted occupational health and safety procedures and measures for our business operations, which largely follows the standard fire safety requirements used for conveyance of category 5 dangerous goods issued by the Fire Services Department. Summarised below are the key safety measures we take:

- Our diesel tank wagons shall not be left unattended at any time.
- Our diesel tank wagons are exclusively used for conveyance of diesel oil. Only one category of dangerous goods shall be conveyed by the diesel tank wagons at any one time.
- Sufficient number of dry powder fire extinguishers shall be provided on each side of the diesel tank wagon and accessible from the outside of the vehicle. The fire extinguishers shall be kept in order at all times and be inspected by a registered fire service installation contractor at least once in every 12 months.
- Regular inspections and maintenance on our diesel tank wagons are carried out by us to ensure the safety requirements issued by the Fire Services Department are complied with and our diesel tank wagons are also subject to annual inspection by the Fire Services Department.
- “NO SMOKING” “不准吸煙” notice of not less than 120 mm in height and other warning signage shall be prominently displayed and these instructions shall be complied with at all times by the driver and attendants on the vehicle.
- We strictly adhere to the safety requirements on engine, fuel tank, cargo tank, fire resisting shield and electrical systems of our diesel tank wagons in accordance with the regulations issued by the Fire Services Department.
- Our drivers are required to attend safety induction training on an annual basis organised by oil suppliers on the safety requirements issued by the Fire Services Department.

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- We allocate drivers to work shifts to support our 24-hour business operations but we will ensure our drivers get sufficient time for rest in between so that their work performance would not be affected by inadequate rest or long work hours.
- We provide our drivers with all the necessary safety equipment for working inside the oil depots, including and not limited to safety harnesses, helmets, safety shoes and other protective gears.

Guidelines for handling employees' injuries and accidents at work

We maintain proper guidelines and procedures for handling and recording accidents and injuries of our employees. We require any injured worker or person who has witnessed the accident to report to our COO. Our CEO would notify the insurance companies and/or the Labour Department in accordance with the procedures required by law or the relevant insurance policies. Our administration department is also responsible for keeping records of information on all accidents and injuries of our employees, including the identity of the injured parties, the time and causes of accidents, and details of injuries.

During the Track Record Period and up to the Latest Practicable Date, our Group did not experience any significant accidents which give rise to potential employees' compensation claims and personal injury claims.

To the best of our Directors' knowledge, information and belief, during the Track Record Period and up to the Latest Practicable Date, our Group did not experience any significant incidents or accidents in relation to workers' safety and we also have not suffered from any removal or suspension of the category 5 dangerous goods licence for conveyance of diesel oil due to accidents or breaches of applicable safety rules and regulations.

BUSINESS

LICENCES AND PERMITS

The following table sets forth details of our major licences, namely the licences for the conveyance of dangerous goods in category 5 by our diesel tank wagons (with trailers, if applicable), as at the Latest Practicable Date:

Licence	Issuing authority	Holder	Vehicle	Date of first issue	Valid period
Licence for the conveyance of dangerous goods in category 5 by vehicles	Fire services department	Wing Ko	Tank wagon 1	03/05/2013	23/04/2019
			Tank wagon 2	26/01/2017	25/11/2019
			Tank wagon 3	25/05/2016	24/03/2019
			Tank wagon 4	28/06/2010	11/04/2019
			Tank wagon 5	27/05/2013	26/03/2019
			Tank wagon 6	25/07/2014	24/05/2018
			Tank wagon 7	26/09/2015	25/07/2019
			Trailer 1	28/07/2014	27/06/2019
			Trailer 2	22/01/2016	21/11/2019
			Trailer 3	31/03/2016	30/12/2018

Our Directors confirm that we had obtained all necessary licences, permits and approvals required for our business operations in Hong Kong during the Track Record Period and that we did not experience any material difficulties in obtaining and/or renewing such licences, permits and approvals that are necessary for our business operations in Hong Kong during the Track Record Period.

To ensure that our Group is able to timely obtain and maintain all the necessary licences, permits and approvals for our operations in Hong Kong, our COO is responsible for keeping track of the validity periods of the licences, permits and approvals held by our Group and/or our staff and arranging renewal when necessary in a timely manner.

ENVIRONMENTAL MATTERS

Our Group's operations are subject to environmental protection laws and regulations enacted by the government of Hong Kong. Further, our Directors believe that we should conduct all our services in an environmentally responsible manner, and also minimise any adverse impact on the environment resulting from our business activities.

BUSINESS

Some of our environmental protection measures include (i) ensuring our commitment to regulatory compliance and our compliance with industry best practices from an environmental perspective in undertaking our activities; and (ii) conducting routine checks on our diesel tank wagons to ensure their condition will allow us to deliver our products smoothly and in particular to prevent leakage of oil products or other hazardous substances, which can cause health and environmental risks such as potential fire and explosion.

During the Track Record Period, we did not incur significant amount of expenses in compliance with applicable rules and regulations for environmental matters. Our Directors expect the annual cost of compliance going forward will be at a level similar to that during the Track Record Period. Further, our Group will devote operating and financial resources to environmental compliance whenever it is required by the Hong Kong laws to do so in the future.

During the Track Record Period and as at the Latest Practicable Date, we were not prosecuted for any breach of any applicable environmental laws and regulations.

The following is a brief summary of our policies or measures relating to the aspect of the environmental, social and governance reporting guide in Appendix 20 to the GEM Listing Rules. Our Group will ensure compliance with Appendix 20 to the GEM Listing Rules upon Listing as and when appropriate.

Emissions

Our Group currently possesses seven diesel tank wagons of Euro III, Euro IV and Euro V emission standards. According to the website information of the Government of the HKSAR, heavy duty diesel vehicles of Euro VI emission standard emit about 80 per cent less nitrogen oxides and 50 per cent less respirable suspended particulates when compared to their Euro V counterparts. To help reduce air pollutant emission, we intend to use approximately 43.1% of our net proceeds to purchase six diesel tank wagons conforming to the more stringent Euro VI emission standard. We also conduct regular repair and maintenance on our diesel tank wagons to reduce air pollutant emissions.

Waste management

We prudently handle and store the wastes produced as a result of our daily operations. For instance, in respect of wastes such as spent lube oil, we engage a licensed third party waste collector for the handling and disposal on regular basis.

BUSINESS

Use of resources

We are committed to becoming an environmental-friendly company. In terms of reducing electricity consumption, we encourage our staff to turn off lights when away and switch off the power after business or operation hours. In terms of reducing waste, we placed environmental promotion posters in office to promote an atmosphere of environmental friendliness at workplace.

EMPLOYEES

Number of employees by function

As at the Latest Practicable Date, we had a total of 20 full-time employees. We have seven diesel tank wagons but only six logistics employees as drivers who had undergone the training courses and passed the tests of the Oil Majors and are permitted to access the respective oil depots to collect diesel oil because the seventh diesel tank wagon serves the need as a replacing wagon for the purpose of routine inspection and maintenance of the other wagons by rotation from time to time in order to ensure the compliance of the wagons condition with the safety requirement. All of our employees are stationed in Hong Kong. The following table sets forth a breakdown of our employees by function as at the Latest Practicable Date:

	As at the Latest Practicable Date
Management	4
Accounting	2
Administration	3
Sales and procurement	4
Logistics	<u>7</u>
Total	<u><u>20</u></u>

BUSINESS

Recruiting and staff training

We generally recruit our employees from the open market by placing recruitment advertisements with reference to factors such as their experience, qualifications and expertise required for our business operations. We endeavour to attract and retain appropriate and suitable personnel to serve our Group by competitive wages, benefits and focused training. Our Group assesses the available human resources on a continuous basis and determines whether additional personnel are required to cope with the business development of our Group.

We believe our employees are valuable resources to achieve our success and therefore, we provide various trainings, such as work safety training, technical knowledge and skills training and legal compliance workshops, to ensure the quality of our employees at all levels and to enhance their awareness of safety issues relating to handling of dangerous goods. Training sponsorship is also offered to our employees for acquiring related industry qualifications such as the safety induction training offered by oil suppliers, which is required training for accessing the respective oil depots.

Remuneration and retention

We entered into separate labour contracts with each of our employees in accordance with the applicable labour laws of Hong Kong. The remuneration package offered to our employees generally includes salary and discretionary bonus. We provide a defined contribution to the Mandatory Provident Fund as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all our eligible employees. In order to promote overall efficiency, employee loyalty and retention, we provide our employees with technical and operational on-job training. We review the performance of our employees on an annual basis and make reference to such performance reviews in our salary and discretionary bonus review in order to attract and retain talented employees.

Our staff costs, including salaries and other employee's benefits, amounted to approximately HK\$3.7 million, HK\$4.3 million, HK\$5.4 million and HK\$1.8 million for each of the three years ended 31 March 2018 and the four months ended 31 July 2018, respectively, which accounted for approximately 1.9%, 1.1%, 1.2% and 1.1%, respectively, of our revenue for the relevant period.

Relationship with employees

During the Track Record Period and up to the Latest Practicable Date, there had not been any labour strike within our Group nor had we experienced any significant problems with our employees or disruption to our operations due to labour disputes. Our Directors believe that we have maintained a good relationship with our employees. During the Track Record Period and up to the Latest Practicable Date, there was no labour union established by our employees.

BUSINESS

INSURANCE

We have taken out the insurance policies as set out below in respect of our operations. For each of the three years ended 31 March 2018 and the four months ended 31 July 2018, the total insurance expenses paid by our Group amounted to approximately HK\$171,000, HK\$241,000, HK\$174,000 and HK\$58,000, respectively.

Employees' compensation insurance

For our employees, we maintain employees' compensation insurance in compliance with the Employees' Compensation Ordinance to cover compensation and costs liable by our Group for personal injuries of our employees in the course of employment with us.

Other insurance coverage

We also maintain other insurance policies covering (i) our liabilities for claims made by third parties for injuries to persons, or for damage to properties caused as a result of our business activities, (ii) physical loss or damage of our office content and additional expenditure incurred resulting from business interruption as a result of loss of or damage to our office premises, and (iii) damage to our diesel tank wagons and/or third-party liabilities in relation to the use of our diesel tank wagons.

Taking into account the prevailing industry practice and our current operations, our Directors consider that our insurance coverage is adequate and consistent with the industry norm in Hong Kong. Our Directors also confirmed that, during the Track Record Period and up to the Latest Practicable Date, we had not made nor been subject of any material insurance claim.

MARKET AND COMPETITION

According to the CIC Report, the estimated market size of diesel consumption for transportation and industrial use has increased to approximately 1.4 million kilolitres by 2017. Consumption from transportation (buses and goods vehicles) and industrial use contributed to around 70.8% and 13.1% of overall consumption in 2017, respectively. Key reasons for the expanding market size of diesel consumption in Hong Kong mainly include the increases in infrastructure expenditure, as well as a prosperous construction industry and a growing demand for diesel used in transportation in Hong Kong. The Hong Kong's market size for diesel is expected to grow at a CAGR of 1.0%, reaching a total of approximately 1.5 million kilolitres by 2022, among which industrial processes/equipment is expected to consume approximately 0.2 million kilolitres and transportation is expected to consume approximately 1.2 million kilolitres.

BUSINESS

According to the CIC Report, the diesel sales market in Hong Kong is relatively fragmented and the diesel sales industry is associated with a high level of competition in terms of both service and pricing. There are around 80 market participants selling diesel for transportation and industrial use, and around 10 of them are authorised agents in 2017. Revenue generated by the sale of diesel through diesel distributors accounted for approximately 80% of the total revenue for all diesel sold in Hong Kong for the year 2017. The top five market participants currently take up about 32.4% of total market share. Our Company ranked the second among these diesel distributors, with a market share of 10.5% in terms of the total revenue generated from the sale of diesel through diesel distributors and 8.4% in terms of the diesel sales through both the Oil Majors and diesel distributors as of 2017.

For further details, please refer to the section headed “Industry overview” in this prospectus. Our Directors believe that our competitive strengths will enable us to maintain our position as one of the active market players in the industry in Hong Kong. For details of our competitive strengths, please refer to the paragraph headed “Competitive strengths” in this section.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we had registered the domain name www.skhl.com.hk. Details of our intellectual property rights are set out in the section headed “Statutory and general information – Further information about the business of our Group – 8. Intellectual property rights of our Group” in Appendix IV to this prospectus.

During the Track Record Period and up to the Latest Practicable Date, we had not received any material claim against our Group for infringement of any intellectual property right nor were we aware of any pending or threatened claims in relation to any such infringement, nor had any material claim been made by us against third parties in relation to the infringement of intellectual property rights owned by us or third parties.

RESEARCH AND DEVELOPMENT

During the Track Record Period and as at the Latest Practicable Date, we did not conduct any research and development activity.

BUSINESS

PROPERTIES

As at the Latest Practicable Date, we leased the following property in Hong Kong from Independent Third Parties:

Address	Usage	Rental	Approximate saleable area (sq.ft.)	Term
20/F, Glassview Commercial Building, No. 65 Castle Peak Road Yuen Long, Yuen Long, N.T.	Office use	Monthly rent of HK\$30,000	1,000	For a term of one year commencing from 1 December 2018 to 30 November 2019

During the Track Record Period, we had not experienced any difficulty in renewing any lease.

LEGAL AND REGULATORY COMPLIANCE

Licences and permits

Under Section 6 of Dangerous Goods Ordinance (Chapter 295 of the Laws of Hong Kong), no person shall convey any dangerous goods in excess of their respective exempted quantities in any premises or place without a licence issued by the director of Fire Services Department. Diesel oil is categorised as category 5, class 3 dangerous goods (substances giving off inflammable vapours) under the Dangerous Goods Ordinance. Therefore, we are required to obtain a licence from the Dangerous Goods Division of the Fire Services Department for conveyance of diesel oil by our diesel tank wagons if the tank capacity exceeds 2,500 litres. Additionally, storage tanks for conveyance of diesel oil require approval from the Director of Fire Services in accordance with Regulation 99A of Dangerous Goods (General) Regulations (Chapter 295B of the Laws of Hong Kong). For further details, please refer to the section headed “Regulatory overview” in this prospectus.

As at the Latest Practicable Date, we had a total of seven diesel tank wagons duly licensed by the Fire Services Department to convey diesel oil which is classified as category 5, class 3 dangerous goods under the Dangerous Goods Ordinance. Generally, the validity period of the dangerous goods licence lasts for one year, subject to annual review and renewal. Our Group will renew the dangerous goods licences before their respective expiry dates. We have not experienced any refusal of renewal of the licences during the Track Record Period and up to the Latest Practicable Date. Our Directors confirm that they are not aware of any circumstances that would significantly hinder or delay the renewal of these licences.

BUSINESS

Our Directors confirm that our Group has obtained all material licences, permits and approvals required for carrying on our business activities during the Track Record Period and up to the Latest Practicable Date.

Non-compliance

Our Directors confirm that save as disclosed below, we have complied with all applicable laws and regulations in all material respects in Hong Kong (being the principal jurisdiction in which we operate) during the Track Record Period and up to the Latest Practicable Date.

Particulars of non-compliance

Pursuant to Section 6(1) of the Dangerous Goods Ordinance (Chapter 295 of the Laws of Hong Kong) (“**DGO**”), except under and in accordance with a licence granted under DGO, no person shall manufacture, store, convey or use any dangerous goods.

Pursuant to Section 14(1) of the DGO, any person who contravenes any of the provisions of Section 6 shall be guilty of an offence and shall be liable to a fine of HK\$25,000 and to imprisonment for 6 months.

Pursuant to Regulation 99A(1) of the Dangerous Goods (General) Regulations (Chapter 295 sub. Leg. B of the Laws of Hong Kong) (“**DGGR**”), no person shall store in bulk in liquid form any dangerous goods in category 5, class 3, except in a tank which has been approved in writing by the Director of Fire Services.

Pursuant to Regulation 134(3) of DGGR, any person who contravenes Regulation 99A(1) shall be guilty of an offence and shall be liable on summary conviction to a fine of HK\$5,000 and imprisonment for 2 months.

On 22 October 2015 (during the Track Record Period), our Group had stored 14,043 litres of diesel oil in a tank which was authorised by the Hong Kong Marine Department but not approved in writing by the Director of Fire Services. The storage of 14,043 litres of diesel oil was not in accordance with the Dangerous Goods Licence for category 5 class 3 dangerous goods under Dangerous Goods (Application and Exemption) Regulations.

Pursuant to Section 9B of the DGO, notwithstanding any other liability which may arise under the provisions of the DGO or otherwise, the breach of any term or condition endorsed upon any licence issued pursuant to Section 9 shall constitute an offence which shall be punishable on summary conviction by a fine not exceeding HK\$10,000 and imprisonment not exceeding 1 month.

BUSINESS

On 22 October 2015 (during the Track Record Period), our Group had breached the terms and conditions as stated in our Dangerous Goods Licence No.V211 and breached conditions thereto, namely clause 11 which prohibits the decantation of any category 5 dangerous goods in any place other than a place specified by the Fire Services Department.

Reason(s) for the non-compliance

The storing of diesel oil in an unauthorised tank and breaching the conditions of the Dangerous Goods Licence was a one-off omission which was not wilful. It was due to the sudden nature of the events that our driver discovered diesel oil was leaking from one of our diesel wagons; therefore he was in a haste to find a container to store the diesel oil leaking from the tank wagon. It was also due to the inadvertent oversight of our staff as the tank was authorised by the Hong Kong Marine Department but not the Director of Fire Services. Our staff was unaware that approval was also needed to be sought in writing from the Director of Fire Services.

Remedial action

Our Company has already taken immediate remedial actions including (i) disposed the aforementioned tank from our possession; (ii) taking the leaking diesel tank wagon to the garage for repairs; (iii) formulating strict internal regulations not to decant diesel oil into any place other than a place specified by the Fire Services Department; (iv) conducting check on our diesel tank wagons, especially the condition of the diesel tank before the said wagon is put into operation; and (v) taking our diesel tank wagons to garage for check-up twice a year.

Our Directors also liaise with the relevant governmental authorities on a timely basis to keep abreast of any development or updates on the legal regime and legal requirements. Further, our Group has enhanced our internal control measures. For further details of such measure, please refer to the paragraph headed “Internal control and corporate governance” below. Mr. Yik Law, our executive Director and Chairman, oversees the implementation of our internal control measures to ensure there would be no material breaches on any applicable laws and regulations.

Prosecution

Our Group received three Summonses on 22 April 2016 regarding the aforementioned breaches.

On 15 July 2016, our Group was fined HK\$5,000, HK\$10,000 and HK\$1,000 for the three Summonses. The fines had all been settled.

BUSINESS

LITIGATION AND POTENTIAL CLAIMS

During the Track Record Period and as at the Latest Practicable Date, no member of our Group was engaged in any litigation, claim, or arbitration of material importance and no litigation, claim or arbitration of material importance is known to our Directors to be pending or threatened against any member of our Group.

Views of our Directors and the Sole Sponsor

As set out in the paragraphs headed “Occupational health and work safety”, “Environmental matters”, “Internal control and corporate governance” and “Legal and regulatory compliance – Non-compliance” in this section, our Group has laid down and implemented detailed internal control and corporate governance measures to monitor ongoing compliance with the relevant laws and regulations to prevent the occurrence of any non-compliance in the future. Our Directors believe that the corporate governance and internal control measures could effectively ensure a proper internal control system and maintain good corporate governance practices of our Group. In view of the measures in place, our Directors are of the view that these systems are sufficient and effective to ensure ongoing compliance with the relevant laws and regulations by our Group.

Our Directors consider, and the Sole Sponsor concurs, that the abovementioned non-compliance incidents would not affect the suitability of our Directors under Rules 5.01 and 5.02 of the GEM Listing Rules or the suitability of listing of our Group under Rule 11.06 of the GEM Listing Rules, having taken into account the fact that (i) we have taken various internal measures to avoid recurrence of non-compliance incidents; and (ii) the above non-compliance incidents were unintentional and inadvertent and did not involve any fraudulent act on the part of our Directors and the non-compliance incidents did not undermine the integrity of our executive Directors.

INTERNAL CONTROL AND CORPORATE GOVERNANCE

Internal control measures to prevent recurrence of non-compliance incidents

In order to achieve high standards of corporate governance with a view to safeguarding the interests of our Shareholders as a whole and to prevent recurrence of non-compliance incidents, we intend to adopt or have adopted the following measures:

- our Directors attended training sessions provided by our legal advisers as to Hong Kong laws on applicable laws and regulations in Hong Kong on 24 November 2017, including the GEM Listing Rules and will continue to do so on a continuing basis;

BUSINESS

- independent non-executive Directors are appointed to enhance the diversity of our Board and to provide independent view, monitoring and advice to our Company;
- we will establish an audit committee, which will set up formal arrangements to apply financial reporting and internal control principles in accounting and financial matters to ensure compliance with the GEM Listing Rules and all relevant laws and regulations;
- we will oversee our compliance matters and seek timely legal advice from external professional advisers where necessary;
- our executive Director and compliance officer, Mr. Yik Law, is responsible for the day-to-day compliance matters of our Group and will report to our Board in relation to the potential non-compliance issue identified on a timely basis and, if necessary, consult external professional for advice to address to the potential issue; and
- we have engaged Kingsway Capital Limited as our compliance adviser to advise us on the compliance matters under the GEM Listing Rules.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme), our Controlling Shareholders, comprising of Fully Fort and Mr. Yik Law, will hold 300,000,000 Shares, representing 75% in aggregate of the total issued share capital of our Company.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Potential competing interests

Our Directors, our Controlling Shareholders and their respective close associates do not have any interests in any business, apart from the business operated by members of our Group, that competes or is likely to compete, directly or indirectly, with the business of our Group.

Management independence

Although our Controlling Shareholders will continue to have controlling interests in our Company upon completion of the Share Offer, the day-to-day management and operation of the business of our Group will be the responsibility of all our executive Directors and senior management of our Company. Our Board has five Directors comprising two executive Directors and three independent non-executive Directors. Our Board and senior management operate as a matter of fact independently of our Controlling Shareholders and they are in a position to fully discharge their duties to the Shareholders as a whole after the Listing without reference to our Controlling Shareholders.

Each of our Directors is aware of his or her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit of and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. 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 Directors or their respective close associates, the interested Director(s) will abstain from voting at the relevant board meetings of our Company in respect of such transactions and will not be counted in the quorum. In addition, our Company has an independent senior management team to carry out the business decisions of our Group independently.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that our Company is capable of managing our Group's business independently from our Controlling Shareholders.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Operational independence

Our operations are independent of and not connected with any of our Controlling Shareholders and their respective close associates. Despite the fact that we will have a non-exempt continuing connected transaction, particulars of which are set out in the section headed “Continuing connected transaction” in this prospectus, having considered that (i) we have established our own organisational structure comprising individual departments, each with specific areas of responsibilities; (ii) our Group has not shared our operational resources, such as customers, marketing, sale and general administration resources with our Controlling Shareholders and/or their respective close associates; and (iii) our Controlling Shareholders and/or any of their respective close associates have no interest in any of our top five largest customers, suppliers or other business partners, our Directors consider that our Group can operate independently from our Controlling Shareholders and/or any of their respective close associates from the operational perspective.

Financial independence

Our Group has an independent financial system and makes financial decisions according to our business needs. Our Group has sufficient capital to operate our business independently, and has adequate internal resources to support our day-to-day operations.

During the Track Record Period and up to the Latest Practicable Date, our Group had relied principally on our available cash and cash equivalents, cash generated from operations and bank borrowings to finance our business. Upon completion of the Share Offer, our Group expects that our operations will be financed mainly by the net proceeds of the Share Offer, internally generated funds and borrowings from financial institutions.

During the Track Record Period, our Group’s obligations under some finance leases were secured by the personal guarantee of our Controlling Shareholder, Mr. Yik Law, please refer to the section headed “Financial information – Indebtedness – Obligation under finance leases” of this prospectus, and Note 20 (Obligations under finance leases) and Note 27 (Related Party Transactions – (a) Personal guarantee provided by key management personnel) of the Accountants’ Report set out in Appendix I to this prospectus for further details. It is expected that such personal guarantee will be released and replaced by the corporate guarantees to be granted by our Company upon Listing or the amounts due under the relevant finance leases will be paid in full prior to Listing. Further, there were amounts due to director, being Mr. Yik Law, during the Track Record Period. The amount due to a director, was approximately HK\$4.7 million, HK\$4.4 million, nil and nil as at 31 March 2016, 31 March 2017, 31 March 2018 and 31 July 2018, respectively. Please refer to the section headed “Financial information – Amount due to a director” for further details. The outstanding amount is non-trade related, unsecured, interest-free, and repayable on demand. It is expected that the outstanding amount will be subsequently settled in full before Listing.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Having considered the above, our Directors consider, and the Sole Sponsor concurs, that the personal guarantee given by Mr. Yik Law as mentioned above, and the amounts due to our Controlling Shareholders, would not affect our Group's financial independence from the Controlling Shareholders to a material extent. As such, our Group will not be financially dependent on our Controlling Shareholders or any of their respective close associates upon Listing. Our Directors further believe that, upon the Listing, our Group is capable of obtaining financing from external resources independently without the support of the Controlling Shareholders.

In view of our Group's internal resources and the estimated net proceeds from the Share Offer, our Directors believe that our Group will have sufficient capital for its financial needs without dependence on our Controlling Shareholders. Our Directors further believe that, upon the Listing, our Group is capable of obtaining financing from external sources independently without the support of our Controlling Shareholders.

NON-COMPETITION UNDERTAKING

Our Controlling Shareholders (each a “**Covenantor**” and collectively, the “**Covenantors**”) entered into the Deed of Non-Competition in favour of our Company, under which each of the Covenantors has irrevocably and unconditionally, jointly and severally, warranted and undertaken to our Company (for ourselves and as trustee for each of its subsidiaries) that:

- (a) he/it will not, and will procure any Covenantor and his/its close associates (each a “**Controlled Person**” and collectively, the “**Controlled Persons**”) and any company directly or indirectly controlled by the Covenantor (which for the purpose of the Deed of Non-Competition, shall not include any member of our Group) (the “**Controlled Company**”) not to, except through any member of our Group, directly or indirectly (whether on its own account or with each other or in conjunction with or on behalf of any person or company, or as principal or agent, through any body corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise), carry on, engage in, invest or acquire or hold any rights or be interested or otherwise involved in (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business that is similar to or in competition directly or indirectly with or is likely to be in competition with any business currently and from time to time engaged by our Group in Hong Kong and any other country or jurisdiction to which our Group carries on business from time to time (“**Restricted Business**”);

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (b) when any Controlled Person and/or any Controlled Company is offered or becomes aware of any new project or business opportunity (“**New Business Opportunity**”) directly or indirectly to engage or become interested in a Restricted Business, he/it
 - (i) shall promptly notify our Company of such New Business Opportunity in writing;
 - (ii) such written notice shall include all information together with any documents possessed by him/it or his/its close associates in respect of the New Business Opportunity to enable our Company to evaluate the merit of the New Business Opportunity and provide such information as may be reasonably required by our Company to make an informed assessment of such New Business Opportunity;
 - (iii) shall use his/its best endeavours to procure that such opportunity is offered to our Company on terms no less favourable than the terms on which such opportunity is offered to him/it and/or his/its close associates;
 - (iv) upon receipt of the written notice from the Covenantors, our independent non-executive Directors shall consider whether it is in the interest of our Company and our Shareholders as a whole to pursue the New Business Opportunity. For the avoidance of doubt, the Covenantors and their close associates (other than our Group) shall not be entitled to invest or participate or pursue in any such New Business Opportunity unless such New Business Opportunity is declined by our Company or our Company does not proceed with such New Business Opportunity within one month from the date of the written notice;
 - (v) if our Company has not given written notice of its desire to invest in such New Business Opportunity or has given written notice denying the New Business Opportunity within thirty (30) business days (the “**30-day Offering Period**”) of receipt of notice from the Covenantors, the Covenantors and/or his/its associates shall be permitted to invest in or participate in the New Business Opportunity on his/its own accord. The Covenantors agree to extend the thirty (30) business days to a maximum of sixty (60) business days if our Company requires so by giving a written notice to the Covenantors within the 30-day Offering Period;
 - (vi) if there is any disagreement between the Covenantors and our Company as to whether any New Business Opportunity shall directly or indirectly compete or lead to competition with the Restricted Business, the matter shall be determined by our independent non-executive Directors whose decision shall be final and binding.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The restrictions which each of the Covenantors has agreed to undertake pursuant to the non-competition undertaking will not apply to such Covenantors in the following circumstances:

- (a) the holding of or interests in shares or other securities by any of the Covenantors and/or his/its close associates in any company which conducts or is engaged in any Restricted Business, provided that, in the case of such shares, they are listed on a recognised stock exchange as specified under the SFO and either:
 - (i) the relevant Restricted Business (and assets relating thereto) accounts for less than 10% of the relevant consolidated turnover or consolidated assets of the company in question, as shown in the latest audited accounts of the company in question; or
 - (ii) the total number of the shares held by any of the Covenantors and his/its close associates or in which they are together interested does not amount to more than 5% of the issued shares of that class of the company in question, provided that any of the Covenantors and his/its close associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company and that at all times there is a holder of such shares holding (together, where appropriate, with his/its close associates) a larger percentage of the shares in question than the Covenantors and his/its close associates together hold.

The non-competition undertaking will take effect from the date on which dealings in the Shares first commence on GEM and will cease to have any effect upon the earliest of the date on which (i) such Covenantor, being a Controlling Shareholder, individually or collectively with any other Covenantor(s) ceases to be interested, directly or indirectly, in 30% or more of the issued Shares, or otherwise ceased to be regarded as a controlling shareholder (as defined under the GEM Listing Rules from time to time) of our Company; or (ii) the Shares cease to be listed and traded on GEM or other recognised stock exchange.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to strengthen its corporate governance practice and to safeguard the interests of the Shareholders:

- (1) the Articles provide that a Director shall absent himself/herself from participating in Board meetings (nor shall he/she be counted in the quorum) and voting on any resolution of our Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested unless a majority of the independent non-executive Directors expressly requested him/her to attend;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (2) our independent non-executive Directors will review and will disclose decisions with basis, on an annual basis, the compliance with the non-competition undertaking by our Controlling Shareholders;
- (3) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the non-competition undertaking;
- (4) our Company will disclose decisions with basis on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the non-competition undertaking of our Controlling Shareholders in the annual reports of our Company;
- (5) our Controlling Shareholders will make an annual declaration on compliance with their non-competition undertaking in the annual report of our Company;
- (6) our independent non-executive Directors will be responsible for deciding whether or not to allow our Controlling Shareholders and/or their respective close associates to involve or participate in a Restricted Business and if so, any condition to be imposed; and
- (7) our independent non-executive Directors may appoint independent financial adviser and other professional advisers as they consider appropriate to advise them on any matter relating to the non-competition undertaking or connected transaction(s) at the cost of our Company.

Further, any transaction that is proposed between our Group and our Controlling Shareholders and their respective close associates will be required to comply with the requirements of the GEM Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements.

None of the members of our Group has experienced any dispute with its shareholders or among its shareholders themselves and our Directors believe that each member of our Group has maintained positive relationship with its shareholders. With the corporate governance measures including the measures set out above, our Directors believe that the interest of our Shareholders will be protected.

DIRECTORS AND SENIOR MANAGEMENT

Our Board of Directors consists of two executive Directors and three independent non-executive Directors. The following table sets forth the information concerning our Directors and senior management:

Name	Age	Position	Date of Joining our Group	Date of appointment as a Director or senior management	Key roles and responsibilities	Relationship with other Directors and senior management
Executive Directors						
Law Ming Yik (羅名譯)	30	Executive Director, Chairman, compliance officer, chairman of the Nomination Committee, member of the Remuneration Committee	1 July 2006	31 October 2017	Overseeing all aspects of our Group's operations, strategic planning and formulation of corporate policies	Cousin of Mr. Li Isaiah
Li Isaiah (李依滿)	33	Executive Director and CEO	1 September 2009	24 November 2017	In charge of our Group's management and operation	Cousin of Mr. Yik Law
Independent non-executive Directors						
Fenn David (范德偉)	38	Independent non-executive Director	11 December 2018	11 December 2018	Overseeing the management and providing independent advice to our Group	N/A
Wong Ka Chun Matthew (黃家俊)	30	Independent non-executive Director	11 December 2018	11 December 2018	Overseeing the management and providing independent advice to our Group	N/A
Ho Cheung Kong (何長江)	43	Independent non-executive Director	11 December 2018	11 December 2018	Overseeing the management and providing independent advice to our Group	N/A
Senior Management						
Law Sung Fai (羅崇輝)	45	Chief Operating Officer	1 July 2006	24 November 2017	Operating our fleet of diesel tank wagons and implementing business strategies	N/A
Mo Yan Ting (毛茵婷)	50	Chief Financial Officer	9 October 2017	24 November 2017	In charge of our Group's financial planning, record-keeping and financial reporting	N/A

DIRECTORS

Executive Directors

Mr. Law Ming Yik (羅名譯), aged 30, is our executive Director, Chairman, compliance officer, chairman of the Nomination Committee, member of the Remuneration Committee and is responsible for overseeing all aspects of our Group's operations, strategic planning and formulation of corporate policies. He was appointed as our Director on 31 October 2017 and was re-designated as an executive Director on 24 November 2017. Mr. Yik Law is the cousin of Mr. Li Isaiah, one of our executive Directors.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Yik Law has over 12 years of experience in the sale and transport of diesel oil and related products. Mr. Yik Law joined Wing Ko in July 2006 and was appointed as the director of Wing Ko in March 2012. He was responsible for overseeing Wing Ko's daily operation, including but not limited to maintaining stable relationship with our key customers and our key suppliers, which are mainly authorised agents appointed by the Oil Majors, monitoring the logistics of projects and managing its corporate accounting and administrative matters. In 2012, the Government started implementing Euro V vehicle emission standards in phases with an aim to reduce vehicle emission. Seeing the market potential for products which would help lower the diesel exhaust emissions from diesel engines, Mr. Yik Law led our Group to expand our business into the sale of diesel exhaust fluid as our ancillary product in April 2013. Our Directors believe that his insightful vision is instrumental to the success of our Group.

Mr. Yik Law obtained a Bachelor's degree in Design majoring in interior design from Raffles College of Design and Commerce in August 2009 and an Advanced Diploma in Interior Design in from Raffles Design Institute in September 2009, in Shanghai, China.

Mr. Li Isaiah (李依濤) (“**Mr. Li**”), aged 33, was appointed as our Director and was re-designated as an executive Director on 24 November 2017. Mr. Isaiah Li is the cousin of Mr. Yik Law, our Controlling Shareholder and our executive Director.

Mr. Li joined our Group in September 2009 and is responsible for the overall management of the business. He has more than five years of experience in the area of business administration and information technology (“IT”). Prior to joining our Group, Mr. Li worked as an IT support in the DBS Bank from July 2004 to December 2004. He has also been an IT support in the Audit Commission (HKSAR) from January 2005 to June 2005. From October 2005 to March 2006, he was also a training facilitator in Bright Long Company, a company principally engaged in tutoring primary school students. He has also been a sale representative in Gennett International Limited, a company principally engaged in sale of electronics, from April 2006 to September 2006. Mr. Li worked as an IT & Administrative Officer in Million Travel Co., a company principally engaged in management of carparks from October 2006 to August 2009.

Mr. Li has obtained a Diploma in Computer Science in Chu Hai College of Higher Education in July 2006.

Independent non-executive Directors

Mr. Fenn David (范德偉) (“**Mr. Fenn**”), aged 38, was appointed as our independent non-executive Director on 11 December 2018. Mr. Fenn is the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Fenn obtained a Bachelor's degree in Laws and the Postgraduate Certificate in Laws by The University of Hong Kong in December 2002 and June 2003, respectively. He subsequently obtained a master of laws degree in banking and finance from University College London, University of London in the United Kingdom in November 2006. He was admitted as a solicitor of the High Court of Hong Kong in September 2005, and is currently a member of the Law Society of Hong Kong.

Mr. Fenn has over 11 years of experience in the legal profession. From July 2007 to September 2008, Mr. Fenn served as an associate at Mayer Brown JSM (formerly known as JSM from January 2008 to April 2010 and Johnson Stokes & Master until January 2008), a Hong Kong law firm. From March 2009 to June 2011, he worked as an associate at Messrs. King & Wood Mallesons (formerly known as King & Wood). From December 2011 to June 2015, he served as an assistant solicitor, and was further promoted to a consultant of Messrs. F. Zimmern & Co.. He has been an assistant solicitor of Messrs. Chiu & Partners since May 2016.

Mr. Fenn has a number of governmental appointments and serves on statutory appeal panels and professional bodies. He has been a Civil Celebrant of Marriages in Hong Kong since 2015. He is also a disciplinary panel member of the Hong Kong Institute of Certified Public Accountants since February 2016 and a member of the Appeal Panel (Housing) of the Transport and Housing Bureau of Hong Kong since April 2017, respectively. He is also an adjudicator of the Registration of Persons Tribunal of Hong Kong since November 2013.

Mr. Fenn has been appointed as the independent non-executive director of Stream Ideas Group Limited (Stock Code: 8401), a company whose shares are listed on GEM, since March 2018. Further, he was appointed as the independent non-executive director of Hong Kong Education (Int'l) Investments Limited (Stock Code: 1082), a company whose shares are listed on the Main Board of the Stock Exchange, in May 2018.

Mr. Wong Ka Chun Matthew (黃家俊) ("Mr. Wong"), aged 30, was appointed as our independent non-executive Director on 11 December 2018. Mr. Wong is a member of the Audit Committee and the Nomination Committee.

Mr. Wong has over seven years of experience in corporate finance and auditing. Mr. Wong obtained a Bachelor's degree in Business, specialised in Accounting, Banking and Finance from Monash University, Melbourne, Australia in September 2011. He is also a member of the CPA Australia since January 2016, a member of the Chartered Institute of Management Accountants since December 2016.

Mr. Wong was an auditor in Deloitte Touche Tohmatsu from September 2011 to November 2013, an auditor in PricewaterhouseCoopers from December 2013 to March 2017 and the assistant vice president in the investment banking division of Zhongtai International Capital Limited from March 2017 to December 2017. He is currently the vice president in the investment banking division of GF Capital (Hong Kong) Limited. During his employment with Zhongtai International Capital Limited and GF Capital (Hong Kong) Limited, Mr. Wong executed a wide variety of corporate finance transactions, including initial public offerings, mergers and acquisitions and compliance advisory.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ho Cheung Kong (何長江)(“**Mr. Ho**”), aged 43, was appointed as our independent non-executive Director on 11 December 2018. Mr. Ho is the chairman of the Audit Committee and a member of the Remuneration Committee.

Mr. Ho became a member of the Hong Kong Institute of Certified Public Accountants in May 2003 and obtained a Bachelor’s degree of Commerce in Accounting in Hong Kong Shue Yan University in November 2008. Mr. Ho subsequently became a practicing member of the Hong Kong Institute of Certified Public Accountants in May 2009. He also became a fellow member and certified tax advisor of the Taxation Institute of Hong Kong in July 2010.

Mr. Ho has over 18 years of experience in the accounting and audit industry. In particular, he has experience in auditing several listed companies in Hong Kong. From August 2000 to September 2009, Mr. Ho was a manager of FTW & Partners CPA Ltd. Mr. Ho was subsequently promoted in October 2009 and became a Principal and Director of FTW & Partners CPA Ltd up to present.

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) did not hold any other directorships in public listed companies in the three years prior to the Latest Practicable Date. As at the Latest Practicable Date, save as disclosed in the section headed “Substantial Shareholders” and in the section headed “Further information about Directors, management and staff” in Appendix IV to this prospectus, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

None of our Directors have any interests in any business apart from the business of our Group which competes or is likely to compete, either directly or indirectly, with business of our Group. Please refer to Appendix IV to this prospectus for further information about our Directors, including details of the interest of our Directors in the Shares and underlying shares of our Company (within the meaning of Part XV of the SFO) and particular of the service contract and remuneration.

Save as disclosed in this paragraph headed “Directors” and the section headed “Further information about Directors, management and staff” in Appendix IV to this prospectus, each of our Directors has confirmed that there are no other matters relating to his or her appointment as a Director that need to be brought to the attention of the Shareholders and there is no information which is required to be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Law Sung Fai (羅崇輝), aged 45, is our chief operating officer and is responsible for overseeing the daily operation of our Group. Mr. S.F. Law has joined our Group since July 2006.

Mr. S. F. Law has over 19 years' experience in the business of sale and transportation of diesel oil. Prior to joining our Group from May 1999 to May 2006, Mr. S. F. Law was the manager of Centre Transportation Co., a company principally engaging in the business of transportation of diesel oil, and was responsible for managing, repairing and maintaining its fleet of tank wagons and its business operations.

Ms. Mo Yan Ting (毛茵婷) ("Ms. Mo"), aged 50, is our chief financial officer and is responsible for the general financial management of our Group. Ms. Mo has joined our Group since October 2017.

Ms. Mo obtained a Diploma in Business from the Auckland University of Technology in October 2000. She subsequently obtained a Bachelor's degree in Business in Accounting also in Auckland University of Technology in April 2003. Ms. Mo completed the graduate conversion course in accounting in the Sydney University of Technology in December 2006. Since January 2007, she has been a member of the CPA Australia.

Ms. Mo has over 21 years of experience in the accounting industry, especially with presence in Australia. From May 1997 to February 2003, she worked in Westpac Bank New Zealand in Auckland and her last position was an accountant assistant. From April 2003 to June 2005, she was an accountant at Longway Industrial & Development Pty Ltd in Sydney. She then worked as an accountant in Western Union Financial Services (Australia) Pty Ltd in Sydney from June 2005 to June 2007. Later, she moved her accounting practice back to Hong Kong. From August 2007 to March 2013, she was an accountant manager at Greatsino International (HK) Ltd. From April 2013 to August 2017, she was an accountant manager at O'Laughlin Corporation Ltd in Hong Kong.

DIRECTORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Mr. Leung Cheuk Wai (梁倬瑋) (“**Mr. Leung**”), aged 35, was appointed as the company secretary of our Group on 24 November 2017.

Prior to his appointment with our Group, Mr. Leung has accumulated over 10 years of experience in the accounting, audit, tax and company secretary fields. In June 2007, he joined FTW & Partners CPA Limited, an audit firm based in Hong Kong, as an accountant trainee. In August 2008, Mr. Leung served in Pearson Fearn & Co., an audit firm based in Hong Kong, as their senior accountant. In August 2013, Mr. Leung joined AE Majoris CPA & Co, an audit firm based in Hong Kong, as their audit principal and was promoted to audit partner in March 2016 and AE Majoris Advisory Limited, a firm principally engaged in provision of corporate advisory services, and his last position was senior manager. In July 2017, Mr. Leung joined Alchemist Corporate Advisory Limited, a company engaged in provision of corporate advisory services, and was appointed as the executive director.

Mr. Leung obtained a Bachelor’s degree in Business Administration in Accounting from the Open University of Hong Kong in December 2007 and has been a member of the Hong Kong Institute of Certified Public Accountants since May 2012.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Company will comply with the requirements under the Corporate Governance Code in Appendix 15 to the GEM Listing Rules.

Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the “comply or explain” principle in our corporate governance report which will be included in our annual reports upon the Listing.

Our Directors have a balanced mix of experiences and industry background, including but not limited to experiences in diesel, financial, legal and IT industries. The three independent non-executive Directors who have different industry backgrounds, represent more than one third of our Board members.

We have adopted a board diversity policy which sets out the approach to achieve and maintain an appropriate balance of diversity perspectives of our Board that are relevant to our business growth. Pursuant to our board diversity policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board.

DIRECTORS AND SENIOR MANAGEMENT

Our Nomination Committee is responsible for ensuring the diversity of our Board. After the Listing, our Nomination Committee will review the board diversity policy from time to time to ensure its continued effectiveness and we will disclose the implementation of the board diversity policy in our corporate governance report on an annual basis.

BOARD COMMITTEES

Audit Committee

Our Group established an Audit Committee on 11 December 2018 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraph C.3 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 of the GEM Listing Rules. The Audit Committee consists of all three of our independent non-executive Directors, and Mr. Ho Cheung Kong is the Chairman of the Audit Committee.

The primary duties of the Audit Committee are to assist our Board in providing an independent view of the effectiveness of our Group's financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

Our Group established a Remuneration Committee on 11 December 2018 with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and paragraph B.1 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 of the GEM Listing Rules. The Remuneration Committee consists of two independent non-executive Directors (namely Mr. Fenn David and Mr. Ho Cheung Kong) and one executive Director, namely Mr. Yik Law. Mr. Fenn David is the Chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include (but without limitation): (i) making recommendations to our Directors on the policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) determining the terms of the specific remuneration package of our Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time.

DIRECTORS AND SENIOR MANAGEMENT

Nomination Committee

Our Group also established a Nomination Committee on 11 December 2018 with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 of the GEM Listing Rules. The Nomination Committee consists of two independent non-executive Directors (namely Mr. Wong Ka Chun Matthew and Mr. Fenn David) and one executive Director (namely Mr. Yik Law). Mr. Yik Law is the Chairman of the Nomination Committee.

The primary function of the Nomination Committee is to make recommendations to our Board to fill vacancies on the same.

COMPLIANCE ADVISER

In compliance with Rule 6A.19 of the GEM Listing Rules, we have appointed Kingsway Capital Limited as our compliance adviser to provide advisory services to our Company.

We have entered into a compliance adviser's agreement with the compliance adviser, the material terms of which we expect to be as follows:

- (a) we have appointed the compliance adviser for the purpose of Rule 6A.19 of the GEM Listing Rules for a period commencing on the date of Listing and ending on the date on which we comply with Rule 18.03 of the GEM Listing Rules in respect of publication of our financial results for the second full financial year after the Listing Date, unless terminated earlier in accordance with the terms of the compliance adviser's agreement;
- (b) the compliance adviser shall provide us with such advisory services as are required to be provided by a compliance adviser pursuant to Chapter 6A of the GEM Listing Rules and advise us 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 pursuant to Chapter 19 and 20 of the GEM Listing Rules, is contemplated, 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 the section headed "Future Plans and Use of Proceeds" of this prospectus or where its business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus;

DIRECTORS AND SENIOR MANAGEMENT

- (iv) where the Stock Exchange makes an inquiry with us regarding unusual movements in the price or trading volume of the Shares pursuant to Rule 17.11 of the GEM Listing Rules; and
- (c) we may terminate the appointment of the compliance adviser by giving not less than 14 days' written notice if the compliance adviser's work is of an unacceptable standard or if there is a material dispute (which cannot be resolved within 30 days) over fees payable to the compliance adviser or if the compliance adviser committed a material breach of the agreement. The compliance adviser will have the right to terminate its appointment by (i) giving not less than 14 days' written notice to us or (ii) if we commit a material breach of the agreement and fail to rectify such material breach 14 days upon receiving an rectification notice from the compliance advisor or (iii) if we continuously ignore, neglect or fail to follow any reasonable advice or opinion of the compliance advisor or the GEM Listing Rules and other applicable laws.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate amount of compensation paid (basic salary, performance-based compensation and retirement-based contribution) by our Company to our Directors for the three years ended 31 March 2018 and for the four months ended 31 July 2018 were approximately HK\$562,000, HK\$590,000, HK\$791,000 and HK\$257,000, respectively.

The aggregate amount of compensation paid (basic salary, performance-based compensation and retirement-based contribution) by our Company to our Company's five highest paid individuals for the three years ended 31 March 2018 and for the four months ended 31 July 2018 were approximately HK\$1,789,000, HK\$2,005,000, HK\$2,283,000 and HK\$783,000, respectively.

Our executive Directors are also employees of our Company and receive, in their capacity as employees of our Company, compensation in the form of salaries and other allowances and benefits in kind. Our Company reimburses our Directors for expenses which are necessarily and reasonably incurred for providing services to our Company or executing their functions in relation to the operations of our Company.

Our Directors' remuneration is determined with reference to salaries paid by comparable companies, experience, responsibilities and performance of our Group. Details of the terms of the service agreements are set out in the paragraph headed "Further information about Directors, management and staff – 9. Directors – (a) Particulars of service contracts and letters of appointment" in Appendix IV to this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

During the Track Record Period, no remuneration was paid by our Group to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Group. No compensation was paid by our Group to, or receivable by, our Directors, past Directors or the five highest paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Group. Our Directors estimate that under the current proposed arrangement, the aggregate basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors will be approximately HK\$983,000 for the year ending 31 March 2019.

None of our Directors had waived or agreed to waive any remuneration during the Track Record Period. Save as disclosed in this paragraph headed “Compensation of Directors and Senior Management”, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors and the five highest paid individuals during the Track Record Period.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. Our Directors consider the purpose of the Share Option Scheme is to reward the participants defined under the Share Option Scheme for their past contribution to the success of our Group and to provide incentive to them to further contribute to our Group. The principal terms of the Share Option Scheme are summarised under the section headed “Share Option Scheme” in Appendix IV to this prospectus.

RETIREMENT BENEFITS SCHEME

Our Group participates in the mandatory provident fund scheme for our employees prescribed by the Mandatory Provident Fund Schemes Ordinance, Chapter 485 of the Laws of Hong Kong, in Hong Kong. Our Group has paid the relevant contributions in accordance with the aforesaid laws and regulations throughout the Track Record Period and up to the Latest Practicable Date. Save as the aforesaid, we have not participated in any other pension schemes.

CONTINUING CONNECTED TRANSACTION

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

The following transaction is made in the ordinary and usual course of our business and on normal commercial terms. Our Directors currently expect that, pursuant to Chapter 20 of the GEM Listing Rules, as the highest applicable percentage ratio is more than 5% and the annual consideration is more than HK\$10,000,000. Accordingly, the following transaction is subject to announcement, independent shareholders' approval, circular, annual review and reporting requirements under Chapter 20 of the GEM Listing Rules.

Supply of diesel oil and diesel exhaust fluid

Connected person

Wing Fung is a logistics company and is a sole proprietorship carried on by Ms. Law So Lin, the aunt of Mr. Yik Law, our Controlling Shareholder and an executive Director. Under HKAS 24, *Related Party Disclosures*, Ms. Law So Lin is not a person nor a close family of a person who is member of the key management personnel, controlling party or a member who has significant influence over our Group. Therefore, Wing Fung (which is a sole proprietorship carried on by Ms. Law So Lin) is not a related party and its transactions do not constitute related party transactions. However, since Mr. Yik Law will become a connected person upon Listing, the supply of diesel oil and diesel exhaust fluid to Wing Fung by Wing Ko will constitute continuing connected transactions under Chapter 20 of the GEM Listing Rules upon Listing.

Background

During the Track Record Period, our Group had supplied diesel oil and diesel exhaust fluid to Wing Fung and it is expected that such arrangement will continue after Listing.

On 11 December 2018, Wing Ko, our wholly-owned subsidiary, and Wing Fung entered into a framework agreement in respect of the supply and purchase of diesel oil and diesel exhaust fluid (the “**Supply Framework Agreement**”), pursuant to which our Company agreed to supply diesel oil and diesel exhaust fluid to Wing Fung for a term commencing from the Listing Date to 31 March 2021.

Principal terms

It was specified under the Supply Framework Agreement that Wing Ko will provide diesel oil and diesel exhaust fluid to Wing Fung during the term of the said agreement on normal commercial terms, or on terms no less favourable than those offered by our Group to other Independent Third Parties. The purchase price, the quantity and specifications of the diesel oil and diesel exhaust fluid concerned, the time and place of delivery and other relevant matters will be negotiated by the parties in good faith on a case-to-case basis, with reference to various factors, including the then prevailing market prices of diesel oil and diesel exhaust fluid, the place of delivery and the quantity. The purchase price, the quantity and specifications, the time and place of delivery and other relevant matters and the other payment terms for diesel oil and diesel exhaust fluid will be set out in the relevant purchase orders to be placed under the Supply Framework Agreement. We are not required to sell a minimum amount of diesel oil and diesel exhaust fluid during the term of the Supply Framework Agreement.

CONTINUING CONNECTED TRANSACTION

Reasons for and benefits of the transaction

We provide diesel oil and diesel exhaust fluid in the ordinary and usual course of our business to our customers, which include Wing Fung, our connected person. Wing Fung has been purchasing diesel oil and diesel exhaust fluid from our Group during the Track Record Period. We expect that we will continue to provide diesel oil and diesel exhaust fluid to Wing Fung upon Listing.

Historical Figures

The historical transaction amounts of diesel oil and diesel exhaust fluid provided by our Group to Wing Fung for the three years ended 31 March 2018 and for the four months ended 31 July 2018 amounted to approximately HK\$8.8 million, HK\$10.8 million, HK\$12.2 million and HK\$4.1 million, respectively, representing approximately 4.5%, 2.8%, 2.7%, and 2.5% of our Group's total revenue for the corresponding periods, respectively.

Pricing policy

The sale price of our diesel oil and diesels exhaust fluid will be negotiated on a case-by-case basis, and in particular taking into account our pricing policy, which will be determined and reviewed by our Board from time to time. In accordance with our current pricing policy, our sale price is calculated based on a cost-plus approach with a mark-up margin. We determine the mark-up based on prevailing market oil price (such as quotation of the selling price set by the Oil Majors), length of credit period offered to Wing Fung, and calculate our sale price in order to maintain a reasonable profit margin. During the Track Record Period, the range of mark-up amounts in respect of the transactions between our Group and Wing Fung was approximately HK\$8 cents to HK\$24 cents based on the diesel oil price per litre. We will also make reference to the mark-up margin we provided to our other customers, who are Independent Third Parties, for similar products on similar terms, to ensure that the price and terms that our Group offered to Wing Fung are no less favourable than those offered to independent customers. Our Directors consider that the price and terms offered by us to Wing Fung are fair and reasonable and no less favourable than those provided to other independent third parties. For further details of our pricing policy, please refer to the section headed "Business – Sales and marketing – Pricing policy" of this prospectus.

CONTINUING CONNECTED TRANSACTION

Internal control

Our Group have adopted the following internal control measures for reviewing our pricing policy:

- the sale price is calculated based on a cost-plus approach with a mark-up margin which is charged to all customers, including both related parties and independent third parties. The mark-up margin charged to all customers is based on prevailing market oil price, purchased cost of diesel oil, quantity of diesel oil, delivery location and length of credit period. The mark-up margin is reviewed by Chief Financial Officer monthly and approved by Chief Executive Officer since October 2017. The daily sale price is determined according to the approved mark-up margin and properly recorded in the sales order by sales department. The sales order is then submitted to sales manager for approval;
- a Supply Framework Agreement is signed between a connected person of our Company and our Company and the annual caps are set up with an amount of HK\$13 million per year for the three years ending 31 March 2021 which are mainly determined with reference to factors such as historical transaction amount between our Company and the connected person and the expected demand from the connected person for our Company's diesel oil and diesel exhaust fluid; and
- a review and the confirmations that the individual transactions with the connected person are indeed conducted in accordance with the terms of the agreement, on normal commercial terms (or terms more favourable than terms available to independent parties), and in accordance with the pricing policy of our Company are performed by our independent non-executive Directors and auditor annually.

Accordingly, our Directors consider that the internal control system of our Group is effective to ensure that the transactions contemplated under the Supply Framework Agreement have been and will be conducted on normal commercial terms.

Proposed annual caps for future transactions and basis of annual caps

The proposed annual caps for the three financial years ending 31 March 2019, 2020 and 2021 under the Supply Framework Agreement is HK\$13 million per year. Such proposed annual caps are mainly determined with reference to factors such as (i) historical transaction amount between our Group and Wing Fung; and (ii) the expected demand from Wing Fung for our diesel oil and diesel exhaust fluid.

GEM LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio as defined in Rule 19.07 of the GEM Listing Rules calculated with reference to the Supply Framework Agreement on an annual basis is more than 5% and the annual consideration is more than HK\$10,000,000, pursuant to Rules 20.33, 20.34, 20.44 and 20.47 of the GEM Listing Rules, the transactions contemplated under the Supply Framework Agreement entered into between Wing Fung and Wing Ko are subject to announcement, independent shareholders' approval, circular, annual review and reporting requirements under Chapter 20 of the GEM Listing Rules.

CONTINUING CONNECTED TRANSACTION

WAIVER FROM THE STOCK EXCHANGE

As the applicable percentage ratios (other than the profits ratio), where applicable, calculated by reference to Rule 19.07 of the GEM Listing Rules, for the Supply Framework Agreement annual caps are less than 25% but the total consideration is more than HK\$10,000,000, the transactions with Wing Fung under the Supply Framework Agreement entered into by Wing Ko are subject to announcement, independent shareholders' approval, circular, annual review and reporting requirements under Chapter 20 of the GEM Listing Rules. Given their recurring nature and the fact that the Supply Framework Agreement was entered into prior to the Listing Date, our Directors consider that compliance with the announcement, circular and shareholders' approval requirements would be burdensome and would add unnecessary administrative costs to our Company. Accordingly, our Company has applied for, and the Stock Exchange has granted to our Company, a waiver from strict compliance with the announcement, circular and shareholders' approval requirements of Chapter 20 of the GEM Listing Rules for the transactions with Wing Fung under the Supply Framework Agreement entered into by Wing Ko. Other than those rules in which a waiver has been granted by the Stock Exchange, our Company will comply with all other relevant requirement under Chapter 20 of the GEM Listing Rules.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that (i) the Supply Framework Agreement has been entered into in the ordinary and usual course of business of our Group, is conducted on an arm's length basis and on normal commercial terms and the terms of the Supply Framework Agreement are fair and reasonable and are in the interests of our Company and our Shareholders as a whole; and (ii) the annual caps under the Supply Framework Agreement are fair and reasonable and are in the interest of our Company and our Shareholders as a whole.

CONFIRMATION FROM OUR SOLE SPONSOR

The Sole Sponsor has reviewed the relevant information and historical figures prepared and provided by our Company relating to the non-exempt continuing connected transactions described above, has conducted due diligence by discussing these transactions with our Company, and has obtained various representations and confirmation from our Company and our Directors. Based on the Sole Sponsor's due diligence, the Sole Sponsor is of the view that: (i) the non-exempt continuing connected transaction described above has been entered into in the ordinary and usual course of business of our Company, are on normal commercial terms, fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (ii) the proposed aggregate annual caps of such non-exempt continuing connected transactions mentioned above are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

Immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account of the Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or options that may be granted under the Share Option Scheme), based on the information available on the Latest Practicable Date, the following persons/entities will have an interest or a short position in the Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be 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 member of our Group:

Name	Capacity/ Nature of interest	Number of Shares held after the Share Offer (Note 1)	Percentage of shareholding after the Share Offer
Mr. Yik Law	Interest in controlled corporation (Note 2)	300,000,000 Shares (L)	75%
Fully Fort	Beneficial Owner	300,000,000 Shares (L)	75%

Notes:

1. The Letter “L” denotes the person’s long position in the relevant Shares.
2. The entire issued share capital of Fully Fort is 100% legally and beneficially owned by Mr. Yik Law. Accordingly, Mr. Yik Law is deemed to be interested in the 300,000,000 Shares held by Fully Fort by virtue of the SFO.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the Share Offer and the Capitalisation Issue (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or options that may be granted under the Share Option Scheme), have an interest or short position in the Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be 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 member of our Group.

UNDERTAKINGS

Each of our Controlling Shareholders has given certain undertakings in respect of the Shares held by them to our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers (for themselves and on behalf of the Underwriters) and the Stock Exchange, details of which are set out under the sub-paragraphs headed “Undertakings given to the Stock Exchange pursuant to the GEM Listing Rules” and “Undertakings given to the Public Offer Underwriters” in the section headed “Underwriting – Underwriting arrangements and expenses” below. Our Controlling Shareholders have also given undertakings in respect of the Shares to our Company and the Stock Exchange as required by Rules 13.16A(1) and 13.19 of the GEM Listing Rules.

SHARE CAPITAL

SHARE CAPITAL

The tables as shown below assume the Share Offer and the Capitalisation Issue has become unconditional and the issue of Shares pursuant thereto is made as described herein. It does not take into account any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option or options that may be granted under the Share Option Scheme.

The authorised and issued share capital of our Company before and following the completion of the Capitalisation Issue and Share Offer is as follows:

<i>Authorised share capital:</i>		<i>HK\$</i>
3,000,000,000	Shares of HK\$0.01 each	30,000,000
<i>Shares in issue or to be issued, fully paid or credited as fully paid:</i>		
100	Share in issue at the date of this prospectus	1
299,999,900	Shares to be issued pursuant to Capitalisation Issue	2,999,999
<u>100,000,000</u>	Shares to be issued pursuant to the Share Offer	<u>1,000,000</u>
<u>400,000,000</u>	Total	<u>4,000,000</u>

ASSUMPTIONS

The above table assumes that the Share Offer becomes unconditional and the issue of Shares pursuant to the Share Offer and the Capitalisation Issue are made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

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 issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

SHARE CAPITAL

RANKING

The Offer Shares will be ordinary shares in the share capital of our Company and will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned in this prospectus and, in particular, will rank in full for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of this prospectus save for the entitlement under the Capitalisation Issue.

CIRCUMSTANCES WHERE MEETING OF THE COMPANY ARE REQUIRED

There are certain circumstances where annual general meetings or extraordinary general meetings of our Company are required under our Articles and the GEM Listing Rules. A general summary of such circumstances are set out below:

- an annual general meeting of our Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by our Board.
- our Board may, at its discretion, call extraordinary general meetings. However, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of our Company carrying the right of voting at general meetings of our Company (the “**requisitionist**”) shall have the right, by written requisition to our Board or the secretary of our Company, to require an extraordinary general meeting to be called by our Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty one (21) days of such deposit our Board fails to proceed to convene such meeting the requisitionist(s) himself/herself/itself/themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of our Board shall be reimbursed to the requisitionist(s) by our Company.

Other than the above circumstances, certain corporate actions may require the approval of members, which would be obtained at a general meeting. For details, please refer to the section headed “Summary of the constitution of the Company and Cayman Islands company law” in Appendix III to this prospectus.

SHARE CAPITAL

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the paragraph headed “Share option scheme” in Appendix IV to this prospectus.

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” below 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 dealt with subject to the requirement that the number of Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by the Shareholders) shall not exceed:

- (a) 20% of the aggregate number of Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue (not including Shares which may be allotted and issued pursuant to the Offer Size Adjustment Option and upon the exercise of options to be granted under the Share Option Scheme); and
- (b) the aggregate number of Shares which may be repurchased pursuant to the authority granted to our Directors as referred to in the paragraph headed “General mandate to repurchase shares” below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or upon the exercise of any options which may be granted under the Share Option Scheme. 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 annual 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 the Shareholders in general meeting, whichever is the earliest.

For further details of this general mandate, please refer to the section headed “Appendix IV – Further information about our Company and its subsidiaries – 3. Resolutions in writing of the sole Shareholder passed on 11 December 2018”.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions set forth in the section headed “Structure and conditions of the Share Offer” of this prospectus being fulfilled, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than up to 10% of the aggregate number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the Offer Size Adjustment Option and upon 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 the 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 the section headed “Statutory and general information – Further information about our Company and its subsidiaries – 3. Resolutions in writing of the sole Shareholder passed on 11 December 2018” in Appendix IV to this prospectus.

This general mandate will expire:

- (i) at the conclusion of our Company’s next annual general meeting; or
- (ii) the expiration of the period within which our Company is required by the Articles or any applicable laws of the Cayman Islands to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever occurs first.

For further details of the Repurchase Mandate, please see the section headed “Statutory and general information – Further information about our Company and its subsidiaries – 3. Resolutions in writing of the sole Shareholder passed on 11 December 2018” in Appendix IV to this prospectus.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with the accountants' report of our Group for the three years ended 31 March 2018 and for the four months ended 31 July 2018, including notes thereto, as set forth in Appendix I to this prospectus, all of which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”). Potential investors should read the whole of the accountants' report set out in Appendix I to this prospectus and not rely merely on the information contained in this section.

The following discussion and analysis contains forward-looking statements concerning events that involve risks and uncertainties. Actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Forward-looking statements,” “Risk factors” and elsewhere in this prospectus. We undertake no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this prospectus, except as required by applicable law.

Unless the context otherwise requires, financial information described in this section is described on a combined basis.

OVERVIEW

We are an established provider of diesel oil in Hong Kong. Our sale services include sourcing diesel oil through oil trading companies, dispatching our fleet of diesel tank wagons to collect diesel oil from oil depots designated by our suppliers, and eventually delivering diesel oil to destinations designated by our customers. In addition to our sale services as described above, in September 2018, we also started to provide ancillary transportation service to an Oil Major whereby we help the Oil Major transport the diesel oil to its customers. This does not involve any purchase of diesel oil from the Oil Major. We provide services in Kowloon and the New Territories as at the Latest Practicable Date.

FINANCIAL INFORMATION

BASIS OF PRESENTATION

Immediately prior to and after the Reorganisation, our Company and its subsidiaries now comprising the Group are ultimately controlled by, in the opinion of the directors of our Company, Mr. Yik Law. The Group's business is mainly conducted through Wing Ko. Our Company is an investment holding company and has not 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, it is considered as a business combination under common control. The Group's historical financial information for the Track Record Period 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" issued by the HKICPA. As further explained in the paragraph headed "Basis of combinations" in Note 3 to the Accountants' Report, the historical financial information presents the combined financial information of the entities now comprising the Group as if the current group structure had always been in existence and the Group is regarded as a continuing entity.

The historical financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards. It should be noted that accounting estimates and assumptions are used in the preparation of the financial information of our Company and its subsidiaries. Although these estimates are based on our management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates and assumptions. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial information are disclosed in Note 3 to the Accountants' Report.

KEY FACTORS AFFECTING OUR OPERATING RESULTS AND FINANCIAL CONDITION

We are dependent on our five largest suppliers (in terms of total purchases), for the supply of diesel oil. Any shortage or delay in the supply of diesel oil from them may materially and/or adversely affect our business and results of operations if we cannot secure alternative sources of supply immediately

For the three years ended 31 March 2018 and the four months ended 31 July 2018, the amount of purchases from our five largest suppliers accounted for approximately 100.0%, 98.6%, 99.9% and 100.0% respectively of our total purchases. Accordingly, we are heavily dependent on the continuous supply of diesel oil from our five largest suppliers. There is no assurance that there will be no deterioration in our relationship with our five largest suppliers, which may have an impact on our ability to secure future supply of diesel oil.

FINANCIAL INFORMATION

Any shortage of or delay in the supply of diesel oil by our five largest suppliers or any change in its existing marketing strategies, such as any sudden reduction in supply volume to us, may affect our ability to fulfil our customers' demand. We cannot assure you that we are able to respond to such shortage or delay in supply or new marketing strategies effectively by finding alternative suppliers within a short period of time and as such, our customers may choose to source products from alternative suppliers, causing a shortfall in our revenue that could materially and adversely affect our business and financial results.

A significant portion of our revenue was attributable to the sale of diesel oil and our profitability may be adversely affected if demand for diesel oil declines for any reason

For the three years ended 31 March 2018 and the four months ended 31 July 2018, sale of diesel oil remained the largest contributor to our revenue and accounted for approximately 99.8%, 99.9%, 99.9% and 99.9% of our total revenue for the relevant periods, respectively. Accordingly, we have a concentrated revenue portfolio as a significant portion of our revenue was attributable to the sale of diesel oil. There can be no assurance that we will be able to secure supply and demand for diesel oil from our suppliers or from our customers. If the customers' requirements change or the demand for diesel oil declines for any reason, the potential loss in revenue would adversely affect our profitability.

Our cash flows may deteriorate due to net operating cash outflow or potential mismatch in time between receipt from our customers and payments to our suppliers

As an established diesel oil transport service provider, we source diesel oil from oil trading companies in Hong Kong and deliver diesel oil to different customers, a majority of which are logistics companies. We are generally required by our suppliers to settle the full payment of our purchase orders on the same day of our purchases. We also typically require our customers to settle the full payment on the same day of delivery. Depending on the credit terms of the customers, however, we may grant up to 30 days of credit period to our customers, resulting in a material cash flow mismatch. As such, we would record significant cash outflow in the event that we accept too many customers' orders at a particular period of time.

FINANCIAL INFORMATION

As at 31 March 2016, 2017 and 2018 and 31 July 2018, we recorded trade receivables of approximately HK\$4.4 million, HK\$15.5 million, HK\$15.1 million and HK\$18.0 million respectively, whereas our trade receivables turnover days increased from 7 days for the year ended 31 March 2016 to 9 days for the year ended 31 March 2017 and to 13 days for the year ended 31 March 2018 and maintained at 13 days for the four months ended 31 July 2018. On the other hand, as at 31 March 2016, 2017 and 2018 and 31 July 2018, the trade payables amounted to approximately HK\$0.5 million, HK\$1.1 million, HK\$4.7 million and HK\$1.7 million respectively, whereas the respective trade payables accounted for approximately 6.7%, 11.3%, 40.8% and 22.2% of the total current liabilities, respectively. In addition, the trade payables' turnover days were approximately 1 day, 1 day and 3 days for each of the three years ended 31 March 2018 and 3 days for the four months ended 31 July 2018, respectively.

We rely on cash inflow from our customers to meet our payment obligations to our suppliers. Our cash inflow depends on prompt settlement by our customers. Nevertheless, even if our customers settle such payments on time and in full, there is no assurance that we would not experience any significant cash flow mismatch or cash outflow. Further, there is no assurance that our cash flow management measures could function properly or at all. If there were any significant and substantial cash flow mismatch or significant cash outflow, our cash flow position may be adversely affected and we might have to raise funds by resorting to internal resources and/or banking facilities in order to meet our payment obligations in full and on time.

CRITICAL ACCOUNTING POLICIES & ESTIMATES

The financial statements of our Group were prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA, which requires our Group to adopt accounting policies and make estimates and assumptions that the management believes are appropriate in the circumstances for the purpose of giving a true and fair view of the results and financial condition of our Group. However, different policies, estimates and assumptions in critical areas could lead to materially different results. Our Directors have continually assessed these estimates based on their experience and knowledge of current business, the expectations based on available information and other reasonable assumptions, which together form our basis for making judgments about matters that are not apparent from other sources. Since the use of estimates is an integral component of financial reporting progress, the actual result could differ from those estimates. Our Directors believe the following accounting policies involve the most significant judgments and estimates used in the preparation of the financial statements.

FINANCIAL INFORMATION

Adoption of HKFRS 9 and HKFRS 15

Our historical combined financial information has been prepared based on our underlying financial statements, in which HKFRS 9 “Financial instruments” (“HKFRS 9”) and HKFRS 15 “Revenue from contracts with customers” (“HKFRS 15”) have been adopted and applied consistently since the beginning of, and throughout, the Track Record Period. We have adopted HKFRS 9 and HKFRS 15 instead of HKAS 18 “Revenue” (“HKAS 18”) and HKAS 39 “Financial Instruments: Recognition and Measurement” (“HKAS 39”) in the preparation of our underlying financial statements, such that our historical financial information prepared under HKFRS 9 and HKFRS 15 is comparable on a period-to-period basis.

We have assessed the effects of application of HKFRS 9 and HKFRS 15 on our financial position and performance. We identified that certain investments in equity instruments being classified as financial assets at fair value through other comprehensive income under HKFRS 9 would be classified as financial assets at fair value through profit or loss in the combined statements of financial position if HKAS 39 had been applied.

Our Directors consider that the application of HKFRS 9 and HKFRS 15 did not have significant impact on our financial position and performance compared to the requirements of HKAS 18 and HKAS 39 during the Track Record Period.

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 Mr. Yik Law.

FINANCIAL INFORMATION

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 year/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 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 or valuation of the item is allocated on a reasonable basis and depreciated separately:

Leasehold improvements	5 years/over the unexpired term of lease, whichever is shorter
Furniture and fixtures	5 years
Office equipment	5 years
Motor vehicles	5 years

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 year/period in which the item is derecognised.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business and net of sales discount.

FINANCIAL INFORMATION

Sale of goods:

Revenue from the sales of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

We recognise revenue on a gross basis as a principal rather than on a net basis as an agent as we have exposure to the significant risk and rewards associated with the sale of goods. We are subject to inventory risk for the diesel oil purchased and credit risk for the receivables from customers. We have absolute discretion in establishing prices with customers and in supplier selection. All these factors indicate that we act as principal in sale of goods.

We are an established provider of diesel oil in Hong Kong. We source diesel oil through oil trading companies and we have discretion in supplier selection. When we receive purchase orders from our customers, we dispatch our fleet of diesel tank wagons to collect diesel oil at the oil depots designated by our suppliers. Upon the collection of diesel oil, we bear the inventory risk of the diesel oil and we are liable to settle the diesel cost to our suppliers, neglecting whether or not our customers would finally purchase the diesel oil collected for them.

The price we charge our customers is determined based on a cost-plus approach with mark-up at an order-by-order basis. For details of our pricing policy, please refer to the paragraph headed “*Sales and marketing – Pricing policy*” in the Business section in this prospectus. This indicates we have absolute discretion in establishing prices of the diesel oil with customers. After we deliver the diesel oil to our customers, we bear the credit risk from collecting receivables from customers.

We perform the assessment based on the above mentioned factors and reach the conclusion that we act as a principal in the sale of goods.

FINANCIAL INFORMATION

Impairment of trade and other receivables

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation by management of the collectability of the trade receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required.

Depreciation

The Group depreciates property, plant and equipment on the straight-line basis over the respective estimated useful lives as set out above, with the depreciation charge commencing from the date an item of the property, plant and equipment is available for use. The estimated useful life reflects estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

COMBINED RESULTS OF OPERATIONS

The table below set out the combined statements of comprehensive income of our Group for the Track Record Period extracted from the Accountants' Report set out in Appendix I to this prospectus:

	Year ended 31 March			Four months ended	
	2016	2017	2018	31 July	
	HK\$'000	HK\$'000	HK\$'000	2017	2018
				HK\$'000	HK\$'000
				(unaudited)	
Revenue	193,935	387,369	443,436	144,079	162,887
Cost of sales	<u>(183,955)</u>	<u>(368,267)</u>	<u>(420,961)</u>	<u>(137,275)</u>	<u>(155,388)</u>
Gross profit	9,980	19,102	22,475	6,804	7,499
Other income	350	–	–	–	–
Administrative and other					
operating expenses	(4,598)	(4,165)	(5,216)	(1,211)	(1,527)
Finance costs	(160)	(161)	(145)	(52)	(80)
Listing expenses	<u>–</u>	<u>–</u>	<u>(9,408)</u>	<u>–</u>	<u>(375)</u>
Profit before taxation	5,572	14,776	7,706	5,541	5,517
Income tax expenses	<u>(521)</u>	<u>(2,421)</u>	<u>(2,824)</u>	<u>(914)</u>	<u>(972)</u>
Profit and total comprehensive income for the year	<u>5,051</u>	<u>12,355</u>	<u>4,882</u>	<u>4,627</u>	<u>4,545</u>

FINANCIAL INFORMATION

DESCRIPTION OF SELECTED COMPONENTS OF COMBINED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

Our Group's revenue is mainly derived from sale of diesel oil, as well as diesel exhaust fluid, to our customers in Hong Kong during the Track Record Period. Our revenue for sale of goods is recognised on transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered and title has been passed. The following table sets forth a breakdown of our revenue by product types during the Track Record Period:

	2016		Year ended 31 March				Four months ended 31 July			
	HK\$'000	%	2017 HK\$'000	%	2018 HK\$'000	%	2017 HK\$'000 (unaudited)	%	2018 HK\$'000	%
Sales of diesel oil	193,625	99.8	386,824	99.9	442,797	99.9	143,848	99.8	162,693	99.9
Sales of diesel exhaust fluid	310	0.2	545	0.1	639	0.1	231	0.2	194	0.1
Total	<u>193,935</u>	<u>100.0</u>	<u>387,369</u>	<u>100.0</u>	<u>443,436</u>	<u>100.0</u>	<u>144,079</u>	<u>100.0</u>	<u>162,887</u>	<u>100.0</u>

Our Group's revenue for the year ended 31 March 2017 increased by approximately 99.7% or approximately HK\$193.5 million as compared to that for the year ended 31 March 2016. Our Group's revenue further increased by approximately HK\$56.0 million or approximately 14.4% to approximately HK\$443.4 million for the year ended 31 March 2018 from approximately HK\$387.4 million for the year ended 31 March 2017. Our Group's revenue for the four months ended 31 July 2018 increased by approximately 13.1% or approximately HK\$18.8 million as compared to that for the four months ended 31 July 2017. The increase in revenue is mainly contributed from the increased orders of sales of diesel oil and the increased selling price of diesel oil during the Track Record Period.

FINANCIAL INFORMATION

Cost of sales

During the Track Record Period, our cost of sales consists of diesel oil costs, staff costs, depreciation and other costs. The total costs of sales for the three years ended 31 March 2018 and for the four months ended 31 July 2017 and 2018 was approximately HK\$184.0 million, HK\$368.3 million, HK\$421.0 million, HK\$137.3 million and HK\$155.4 million, respectively. The increasing trend of our cost of sales during the Track Record Period was in line with the increase in our revenue during the period.

	2016		Year ended 31 March				Four months ended 31 July			
	HK\$'000	%	2017	%	2018	%	2017	%	2018	%
			HK\$'000		HK\$'000		(unaudited)		HK\$'000	
Diesel oil costs	180,726	98.2	363,435	98.7	415,548	98.7	135,621	98.8	153,670	98.9
Staff costs	1,488	0.8	2,190	0.6	2,951	0.7	909	0.7	945	0.6
Depreciation	796	0.4	1,087	0.3	1,224	0.3	408	0.3	349	0.2
Others ⁽¹⁾	945	0.6	1,555	0.4	1,238	0.3	337	0.2	424	0.3
Total	<u>183,955</u>	<u>100.0</u>	<u>368,267</u>	<u>100.0</u>	<u>420,961</u>	<u>100.0</u>	<u>137,275</u>	<u>100.0</u>	<u>155,388</u>	<u>100.0</u>

⁽¹⁾ Others mainly represent diesel exhaust fluid costs, licensing fees, repair and maintenance costs and transportation fees for diesel tank wagons.

Our purchase cost for the diesel oil constituted the largest components of our cost of sales, amounting approximately HK\$180.7 million, HK\$363.4 million, HK\$415.5 million, HK\$135.6 million and HK\$153.7 million, representing approximately 98.2%, 98.7%, 98.7%, 98.8% and 98.9% of our total cost of sales for the three years ended 31 March 2018 and for the four months ended 31 July 2017 and 2018, respectively. The purchase cost for the diesel oil depends on the domestic purchase price offered by our suppliers, with reference to the price indices such as European Brent spot crude price.

Our staff costs primarily include the salaries, wages and other benefits provided for our staffs such as the drivers of all of our diesel tank wagons who involved in the transportation of the products from the oil depots to our customers. For the three years ended 31 March 2018 and for the four months ended 31 July 2017 and 2018, the staff costs was recorded approximately HK\$1.5 million, HK\$2.2 million, HK\$3.0 million, HK\$0.9 million and HK\$0.9 million, respectively, representing approximately 0.8%, 0.6%, 0.7%, 0.7% and 0.6% of the total cost of sales, respectively.

Our Group recorded depreciation of approximately HK\$0.8 million, HK\$1.1 million, HK\$1.2 million, HK\$0.4 million and HK\$0.3 million for the three years ended 31 March 2018 and for the four months ended 31 July 2017 and 2018, respectively, for our equipment which mainly include the diesel tank wagons.

FINANCIAL INFORMATION

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our Group's diesel oil costs on our Group's profit before tax during the Track Record Period assuming all other factors remain unchanged. The hypothetical fluctuation rate is set out at 5% which is considered reasonable for the purpose of this sensitivity analysis:

	Impact on profit before tax				
	For the year ended 31 March			Four months ended	
				31 July	
	2016	2017	2018	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Diesel oil costs increase/decrease by					
10%	(18,073)	(36,344)	(41,555)	(13,562)	(15,367)
5%	(9,036)	(18,172)	(20,777)	(6,781)	(7,684)
-5%	9,036	18,172	20,777	6,781	7,684
-10%	18,073	36,344	41,555	13,562	15,367

Gross profit and gross profit margin

During the three years ended 31 March 2018 and for the four months ended 31 July 2017 and 2018, our gross profit was approximately HK\$10.0 million, HK\$19.1 million, HK\$22.5 million, HK\$6.8 million and HK\$7.5 million respectively, and our gross profit margin was approximately 5.1%, 4.9%, 5.1%, 4.7% and 4.6% respectively, which maintained at relatively stable level throughout the Track Record Period. Our gross profit margin of our products depends on a number of factors, including but not limited to, delivery locations and credit term of individual customer.

Other income

The following table sets forth the breakdown of other income during the Track Record Period:

	Year ended 31 March						Four months ended 31 July			
	2016		2017		2018		2017		2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
							(unaudited)			
Gain on disposal of property, plant and equipment	75	21.4	-	-	-	-	-	-	-	-
Government grant	275	78.6	-	-	-	-	-	-	-	-
	<u>350</u>	<u>100.0</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Other income includes the gain on disposal of diesel tank wagons and government grant. Government grant represented as the incentive subsidies in relation to replacement of motor vehicles with lower environmental engines under ex-gratia payment scheme during the Track Record Period.

FINANCIAL INFORMATION

Administrative and other operating expenses

Administrative and other operating expenses mainly include staff costs, travelling expenses and entertainment, depreciation, rent and rates and other administrative expenses. The following table sets out the administrative expenses by nature during the Track Record Period:

	2016		Year ended 31 March 2017		2018		Four months ended 31 July 2017		2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000 (unaudited)	%	HK\$'000	%
Staff costs	2,165	47.1	2,071	49.7	2,481	47.5	656	54.1	891	58.4
Travelling expenses and entertainment	891	19.4	453	10.9	480	9.2	7	0.6	32	2.1
Depreciation	689	15.0	707	17.0	765	14.7	255	21.1	273	17.8
Rent and rates	319	6.9	324	7.8	375	7.2	117	9.7	134	8.8
Other expenses	534	11.6	610	14.6	1,115	21.4	176	14.5	197	12.9
	<u>4,598</u>	<u>100.0</u>	<u>4,165</u>	<u>100.0</u>	<u>5,216</u>	<u>100.0</u>	<u>1,211</u>	<u>100.0</u>	<u>1,527</u>	<u>100.0</u>

Staff costs included compensation and benefits provided to our administrative staff and directors. Travelling expenses were parking fee incurred for parking the Group's diesel tank wagons of approximately HK\$101,500, HK\$108,000 and HK\$157,000, respectively, for the three years ended 31 March 2018 and approximately HK\$72,000 and HK\$36,000 for the four months ended 31 July 2017 and 2018, and toll fees for transportation and entertainment represents mainly costs in relation to the relationship building with existing and potential customers. Depreciation classified as administrative expenses represented depreciation of plant and machinery, motor vehicles, furniture and fixtures and office equipment.

Finance costs

Our finance costs represent interest expenses on obligations under hire purchases of motor vehicles and interest expenses for our Group's bank loan. The table below set forth the total finance costs of our Group and amount charged to profit or loss of our Group during the Track Record Period.

	Year ended 31 March			Four months ended 31 July	
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000 (unaudited)	2018 HK\$'000
Finance charges on obligations under finance leases	160	161	132	52	29
Finance charges on interest-bearing borrowings	<u>—</u>	<u>—</u>	<u>13</u>	<u>—</u>	<u>51</u>
	<u>160</u>	<u>161</u>	<u>145</u>	<u>52</u>	<u>80</u>

FINANCIAL INFORMATION

Income tax

Income tax represents income tax paid or payable by us, at the application tax rates in accordance with relevant laws and regulations in each tax jurisdiction our Group operates. Our operation in Hong Kong are subject to statutory profits tax rate of 16.5%.

Our Group's effective tax rate, calculated as our income tax for the corresponding period divided by our profit/loss before income tax for the period, was approximately 9.4%, 16.4% and 36.6% for the three years ended 31 March 2018 respectively. The effective tax rates for the year ended 31 March 2016 was substantially lower than the year ended 31 March 2017 and the year ended 31 March 2018 and it was mainly due to (i) the utilisation of previously unrecognised tax losses in the amount of approximately HK\$0.6 million and (ii) the recognition of previously unrecognised deferred tax of approximately HK\$0.3 million during the year ended 31 March 2016. The higher effective tax rate for the year ended 31 March 2018 was mainly due to certain listing expenses incurred not being tax deductible.

The unrecognised tax losses was mainly arose from the losses of approximately HK\$0.7 million recorded during the financial year ended 31 March 2015, primarily due to i) additional costs related to the four newly purchased motor vehicles and diesel tank wagons during the year ended 31 March 2015; ii) three additional staff for sales team, which increased the wages and salaries; iii) increased entertainment expenses incurred to enhance relationship with existing customers and explore new customers prior to the year ended 31 March 2016 and iv) lower gross profit margin as compared to the two years ended 31 March 2017 as the Group set relatively lower price and gross profit margin in order to attract more customers prior to the year ended 31 March 2016 and began to focus on maintaining higher gross profit margin customers since then. The Group also ceased business relationship with those customers with lower gross profit margin as the ordered volumes were minimal and these customers were located far away from our office. These lengthened the delivery time and increased the delivery cost, and thus we could not utilise the wagons efficiently. In addition, according to the Group's pricing policy, the mark-up represents fixed dollar amount based on the diesel oil price, and hence the lower the diesel oil price, the higher impact on the gross profit margin. This is in line with industry expert report that most of the diesel distributors in Hong Kong enjoy a better profit margin when oil price maintained at a relatively low level. The drop in diesel oil price is also in line with the historical spot crude oil price as disclosed in the section "Industry Overview – Historical spot crude oil price and forecast on crude oil price" of this prospectus.

Our Group recorded increased net profit during the three years ended 31 March 2018 and the four months ended 31 July 2018 as the Group received more orders from new customers due to expansion of businesses; increased orders from Hung Wan Company, Customer E and Customer F; increased selling price due to increased purchase cost of diesel oil and higher gross profit margin as explained previously and hence, the Group utilised the previously unrecognised tax losses.

FINANCIAL INFORMATION

Our Group's effective tax rate was approximately 16.5% and 17.6% for the four months ended 31 July 2017 and 2018 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 March 2017 compared to the year ended 31 March 2016

Revenue

Our Group's revenue increased by approximately 99.7% or approximately HK\$193.5 million from approximately HK\$193.9 million for the year ended 31 March 2016 to approximately HK\$387.4 million for the year ended 31 March 2017. Approximately 28.5% and approximately 71.5% of the increased sales were attributable from existing customers and new customers, respectively. The increase in revenue was mainly contributed by the increase in sales quantity of diesel oil from Customer E of approximately HK\$76.4 million and Customer F of approximately HK\$61.9 million during the year ended 31 March 2017. Customer E is a logistics company established in 2016 with approximately 50 to 60 trucks, and our Group was one of its major suppliers; and Customer F, which had been purchasing diesel oil from other suppliers during the year ended 31 March 2016, and had, during the year ended 31 March 2017, switched to our Group by sourcing from us primarily because of our prompt delivery and quality services. Their revenue contributed approximately 19.7% and 16.0% to the Group's total revenue for the year ended 31 March 2017, respectively.

Cost of sales

Cost of sales increased from approximately HK\$184.0 million for the year ended 31 March 2016 to approximately HK\$368.3 million for the year ended 31 March 2017, representing an increase of approximately HK\$184.3 million or approximately 100.2%. Such increase was in line with the increase in our revenue by approximately 99.7% during the same period. The increase was primarily due to an increase in diesel oil cost resulting from more orders from our customers to be fulfilled by our Group during the year ended 31 March 2017.

FINANCIAL INFORMATION

Gross profit and gross profit margin

Our gross profit increased by approximately HK\$9.1 million or 91.4% from approximately HK\$10.0 million for the year ended 31 March 2016 to approximately HK\$19.1 million for the year ended 31 March 2017, mainly due to the increase in revenue of approximately HK\$193.5 million. The gross profit margin maintained at around 5.0% for the two years ended 31 March 2016 and 2017.

Other income

Other income for the two years ended 31 March 2016 and 2017 amounted to approximately HK\$0.4 million and nil respectively. The decrease in other income was mainly because the Group received a government grant in relation to the replacement of motor vehicles with lower environmental engine under ex-gratia payment scheme during the year ended 31 March 2016.

Administrative and other operating expenses

Administrative and other operating expenses for the two years ended 31 March 2016 and 2017 amounted to HK\$4.6 million and HK\$4.2 million, respectively. The decrease by approximately HK\$0.4 million was mainly due to decrease in travelling expenses and entertainment during the year ended 31 March 2017.

Finance costs

Our Group's finance costs maintained at similar level of approximately HK\$160,000 and HK\$161,000 for the two years ended 31 March 2016 and 2017, respectively.

Income Tax

Income tax increased by approximately HK\$1.9 million or 364.7% from approximately HK\$0.5 million for the year ended 31 March 2016 to approximately HK\$2.4 million for the year ended 31 March 2017. The effective tax rates were approximate 9.4% and 16.4% for the two years ended 31 March 2016 and 2017, respectively. The effective tax rate for the year ended 31 March 2016 was substantially lower than that for the year ended 31 March 2017 and it was mainly due to (i) the utilisation of previously unrecognised tax loses in the amount of approximately HK\$0.6 million and (ii) the recognition of previously unrecognised deferred tax of approximately HK\$0.3 million during the year ended 31 March 2016.

FINANCIAL INFORMATION

Profit for the year

The profit for the year of our Group increased by approximately HK\$7.3 million or 143.1% from approximately HK\$5.1 million for the year ended 31 March 2016 to approximately HK\$12.4 million for the year ended 31 March 2017. The net profit margin of our Group amounted to approximately 2.6% and 3.2% for the two years ended 31 March 2016 and 2017. The increase in profit for the year is mainly due to decrease in administrative and other operating expenses and increase in revenue during the year ended 31 March 2017.

Year ended 31 March 2018 compared to the year ended 31 March 2017

Revenue

Our Group's revenue increased by approximately HK\$56.0 million or approximately 14.4% to approximately HK\$443.4 million for the year ended 31 March 2018 from approximately HK\$387.4 million for the year ended 31 March 2017. The increase in revenue was mainly driven by the increase in selling price due to increased purchase price of diesel oil during the year ended 31 March 2018.

Cost of sales

Cost of sales increased from approximately HK\$368.3 million for the year ended 31 March 2017 to approximately HK\$421.0 million for the year ended 31 March 2018, representing an increase of approximately HK\$52.7 million. Such increase was in line with the increase in our revenue by approximately 14.4% during the same period. The increase was primarily due to an increase in diesel oil cost resulting from increase in purchase cost of diesel oil during the year ended 31 March 2018.

Gross profit and gross profit margin

Our gross profit increased by approximately HK\$3.4 million or 17.6% from approximately HK\$19.1 million for the year ended 31 March 2017 to approximately HK\$22.5 million for the year ended 31 March 2018. The gross profit margin maintained at a similar level of approximately 5.0% for the two years ended 31 March 2017 and 2018.

Other income

The Group did not record any other income for the two years ended 31 March 2017 and 2018.

FINANCIAL INFORMATION

Administrative and other operating expenses

Administrative and other operating expenses for the two years ended 31 March 2017 and 2018 amounted to approximately HK\$4.2 million and HK\$5.2 million respectively. The increase was mainly due to increase in staff costs and depreciation expenses during the year ended 31 March 2018.

Finance costs

Our Group recorded finance costs of approximately HK\$161,000 and HK\$145,000 for the two years ended 31 March 2017 and 2018, respectively. The finance costs maintained relatively stable level for the two years ended 31 March 2017 and 2018.

Income tax

Income tax increased by approximately HK\$0.4 million or 16.6% from approximately HK\$2.4 million for the year ended 31 March 2017 to approximately HK\$2.8 million for the year ended 31 March 2018, which was consistent with the increase in profit before income tax for the year ended 31 March 2018 as compared to the year ended 31 March 2017. The effective tax rates for the year ended 31 March 2017 and the year ended 31 March 2018 were 16.4% and 36.6%, respectively. The higher effective tax rate was mainly due to certain listing expenses incurred not being deductible.

Profit for the year

The profit for the year ended 31 March 2018 of our Group was reduced to approximately HK\$4.9 million from approximately HK\$12.4 million for the year ended 31 March 2017. The net profit margin also decreased from approximately 3.2% for the year ended 31 March 2017 to approximately 1.1% for the year ended 31 March 2018. The lower net profit and net profit margin was mainly due to the listing expenses of approximately HK\$9.4 million incurred during the year ended 31 March 2018.

Four months ended 31 July 2017 compared to the four months ended 31 July 2018

Revenue

Our Group's revenue increased by approximately 13.1% or approximately HK\$18.8 million from approximately HK\$144.1 million for the four months ended 31 July 2017 to approximately HK\$162.9 million for the four months ended 31 July 2018. The increase in revenue was mainly contributed from increased orders of sales of diesel oil during the Track Record Period.

FINANCIAL INFORMATION

Cost of sales

Cost of sales increased from approximately HK\$137.3 million for the four months ended 31 July 2017 to approximately HK\$155.4 million for the four months ended 31 July 2018, representing an increase of approximately HK\$18.1 million or approximately 13.2%. Such increase was in line with the increase in our revenue by approximately 13.1% during the same period.

Gross profit and gross profit margin

Our gross profit increased by approximately HK\$0.7 million, or 10.2% from approximately HK\$6.8 million for the four months ended 31 July 2017 to approximately HK\$7.5 million for the four months ended 31 July 2018, mainly due to the increase in revenue of approximately HK\$18.8 million. The gross profit margin maintained at similar level for the four months ended 31 July 2017 and 2018.

Administrative and other operating expenses

Administrative and other operating expenses for the four months ended 31 July 2017 and 2018 amounted to approximately HK\$1.2 million and HK\$1.5 million respectively. The increase was mainly due to increase in staff cost during the four months ended 31 July 2018.

Finance costs

Our Group's finance costs increased slightly from HK\$52,000 for the four months ended 31 July 2017 to HK\$80,000 for the four months ended 31 July 2018. The increase was mainly due to increase in bank loan interest expenses, which is in line with the increase in bank loan balance as at 31 July 2018.

Income tax

Income tax expenses maintained at similar level of approximately HK\$0.9 million and HK\$1.0 million, representing effective tax rates at approximately 16.5% and 17.6% for the four months ended 31 July 2017 and 2018 respectively.

Profit for the year

The profit of our Group decreased slightly from approximately HK\$4.6 million for the four months ended 31 July 2017 to approximately HK\$4.5 million for the four months ended 31 July 2018. The net profit margin of our Group amounted to approximately 3.2% and 2.8% for the four months ended 31 July 2017 and 2018. The decrease was mainly due to the increase of listing expenses during the four months ended 31 July 2018.

FINANCIAL INFORMATION

NET CURRENT ASSETS

The following table sets forth the breakdown of our Group's current assets and liabilities as at 31 March 2016, 31 March 2017, 31 March 2018, 31 July 2018 and 31 October 2018:

	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2017 <i>HK\$'000</i>	As at 31 March 2018 <i>HK\$'000</i>	As at 31 July 2018 <i>HK\$'000</i>	As at 31 October 2018 <i>HK\$'000</i> (unaudited)
Current Assets					
Trade receivables	4,432	15,501	15,077	17,986	19,489
Other receivables	364	194	2,986	3,310	4,329
Bank balances and cash	<u>4,049</u>	<u>1,470</u>	<u>3,156</u>	<u>1,242</u>	<u>529</u>
Total current assets	<u>8,845</u>	<u>17,165</u>	<u>21,219</u>	<u>22,538</u>	<u>24,347</u>
Current Liabilities					
Trade payables	460	1,089	4,678	1,738	937
Other payables	368	681	1,278	1,206	1,138
Amount due to a director	4,703	4,383	–	–	–
Interest-bearing borrowings	–	–	3,672	2,355	1,354
Obligations under finance leases	1,250	1,651	1,293	1,022	807
Tax payable	<u>103</u>	<u>1,815</u>	<u>531</u>	<u>1,519</u>	<u>2,067</u>
Total current liabilities	<u>6,884</u>	<u>9,619</u>	<u>11,452</u>	<u>7,840</u>	<u>6,303</u>
Net Current Assets	<u>1,961</u>	<u>7,546</u>	<u>9,767</u>	<u>14,698</u>	<u>18,044</u>

FINANCIAL INFORMATION

As at 31 March 2016, 2017 and 2018, our current assets amounted to approximately HK\$8.8 million, HK\$17.2 million and HK\$21.2 million, respectively, which mainly consisted of trade receivables, other receivables and bank balances and cash. Our current liabilities as at 31 March 2016, 2017 and 2018 amounted to approximately HK\$6.9 million, HK\$9.6 million and HK\$11.5 million, respectively, which primarily consisted of trade payables, other payables, amount due to a director, obligations under finance leases and tax payable.

Our net current assets position improved by approximately HK\$5.5 million, from approximately HK\$2.0 million as at 31 March 2016 to approximately HK\$7.5 million as at 31 March 2017, which was primarily attributable to the increase in the amount of trade receivables by approximately HK\$11.1 million, partially offset by the increase in trade payables by approximately HK\$0.6 million, the decrease in bank balances and cash by approximately HK\$2.5 million and the increase in tax payable by approximately HK\$1.7 million.

Our net current assets position further improved by approximately HK\$2.2 million, from approximately HK\$7.5 million as at 31 March 2017 to approximately HK\$9.7 million as at 31 March 2018, which was primarily attributable to the decrease of the amount due to a director, which decreased by approximately HK\$4.4 million during the year ended 31 March 2018.

The net current assets position increased to approximately HK\$14.7 million as at 31 July 2018 from approximately HK\$9.7 million as at 31 March 2018. The increase was mainly due to repayment to trade payables balance.

DESCRIPTION OF SELECTED COMPONENTS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

Our Group's property, plant and machinery mainly comprised leasehold improvements, furniture and fixtures, office equipment and motor vehicles. The carrying amount of property, plant and equipment amounted to approximately HK\$5.3 million, HK\$5.8 million, HK\$3.9 million and HK\$3.3 million as at 31 March 2016, 2017, 2018 and as at 31 July 2018, respectively. Motor vehicles represented approximately 97.7%, 98.1%, 90.0% and 89.0% of the total property, plant and equipment as at 31 March 2016, 2017, 2018 and as at 31 July 2018, respectively.

FINANCIAL INFORMATION

Trade and other receivables

Our trade and other receivables consist of (i) trade receivables from third parties; (ii) deposits; and (iii) prepayments mainly related to listing expenses and other receivables.

Set out below is the composition of trade and other receivables as at 31 March 2016, 2017, 2018 and as at 31 July 2018:

	As at 31 March			As at 31 July
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	4,432	15,501	15,077	17,986
Deposits	354	154	170	170
Prepayments and other receivables	<u>10</u>	<u>40</u>	<u>2,816</u>	<u>3,140</u>
	<u>4,796</u>	<u>15,695</u>	<u>18,063</u>	<u>21,296</u>

Trade receivables

As at 31 March 2016, 2017, 2018 and as at 31 July 2018, the balance of our trade receivables were recorded as approximately HK\$4.4 million, HK\$15.5 million, HK\$15.1 million and HK\$18.0 million, respectively. The amount of trade receivables as at 31 March 2017 increased by approximately HK\$11.1 million and maintained at a similar level of approximately HK\$15.1 million as at 31 March 2018 and approximately HK\$18.0 million as at 31 July 2018. The slight increase in trade receivables balance was in line with the 13.1% increase in revenue during the four months ended 31 July 2018.

As at the Latest Practicable Date, approximately HK\$17.9 million or 99.8% of our trade receivables as at 31 July 2018 were subsequently settled.

The following table is an aging analysis of trade receivables based on the invoice date as at the dates indicated:

	As at 31 March			As at 31 July
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Less than 30 days	4,366	15,440	14,306	14,146
31 – 60 days	14	36	565	3,487
61 – 90 days	44	11	198	266
Over 90 days	<u>8</u>	<u>14</u>	<u>8</u>	<u>87</u>
	<u>4,432</u>	<u>15,501</u>	<u>15,077</u>	<u>17,986</u>

FINANCIAL INFORMATION

As at 31 March 2016, 2017, 2018 and as at 31 July 2018, approximately 98.5%, 88.7%, 94.9% and 78.2% of the total trade receivables were within the credit period. Receivables that were neither past due nor impaired related to a number of independent customers that have a good track record with the Group. The Group has not recognised impairment on these balances as there has not been a significant change in credit quality and the Directors believe that the receivables are recoverable. The Group does not hold any collateral over these balances. Based on past experience, management believes that no impairment allowance is necessary as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Our management closely monitors the recoverability of overdue trade receivables on a regular basis and provides for impairment for these trade receivables when there are indications that the balances may not be recoverable. For each of the three years ended 31 March 2018 and for the four months ended 31 July 2017 and 2018, we did not recognise additional impairment on trade receivables.

The following table sets forth our average trade receivables turnover days for the periods indicated:

	For the year ended 31 March			For the four months ended 31 July
	2016	2017	2018	2018
	Days	Days	Days	Days
Trade receivables turnover days				
(Note)	<u>7</u>	<u>9</u>	<u>13</u>	<u>13</u>

Note: Our average trade receivables turnover days, calculated as the average trade receivables at the beginning and end of the year divided by turnover of the relevant year/period and multiplied by the number of days in the relevant year/period.

Our trade receivables turnover days were 7 days for the year ended 31 March 2016, 9 days for the year ended 31 March 2017, 13 days for the year ended 31 March 2018 and 13 days for the four months ended 31 July 2018, which were within our average credit period granted.

FINANCIAL INFORMATION

Trade and other payables

The followings set forth our Group's trade payables as at the dates indicated:

	As at 31 March			As at 31 July
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	460	1,089	4,678	1,738
Accruals	347	660	1,257	1,091
Deposit received	<u>21</u>	<u>21</u>	<u>21</u>	<u>115</u>
	<u>828</u>	<u>1,770</u>	<u>5,956</u>	<u>2,944</u>

Our trade and other payables balances increased from approximately HK\$0.8 million as at 31 March 2016 to approximately HK\$1.8 million as at 31 March 2017 and to approximately HK\$6.0 million as at 31 March 2018. The balances reduced to approximately HK\$2.9 million as at 31 July 2018.

Our trade payables increased from approximately HK\$0.5 million as of 31 March 2016 to approximately HK\$1.1 million as of 31 March 2017 and further increased to approximately HK\$4.7 million as of 31 March 2018. It was mainly due to the increase in quantity of diesel oil we purchased from our suppliers in order to cope with the increase in sales orders from our customers. The increase in accruals were mainly attributable to listing expenses incurred during the year ended 31 March 2018. The balance reduced to approximately HK\$1.1 million as at 31 July 2018, mainly because our Group repaid most of the outstanding balances as at 31 July 2018.

The trade payables are non-interest bearing and the Group is normally granted with credit terms up to 30 days by our suppliers. As at 31 March 2016, 2017, 2018 and as at 31 July 2018, the aging analysis of the trade payables based on the invoice date is as follows:

	As at 31 March			As at 31 July
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Less than 30 days	460	1,089	4,671	1,738
31 to 60 days	<u>—</u>	<u>—</u>	<u>7</u>	<u>—</u>
	<u>460</u>	<u>1,089</u>	<u>4,678</u>	<u>1,738</u>

FINANCIAL INFORMATION

As at the Latest Practicable Date, we had subsequently settled approximately HK\$1.7 million, or 100% of our outstanding trade payables as at 31 July 2018.

The following table sets forth our average trade payables turnover days for the periods indicated:

	For the year ended 31 March			For the four months ended 31 July
	2016	2017	2018	2018
	Days	Days	Days	Days
Trade payables turnover days				
(Note)	<u>1</u>	<u>1</u>	<u>3</u>	<u>3</u>

Note: Our trade payables turnover days, calculated as the average of trade payables at the beginning of the year/period and trade payables at the end of the year/period divided by the cost of sales for the same year/period and multiplied by the number of days in the relevant year/period.

Our turnover days of trade payables (comprising our payables to suppliers) were approximately 1 day, 1 day and 3 days for the three years ended 31 March 2018 and approximately 3 days for the four months ended 31 July 2018, respectively, which were generally in line with the credit term offered to us by our suppliers.

Amount due to a director

The amount due to a director were approximately HK\$4.7 million, HK\$4.4 million, nil and nil as at 31 March 2016, 31 March 2017, 31 March 2018 and 31 July 2018, respectively. The outstanding amount was non-trade related, unsecured, interest-free, and repayable on demand. The outstanding amount has been settled in full in February 2018.

FINANCIAL INFORMATION

INDEBTEDNESS

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

	As at 31 March			As at 31 July	As at 31 October
	2016	2017	2018	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(unaudited)
Current liabilities					
Obligations under finance lease	1,250	1,651	1,293	1,022	807
Interest-bearing borrowings	–	–	3,672	2,355	1,354
Non-current liabilities					
Obligations under finance lease	2,512	2,244	915	699	544

As at 31 October 2018 for the purpose of this indebtedness statement, our Group's indebtedness consisted of obligations under finance lease and interest-bearing borrowings of approximately HK\$2.7 million. The decrease in total indebtedness was solely due to the repayment of finance lease during the Track Record Period.

As at 31 October 2018, the unutilised banking facilities readily available to the Group amounted to approximately HK\$2.0 million.

Obligation under finance leases

Our Group leases certain of its motor vehicles and these leases are classified as finance leases. The future lease payments under the finance leases are due as follows:

	As at 31 March			As at 31 July	As at 31 October
	2016	2017	2018	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(unaudited)
Present value of minimum lease payments:					
Amount due for settlement within 12 months	1,250	1,651	1,293	1,022	807
Amounts due for settlement after 12 months	2,512	2,244	915	699	544

FINANCIAL INFORMATION

The amount of obligations under finance leases was approximately HK\$3.8 million, HK\$3.9 million, HK\$2.2 million as at 31 March 2016, 31 March 2017 and 31 March 2018 and approximately HK\$1.7 million and HK\$1.4 million as at 31 July 2018 and 31 October 2018, respectively. The annual effective interest rates for the finance leases ranged from 3.35% to 6.80% per annum during the Track Record Period. The Group has leased the motor vehicles under finance leases and the lease terms are in the range from three to five years.

As at 31 March 2016, 2017, 2018, 31 July 2018 and 31 October 2018, the Group's obligations under finance leases were secured by personal guarantee of the Controlling Shareholder and the lessors' title to the leased assets with carrying amount of approximately HK\$4.4 million, HK\$4.9 million, HK\$3.2 million, HK\$2.7 million and HK\$2.3 million, respectively. The Directors confirmed that the personal guarantees will be released and replaced by corporate guarantees to be granted by our Company upon Listing or the amounts due under the relevant finance leases will be repaid in full before Listing.

Bank borrowings

Our Group had bank borrowings of nil, nil, approximately HK\$3.7 million, HK\$2.4 million and approximately HK\$1.4 million as at 31 March 2016, 2017, 2018, 31 July 2018 and as at 31 October 2018 respectively, which was used for financing the operation of the Group. The bank borrowings are denominated in Hong Kong dollars and the effective interest rate was Hong Kong Interbank Offer Rate plus 3.5% as at 31 March 2018. As at 31 October 2018, our Group's banking facilities are secured by personal guarantee provided by Mr. Yik Law, a Controlling Shareholder. The Directors confirmed that the personal guarantee will be released and replaced by the corporate guarantee to be granted by our Company upon Listing.

Our Directors confirmed we had not materially defaulted or delayed in payments of trade and non-trade payables and/or breaches of finance covenants during the Track Record Period and up to the Latest Practicable Date.

CONTINGENT LIABILITIES

As at the Latest Practicable Date, we were not aware of any pending or potential material legal proceedings involving our Group, or to our Directors' knowledge, threatened against us which could have a material adverse effect on our business or operations.

FINANCIAL INFORMATION

CASH FLOWS

The following table summarises selected cash flows data from our combined statements of cash flows for the Track Record Period:

	For the year ended 31 March			For the four months ended 31 July
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash and cash equivalents at beginning of year/period	1,062	4,049	1,470	3,156
Net cash generated from/(used in) operating activities	4,606	5,985	7,339	(106)
Net cash used in investing activities	(360)	(443)	(55)	(4)
Net cash used in financing activities	(1,259)	(8,121)	(5,598)	(1,804)
Cash and cash equivalent at the end of year/period	<u>4,049</u>	<u>1,470</u>	<u>3,156</u>	<u>1,242</u>

Net cash generated from operating activities

Net cash generated from operating activities primarily consisted of profit before income tax adjusted for non-cash items, such as, depreciation, gain on disposal of property, plant and equipment, and finance costs. We primarily derive our cash inflows from the receipt of payments from customers. Our cash used in operations principally comprises purchases of materials and labour costs.

For the year ended 31 March 2016, our net cash generated from operating activities was approximately HK\$4.6 million, primarily as a result of the combined effects of (i) an operating profit before movements in working capital of approximately HK\$7.1 million; (ii) the increase in trade and other receivables of approximately HK\$1.7 million; and (iii) the decrease in trade and other payables of approximately HK\$0.6 million. This was partially offset by the interest paid of approximately HK\$0.2 million.

For the year ended 31 March 2017, our net cash generated from operating activities was approximately HK\$6.0 million, primarily as a result of the combined effects of (i) approximately HK\$16.7 million operating cash flows before movements in working capital; (ii) the increase in trade and other receivables of approximately HK\$10.8 million; and (iii) the increase in trade and other payables of approximately HK\$0.9 million. This was partially offset by (i) the interest paid of approximately HK\$0.2 million and (ii) income tax paid of approximately HK\$0.6 million.

FINANCIAL INFORMATION

For the year ended 31 March 2018, our net cash generated from operating activities was approximately HK\$7.3 million, primarily as a result of the combined effects of (i) approximately HK\$9.8 million operating cash flows before movements in working capital; and (ii) the increase in trade and other payables of approximately HK\$4.2 million. This is partially offset by (i) the increase in other receivables of approximately HK\$2.8 million; (ii) the interest paid of approximately HK\$0.1 million; and (iii) the income taxes paid of approximately HK\$4.2 million.

For the four months ended 31 July 2018, our net cash used in operating activities was approximately HK\$0.1 million, primarily as a result of the combined effects of (i) approximately HK\$6.2 million operating cash flows before movements in working capital; (ii) decrease in trade payables and other payables of approximately HK\$2.9 million and HK\$72,000; (iii) increase in trade receivables and other receivables of approximately HK\$2.9 million and HK\$0.3 million; and (iv) the interest paid of approximately HK\$80,000.

Net cash used in investing activities

For the year ended 31 March 2016, our net cash used in investing activities was approximately HK\$0.4 million. The net cash used was mainly attributable cash outflow for the purchase of property, plant and equipment of approximately HK\$0.4 million. This was partially offset by the proceeds from disposal of property, plant and equipment of approximately HK\$75,000.

For the year ended 31 March 2017, our net cash used in investing activities was approximately HK\$0.4 million and it was used for the purchase of property, plant and equipment.

For the year ended 31 March 2018, our net cash used in investing activities was approximately HK\$55,000 and it was used for the purchase of property, plant and equipment of approximately HK\$0.3 million and proceeds of approximately HK\$0.3 million from disposal of property, plant and equipment.

For the four months ended 31 July 2018, our net cash used in investing activities was approximately HK\$4,000 and it was solely used for the purchase of property, plant and equipment.

Net cash used in financing activities

For the year ended 31 March 2016, our net cash used in financing activities was approximately HK\$1.3 million, mainly attributable to (i) the repayment from a director of approximately HK\$0.1 million; and (ii) it is offset by the repayment of obligations under finance leases of approximately HK\$1.4 million.

FINANCIAL INFORMATION

For the year ended 31 March 2017, our net cash used in financing activities was approximately HK\$8.2 million, mainly attributable to (i) the advance to a director of approximately HK\$6.7 million; and (ii) the repayment of obligations under finance leases of approximately HK\$1.5 million.

For the year ended 31 March 2018, our net cash used in financing activities was approximately HK\$5.6 million, mainly attributable to (i) the advance to a director of approximately HK\$4.4 million; (ii) dividend paid of approximately HK\$3.2 million; (iii) repayment of bank loans of approximately HK\$0.3 million; (iv) repayment of obligations under finance lease of approximately HK\$1.7 million and (v) new bank borrowings of approximately HK\$4.0 million.

For the four months ended 31 July 2018, our net cash used in financing activities was approximately HK\$1.8 million and it was used for the repayment of obligations under finance leases of approximately HK\$0.5 million and repayment of bank loans of approximately HK\$1.3 million.

SUMMARY OF KEY FINANCIAL RATIOS

		As at/For the year ended 31 March			As at/For the four months ended 31 July
	Notes	2016	2017	2018	2018
Gross profit margin	1	5.1%	4.9%	5.1%	4.6%
Net profit margin	2	2.6%	3.2%	1.1%	2.8%
Current ratio (<i>times</i>)	3	1.3	1.8	1.9	2.9
Gearing ratio (<i>times</i>)	4	0.9	0.4	0.5	0.2
Net debt to equity (<i>times</i>)	5	N/A	0.2	0.2	0.2
Return on equity	6	117.6%	116.0%	39.6%	26.9%
Return on total assets	7	35.8%	53.7%	19.4%	17.6%
Interest coverage ratio (<i>times</i>)	8	35.8	92.8	54.1	69.1

Notes:

- Gross profit margin equals gross profit for the year/period divided by revenue for the relevant year/period.
- Net profit margin equals net profit for the year/period divided by revenue for the relevant year/period.
- Current ratio is calculated by current assets over current liabilities as at the end of the respective year/period.
- Gearing ratio is calculated by total debt over total equity as at the end of the respective year/period. Total debt is defined to include all interest-bearing borrowings and obligations under finance leases.

FINANCIAL INFORMATION

5. Net debt to equity is calculated by net debt over total equity as at the end of the respective year/period. Net debt includes all borrowings net of cash and cash equivalent.
6. Return on equity is calculated by profit for the year/period over total equity as at the end of the respective year/period.
7. Return on total assets is calculated by profit for the year/period over total assets at the end of the respective year/period.
8. Interest coverage ratio is calculated by profit for the year/period before interest and tax over interest expense for the year/period.

Gross profit margin

Our gross profit margin were approximately 5.1%, 4.9% and 5.1% for the three years ended 31 March 2016, 2017 and 2018, respectively, and approximately 4.6% for the four months ended 31 July 2018. For further information in relation to our gross profit margin, please refer to the paragraph headed “Management discussion and analysis” in this section.

Net profit margin

Our net profit margin was approximately 2.6%, 3.2% and 1.1% for the three years ended 31 March 2016, 2017 and 2018, respectively, and approximately 2.8% for the four months ended 31 July 2018, respectively. The increase was primarily attributable to increase in revenue and decrease in administrative and other operating expenses for the year ended 31 March 2017. The decrease of the net profit margin during the year ended 31 March 2018 was mainly because the listing expenses were incurred during this period. The slight improvement in net profit margin for the four months ended 31 July 2018 was mainly due to less listing expenses incurred during the period and the slight decrease in gross profit margin. For further information in relation to our gross profit margin, please refer to the paragraph headed “Management discussion and analysis” in this section.

Current ratio

The current ratio maintained at a relatively stable level at 1.3 times, 1.8 times and 1.9 times as at 31 March 2016, 2017 and 2018. The current ratio increased to 2.9 times as at 31 July 2018, mainly due to repayment of more trade payables during the four months ended 31 July 2018.

FINANCIAL INFORMATION

Gearing ratio

The gearing ratio recorded were 0.9 times, 0.4 times and 0.5 times as at 31 March 2016, 2017 and 2018, respectively. The decrease was mainly due to the increase in net profit to approximately HK\$12.4 million for the year ended 31 March 2017 from approximately HK\$5.1 million for the year ended 31 March 2016 and hence increased the total equity. The slight increase in gearing ratio as at 31 March 2018 was due to new bank borrowings of approximately HK\$3.7 million as at 31 March 2018.

The gearing ratio reduced to 0.2 times as at 31 July 2018, mainly due to repayment of bank loans of approximately HK\$1.3 million and repayment of obligations under finance leases of approximately HK\$0.5 million during the four months ended 31 July 2018.

Net debt to equity

We had a net cash position as at 31 March 2016. Our net debt to equity ratio was 0.2 times as at 31 March 2017 and 31 March 2018. The net debt to equity ratio maintained at 0.2 times as at 31 July 2018.

Return on equity

The return on equity ratio maintained at a stable level throughout the Track Record Period at approximately 117.6%, 116.0%, 39.6% and 26.9% as at 31 March 2016, 2017, 2018 and 31 July 2018. The decrease in the return on equity as at 31 March 2018 and 31 July 2018 was due to the decrease in the profit of the period as the listing expenses were incurred.

Return on total assets

Our return on total assets increased to approximately 53.7% for the year ended 31 March 2017 from approximately 35.8% for the year ended 31 March 2016, which was mainly due to the increase in net profit to approximately HK\$12.4 million for the year ended 31 March 2017 from approximately HK\$5.1 million for the year ended 31 March 2016. The ratio was decreased to approximately 19.4% as at 31 March 2018 because lower profit for the year ended 31 March 2018 was recorded since the listing expenses were incurred in the period. The return on total assets maintained at similar level of approximately 17.6% for the four months ended 31 July 2018.

FINANCIAL INFORMATION

Interest coverage ratio

The interest coverage ratio was approximately 35.8 times for the year ended 31 March 2016 and approximately 92.8 times for the year ended 31 March 2017. Such increase was mainly due to higher profit before interest and tax from operation of approximately HK\$14.9 million for the year ended 31 March 2017 and lower finance costs as the Group continued to repay the obligations under finance leases during the year. The ratio was decreased to approximately 54.1 times for the year ended 31 March 2018 due to lower profit as the Group incurred listing expenses. The interest coverage ratio increased to approximately 69.1 times for the four months ended 31 July 2018 as the finance costs was lower while the net profit maintained at similar level as compared to the year ended 31 March 2018.

CAPITAL EXPENDITURES

During the Track Record Period, we incurred capital expenditures for the purchase of property, plant and equipment. Our capital expenditures were approximately HK\$2.1 million, HK\$2.4 million, HK\$0.3 million and HK\$4,000 for the three years ended 31 March 2018 and for the four months ended 31 July 2018, respectively, and were mainly for the purchase of motor vehicles and leasehold improvements additions.

We expect to meet future capital expenditure requirements through our available cash and cash equivalents, cash generated from our operations and bank borrowings, as well as net proceeds from the Share Offer. Where our Directors consider appropriate and necessary, we may raise additional funds on terms that are acceptable to us.

COMMITMENTS

Operating lease commitments

During the Track Record Period, our Group leases office premises under operating lease. The leases run for an average term of one year. Our Group had total future minimum lease payments under non-cancellable operating leases falling due as follow:

	As at 31 March			As at
	2016	2017	2018	31 July
	HK\$'000	HK\$'000	HK\$'000	2018
				HK\$'000
Within one year	324	27	240	120
After one year but within five years	<u>27</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>351</u>	<u>27</u>	<u>240</u>	<u>120</u>

FINANCIAL INFORMATION

Our Group did not have significant capital commitments as at 31 March 2016, 2017, 2018 and 31 July 2018.

OFF-BALANCE-SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, our Group had not entered into any material off-balance-sheet commitments and arrangements.

SUFFICIENCY OF WORKING CAPITAL

Taking into account the estimated net proceeds from the Share Offer, cash flows from our operations and existing indebtedness and the declaration of special dividend, our Directors are of the view, and the Sole Sponsor concurs, that working capital available to our Group is sufficient for our present requirements for at least the next 12 months commencing from the date of this prospectus.

We expect to finance our working capital requirement for the 12 months following the date of this prospectus with the following sources of funding:

- cash inflows generated from our operating activities;
- the cash and cash equivalent available; and
- proceeds to be received by our Group from the Share Offer.

CAPITAL MANAGEMENT

Our Group actively and regularly reviews and manages our capital structure in order to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. Our Group monitors our capital structure on the basis of the gearing ratio.

FINANCIAL RISK MANAGEMENT

Our Group is exposed to liquidity risk in the normal course of business. Further details on our financial risk management policies and practices are set out in Note 28 of Accountants' Report.

FINANCIAL INFORMATION

LISTING EXPENSES

Our Group recorded listing expenses of approximately HK\$9.4 million during the three years ended 31 March 2018 and approximately HK\$0.4 million for the four months ended 31 July 2018. Our Group expects that the total listing expenses, which is non-recurring in nature, will be amounted to approximately HK\$25.2 million, of which approximately: (i) HK\$7.6 million is directly attributable to the issue of the Offer Shares pursuant to the Listing and will be accounted for as a deduction from equity upon the Listing; and (ii) HK\$7.8 million is expected to be charged to combined statements of comprehensive income for the eight months ending 31 March 2019.

Such listing expenses are current estimate for reference only. The actual amounts to be recognised to the profit and loss of our Group or to be capitalised are subject to adjustments based on audit and changes in variables and assumptions.

SUBSEQUENT EVENTS

For significant events that took place subsequent to 31 July 2018, please refer to Note 32 to the Accountants' Report.

DIVIDEND

The dividend declared and paid by our Company's subsidiary, Wing Ko, to our Controlling Shareholder during the financial years ended 31 March 2016, 2017 and 2018 amounted to nil, approximately HK\$6.0 million and approximately HK\$3.2 million, respectively. Save as the above, our Group did not declare any dividend during the financial years ended 31 March 2016, 2017 and 2018 and for the four months ended 31 July 2018.

As at the Latest Practicable Date, we have not adopted any dividend policy and we had no fixed dividend payout ratio. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Board in the future.

DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands and is an investment holding company. There were no reserves available for distribution to the Shareholders as of the Latest Practicable Date.

FINANCIAL INFORMATION

UNAUDITED PRO FORMA COMBINED NET TANGIBLE ASSETS

The unaudited pro forma combined net tangible assets of our Group has been prepared, for the purpose of illustrating the effect of the Share Offer as if it had taken place on 31 July 2018. Please see “Appendix II – Unaudited pro forma financial information” to this prospectus for details.

RELATED PARTY TRANSACTIONS

With respect to the related parties transactions set out in Note 27 of the Accountants’ Report of our Group, our Directors believe that such transactions were conducted on normal commercial terms and such terms were no less favorable to our Group than terms available to Independent Third Parties and were fair and reasonable and in the interests of our Shareholders as a whole.

PROPERTY INTERESTS AND PROPERTY VALUATION

Our Directors confirm that, as at 31 July 2018, there were no circumstances that would give rise to a disclosure requirement under Rules 8.01 to 8.36 of the GEM Listing Rules. As at 31 July 2018, our property interests do not form part of our property activities and no single property interest that forms part of our non-property activities has a carrying amount of 15% or more of our total assets.

MATERIAL ADVERSE CHANGE

Our Directors have confirmed that they have performed sufficient due diligence to ensure that as at the Latest Practicable Date and up to the date of this prospectus save for disclosed above, there has been no material adverse change in the financial and trading position or prospects of our Group since 31 July 2018, being the date to which the latest audited financial statements of our Group were made up. Our Directors consider that all information necessary for the investing public to make an informed judgment as to the business activities and financial position of our Group has been included in this prospectus.

DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, there were no circumstances which, had our Group been required to comply with Rules 17.15 to 17.21 of the GEM Listing Rules, would have given rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS OBJECTIVE AND STRATEGIES

Our goal is to further enhance our performance as one of the leading providers of diesel oil in Hong Kong. Please refer to the paragraph headed “Business – Business strategies” in this prospectus for a description of our business strategies.

REASONS FOR THE SHARE OFFER AND USE OF PROCEEDS

The net proceeds of the Share Offer will provide us with the necessary funding to expand our business. Our Directors believe that Listing will allow us to access the capital market for raising funds in the future. More importantly, a public listing status will enhance our corporate profile and recognition, which our Directors believe can (i) promote our brand to potential new customers by having greater market presence; and (ii) strengthen our relationships with our existing suppliers and customers based on higher confidence in our financial condition shown in our published financial reports.

As at 31 July 2018, our Group’s cash and bank balances was approximately HK\$1.2 million. Our Directors consider that although the current cash balance can support our existing operations, it cannot support our business expansion.

Assuming that the Offer Price is determined at HK\$0.60 (being the mid-point of the Offer Price range) and the Offer Size Adjustment Option is not exercised, the aggregate amount of net proceeds of the Share Offer to be received by our Company after deducting the underwriting commission and estimated expenses payable by our Company is estimated to be approximately HK\$34.8 million. Our Directors currently intend to apply such net proceeds in the following manner:

- (a) approximately HK\$15.0 million, representing approximately 43.1% of the net proceeds, will be used for purchasing six diesel tank wagons;
- (b) approximately HK\$12.5 million, representing approximately 35.9% of the net proceeds, will be used for expanding our manpower, including recruitment of four drivers, one administrative staff, two accounting staff, one safety manager and two logistic assistants;

FUTURE PLANS AND USE OF PROCEEDS

- (c) approximately HK\$5.0 million, representing approximately 14.4% of the net proceeds, will be used for upgrading our information technology systems; and
- (d) the remaining balance of approximately HK\$2.3 million, representing approximately 6.6% of the net proceeds, will be used for general working capital of our Group.

The above allocation of the net proceeds of the Share Offer will be adjusted on a pro rata basis in the event that the Offer Price is determined at a higher or lower level compared to the mid-point of the Offer Price range.

Assuming that the Offer Price is determined at HK\$0.70 (being the high-end of the Offer Price range), our Company will receive additional net proceeds of approximately HK\$9.2 million. We currently intend to apply such additional net proceeds to the above proposed ways of use of proceeds, on a pro-rata basis.

Assuming that the Offer Price is determined at HK\$0.50 (being the low-end of the Offer Price range), the net proceeds our Company receives will be reduced by approximately HK\$9.2 million. We currently intend to reduce the net proceeds to the above proposed ways of use of proceeds, on a pro-rata basis.

If the Offer Size Adjustment Option is exercised in full, the net proceeds of the Share Offer would increase by up to approximately HK\$8.3 million (based on the mid-point of the Offer Price range). We currently intend to apply such additional net proceeds to the above proposed ways of use of proceeds, on a pro-rata basis.

To the extent that the net proceeds of the Share Offer are not immediately required for the above purposes, our Directors currently intend that such proceeds be placed on short-term deposits with licensed banks and/or financial institutions.

Our Directors consider that the net proceeds from the Share Offer together with our internal resources will be sufficient to finance the implementation of our business plans as set forth in the paragraph below in this section. Investors should be aware that any part of our business plans may not proceed according to the time frame as described above due to various factors. Under such circumstances, our Directors will evaluate carefully the situation and will hold the funds as short-term deposits until the relevant business plan(s) materialise.

FUTURE PLANS AND USE OF PROCEEDS

IMPLEMENTATION PLAN

In light of the business objectives of our Group, we will seek to attain the milestones contained in this paragraph from the Latest Practicable Date to 30 September 2023. Prospective investors should note that the milestones and their scheduled times for attainment are formulated on the bases and assumptions referred to in the paragraph headed “Bases and assumptions” in this section. These bases and assumptions are inherently subject to many uncertainties, variables and unpredictable factors, in particular the risk factors set out in the section headed “Risk factors” in this prospectus. Our Group’s actual course of business may vary from the business objectives set out in this prospectus. There can be no assurance that the plans of our Group will materialise in accordance with the expected timeframe or that the objectives of our Group will be accomplished at all. Based on the current status of the industry, our Directors intend to carry out the following implementation plans:

(a) For the period from the Latest Practicable Date to 31 March 2019

Business strategy	Implementation plan	Use of proceeds <i>HK\$ million</i>
Purchase diesel tank wagons	Purchase two diesel tank wagons	5.0
Expand manpower	Recruit two drivers, one administrative staff, two accounting staff, one safety manager and two logistic assistants	0.3

(b) For the period from 1 April 2019 to 30 September 2019

Business strategy	Implementation plan	Use of proceeds <i>HK\$ million</i>
Expand manpower	Maintain the cost of the newly hired staff	1.0
Upgrade information technology systems	Engage external professionals to upgrade and develop our information technology systems	2.5
Purchase diesel tank wagons	Purchase two diesel tank wagons	5.0

FUTURE PLANS AND USE OF PROCEEDS

(c) For the period from 1 October 2019 to 31 March 2020

Business strategy	Implementation plan	Use of proceeds <i>HK\$ million</i>
Expand manpower	Recruit two drivers and maintain the cost of the newly hired staff	1.3
Upgrade information technology systems	Engage external professionals to develop our information technology systems	2.5

(d) For the period from 1 April 2020 to 30 September 2020

Business strategy	Implementation plan	Use of proceeds <i>HK\$ million</i>
Expand manpower	Maintain the cost of the newly hired staff	1.3

(e) For the period from 1 October 2020 to 31 March 2021

Business strategy	Implementation plan	Use of proceeds <i>HK\$ million</i>
Purchase diesel tank wagons	Purchase two diesel tank wagon	5.0
Expand manpower	Maintain the cost of the newly hired staff	1.3

(f) For the period from 1 April 2021 to 30 September 2023

Business strategy	Implementation plan	Use of proceeds <i>HK\$ million</i>
Expand manpower	Maintain the cost of the newly hired staff	7.3

FUTURE PLANS AND USE OF PROCEEDS

BASES AND ASSUMPTIONS

The business objectives set out by our Directors are based on the following bases and assumptions:

- (a) we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;
- (b) there will be no material changes in existing laws, rules and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates;
- (c) there will be no change in the funding requirement for each of the near term business objectives described in this prospectus from the amount as estimated by our Directors;
- (d) there will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
- (e) there will be no disasters, natural, political or otherwise, which would materially disrupt the business or operations of our Group;
- (f) our Group will continue its operation including but not limited to retaining its key staff, maintaining its customers, and securing the supply of diesel fuels in the same manner as our Group has been operating during the Track Record Period;
- (g) our Group will be able to carry out its development plans without disruption and adversely affecting its operations or business objects in any way;
- (h) there will be no change in the effectiveness of the licences, permits and qualifications obtained by our Group; and
- (i) we will not be materially affected by the risk factors as set out in the section headed “Risk factors” in this prospectus.

UNDERWRITING

JOINT BOOKRUNNERS AND JOINT LEAD MANAGERS

Kingsway Financial Services Group Limited

Bluemount Securities Limited

CO-LEAD MANAGERS

Eternal Pearl Securities Limited

Kaiser Securities Limited

Pacific Foundation Securities Limited

PUBLIC OFFER UNDERWRITERS

Kingsway Financial Services Group Limited

Bluemount Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is initially offering for subscription by the public in Hong Kong of the 10,000,000 Public Offer Shares at the Offer Price under the Public Offer, on and subject to the terms and conditions set forth in this prospectus and the Application Forms. The Public Offer Underwriters have agreed, severally, but not jointly, on and subject to the terms and conditions in the Public Offer Underwriting Agreement, to procure subscribers for, or failing which they shall subscribe for, the Public Offer Shares.

The Public Offer Underwriting Agreement is subject to various conditions, which include, without limitation:

- (a) the Listing Division granting listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus; and
- (b) the Placing Underwriting Agreement having been executed, becoming unconditional and not having been terminated.

UNDERWRITING

Grounds for termination

The respective obligations of the Public Offer Underwriters to subscribe for, or procure subscribers for, the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination. The Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) shall be entitled in their reasonable opinion terminate the Public Offer Underwriting Agreement with immediate effect by written notice to our Company at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date if:

- (a) there shall develop, occur, exist or come into effect:
 - (i) any event, or series of events, beyond the reasonable control of the Public Offer Underwriters (including, without limitation, acts of government, strikes, lockouts, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism, riot, public disorder, economic sanctions, outbreak of diseases or epidemics including SARS and avian influenza and such related/mutated forms or interruption or delay in transportation) in or affecting Hong Kong, the Cayman Islands or any other jurisdiction relevant to any member of our Group (the “**Group Company**”) or the Share Offer (collectively, the “**Relevant Jurisdictions**”) which in the reasonable opinion of the Joint Lead Managers have or would 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; or
 - (ii) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory or market conditions and matters and/or disaster or any monetary or trading settlement systems (including, without limitation, conditions in stock, credit and bond markets, money and foreign exchange markets and inter-bank markets, or any monetary or trading settlement system, any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange, or a material fluctuation in the exchange rate of Hong Kong dollars against any foreign currency, or any interruption in securities settlement or clearance service or procedures) in or affecting the Relevant Jurisdictions; or

UNDERWRITING

- (iii) any new law or 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 other competent authority in any of the Relevant Jurisdictions; or
- (iv) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for any of the Relevant Jurisdictions; or
- (v) a change or development occurs involving a prospective change in taxation, exchange control, currency exchange rates or foreign investment regulations (including without limitation a material devaluation of the Hong Kong dollar against any foreign currencies) or the implementation of any exchange control in any of the Relevant Jurisdictions; or
- (vi) any material change or development involving a prospective change, or a materialisation of, any of the risks set forth in the section headed “Risk factors” in this prospectus; or
- (vii) any litigation or claim of material importance of any third party being threatened or instigated against any Group Company (other than those fully covered by an insurance policy of our Group Company), the executive Directors and/or the Controlling Shareholders; or
- (viii) a valid demand by any creditor for repayment or payment of any indebtedness of any Group Company or in respect of which any Group Company is liable prior to its stated maturity; or
- (ix) any loss or damage sustained by any Group Company (howsoever caused but excluding such loss or damage which are subject of and fully covered by any insurance or claim against any person); or
- (x) a petition is presented for the winding up or liquidation of any Group Company or any Group Company 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 Group Company or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any Group Company or anything analogous thereto occurs in respect of any Group Company; or

UNDERWRITING

- (xi) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong and/or the Hong Kong Monetary Authority or other competent authority) or any of the Relevant Jurisdictions, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of the Relevant Jurisdictions; or
- (xii) any adverse change or development involving a prospective change in the condition (financial or otherwise) or in the earnings, business affairs, business prospects or trading position of any Group Company, or customer confidence, including but not limited to any action, suit, proceeding, litigation or claim of any third party being threatened or instigated against any Group Company, or any investigation of any Group Company or an order for suspension of business by any governmental authority; or
- (xiii) an executive Director being charged or indicted or detained with an indictable offence or prohibited by operation of law or otherwise disqualified from directorship, or the commencement by any governmental authority of any investigation or other action against any Director in his/her capacity as such or an announcement by any governmental authority that it intends to investigate or take any such actions; or
- (xiv) the chairman or chief executive officer of our Company vacating his office; or
- (xv) non-compliance of this prospectus (or any other documents used in connection with the Share Offer) or any aspect of the Share Offer with the GEM Listing Rules, the Articles of Association, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFO or any other applicable Laws by any of our Company, the Controlling Shareholders, or the executive Directors,

which, individually or in aggregate, in the absolute opinion of the Joint Lead Managers:

- (1) is/are or shall have or could be expected to have a material adverse effect on the assets, liabilities, general affairs, management, shareholders' equity, profits, losses, results of operations, business, financial or other condition or prospects of our Group as a whole or in the case of sub-paragraph (b)(v) below, to any present or prospective shareholder of our Company in his, her or its capacity as such; or

UNDERWRITING

- (2) has/have or shall have or could reasonably be expected to have an adverse effect on the success, marketability or pricing of the Share Offer or the level of applications under the Public Offer or the level of interest under the Placing; or
 - (3) make(s) it inadvisable, inexpedient or impracticable for the Share Offer to proceed; or
 - (4) has or will or may be expected to have the effect of making any part of the Public Offer Underwriting Agreement or the Share Offer incapable of implementation or 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;
- (b) there has come to the notice of the Joint Lead Managers:
 - (i) that any statement, considered by the Joint Lead Managers to be material in their absolute discretion, contained in any of this prospectus, Application Forms and any document in connection of the Share Offer was when the same was issued, or has become, untrue, incorrect or misleading in any material respect or that any forecast, expression of opinion, intention or expectation contained in any of such document is not true and honest and based on reasonable assumptions; or
 - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom reasonably considered by the Joint Lead Managers to be material to the Share Offer; or
 - (iii) any material breach of any of the obligations imposed upon any party to the Public Offer Underwriting Agreement (other than on the Placing Underwriters) which the Joint Lead Managers consider to be material; or
 - (iv) any change or development reasonably considered by the Joint Lead Managers to have or could be expected to have a material adverse effect on business affairs, prospects, assets, liabilities, general affairs, management, shareholders' equity, profits, losses, results of operations, or the financial or trading position or otherwise, or performance of any Group Company; or

UNDERWRITING

- (v) any breach of, or any event rendering untrue or incorrect in any respect, any of the warranties contained in the Public Offer Underwriting Agreement, which the Joint Lead Managers consider to be material; or
 - (vi) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnified parties under the Public Offer Underwriting Agreement; or
 - (vii) approval by the Listing Division of the listing of, and permission to deal in, the Shares in issue and 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) any person (other than the Underwriters) has withdrawn or sought to withdraw its consent to being named in any of this prospectus, Application Forms, the Placing Letters (and/or any other documents used in connection with the contemplated subscription of the Offer Shares) or to the issue of any of such documents; or
 - (ix) our Company withdraws any of this prospectus, Application Forms, the Placing Letters and/or any other documents used in connection with the contemplated subscription of the Offer Shares; or
 - (x) any prohibition on our Company by any governmental authority for whatever reasons from offering, allotting or issuing the Shares pursuant to the terms of the Share Offer; or
- (c) the Public Offer does not proceed on or before the Listing Date or the Public Offer Underwriting Agreement is terminated due to any reason whatsoever.

UNDERWRITING

Undertakings given to the Stock Exchange pursuant to the GEM Listing Rules

By our Company

We have undertaken to the Stock Exchange that we shall not issue any further Shares or securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement to issue any such Shares or securities within six months from the Listing Date (whether or not such issue of Shares will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 17.29 of the GEM Listing Rules.

By our Controlling Shareholders

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange that except pursuant to the Share Offer or the Offer Size Adjustment Option, he/it shall not:

- (a) in the period commencing on the date by reference to which disclosure of his/its shareholdings in our Company is made in this prospectus and ending on the date which is twelve 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 our securities in respect of which he/it is shown to be the beneficial owner in this prospectus; or
- (b) in the period of a further twelve months commencing on the date on which the period referred to in paragraph (a) 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 securities referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he will cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company.

Each our Controlling Shareholders has also undertaken to our Company and the Stock Exchange respectively that, at any time during the period of twelve months from the Listing Date:

- (a) in the event that he/it pledges or charges any direct or indirect interest in the relevant securities of our Company under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, he/it shall immediately inform our Company in writing of such pledge or charge, disclosing the details specified in Rules 17.43(1) to (4) of the GEM Listing Rules; and

UNDERWRITING

- (b) having pledged or charged any interest in securities under paragraph (a) above, he/it shall inform our Company immediately in writing, in the event that he/it becomes aware or receives indications, either verbal or written, that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of securities affected.

Pursuant to Rule 13.20 of the GEM Listing Rules, in the event that our Company has been informed of any matter under Rule 13.19 of the GEM Listing Rules as described above, we shall forthwith publish an announcement giving details of the same in accordance with the requirements of Rule 17.43 of the GEM Listing Rules.

Undertakings given to the Public Offer Underwriters

By our Company

Our Company has undertaken to each of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that except pursuant to the Share Offer, the Capitalisation Issue, the Offer Size Adjustment Option and the grant of any option under the Share Option Scheme, at any time during the period from the date of this prospectus and ending on the date which is twelve months from the Listing Date (the “**First Twelve-Month Period**”), we will not, and will procure each other Group Company not to, unless in compliance with the requirements of the GEM Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue, repurchase or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its affiliates) or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any voting right or any other right attaching thereto), or deposit any Shares or other securities of our Company, with a depositary in connection with the issue of depositary receipts;

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- (b) 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 any Shares or other securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares);
- (c) enter into any transaction with the same economic effect as any transaction specified in paragraphs (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect the transactions specified in paragraphs (a) or (b) or (c) above.

In addition, during the twelve-month period immediately following the First Twelve-Month Period (“**Second Twelve-Month Period**”), our Company shall not do any of the acts set out in paragraph (a), (b) and (c) above such that any of the Controlling Shareholders, directly or indirectly, would cease to be a Controlling Shareholder of the Company.

By our Controlling Shareholders

Each of our Controlling Shareholders has undertaken jointly and severally to each of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that, unless in compliance with the GEM Listing Rules, he/it shall not, and shall procure his/its close associates not to, at any time during the First Twelve-Month Period:

- (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create any encumbrances over, or agree to transfer or dispose of or create an encumbrances over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable) in respect of which any of our Controlling Shareholders is shown by this prospectus to be the beneficial owner (whether direct or indirect) (the “**Lock-Up Securities**”) or any interest therein;
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Lock-Up Securities or any interest therein;
- (c) enter into any transaction with the same economic effect as any transaction described in paragraph (a) or (b) above; or

UNDERWRITING

- (d) offer or agree or contract to, or announce any intention to effect any transaction described in paragraphs (a) or (b) or (c) above,

in each case, whether any such transaction described in paragraphs (a) or (b) or (c) above is to be settled by delivery of Shares or such other securities, in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the First Twelve-Month Period).

In addition, during the Second Twelve-Month Period, each of our Controlling Shareholders shall not enter into any of the transactions described in paragraphs (a), (b), (c) or (d) above or offers to or agrees to or announce any intention to effect any such transaction if, immediately following such transaction, he/it will cease to be a Controlling Shareholder of our Company or would together with the other Controlling Shareholders cease to be Controlling Shareholders of our Company.

Until the expiry of the Second Twelve-Months Period, in the event that any of our Controlling Shareholders enters into any of the transactions described in paragraphs (a), (b), (c) or (d) above or offers to or agrees to or announce any intention to effect any such transaction, he/it will take all steps to ensure that he/it will not create a disorderly or false market in the Shares or other securities 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, from the date of the Public Offer Underwriting Agreement up to and including the expiry of the Second Twelve-Months Period, he/it will:

- (a) in the event that he/it pledges or charges any of his/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 Rules, he/it must as soon as possible inform the Company, the Sponsor and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) in writing of such pledges or charges immediately thereafter, disclosing the details as specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
- (b) having pledged or charged any of his/its interests in the Shares under (a) above, when he/it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or, interests in the securities of the Company will be sold, transferred or disposed of, he/it must immediately inform the Company, the Sponsor and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) in writing of such indications.

Our Company will inform the Stock Exchange, the Joint Bookrunners and the Joint Lead Managers in writing as soon as it has been informed of any of the matters referred to above (if any) by our Controlling Shareholders and, our Company shall, if so required by the Stock Exchange or the GEM Listing Rules, disclose such matters by way of an announcement and shall comply with all the requirements in accordance with the GEM Listing Rules as soon as possible.

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Each of our Company and our Controlling Shareholders undertakes with the Sole Sponsor, the Joint Lead Managers and each of the Public Offer Underwriters that each of them will not, and each Controlling Shareholder further agrees to procure that our Company will not, effect any transactions, at any time within the First Twelve-Months Period, which may reduce the holding of Shares in “public hands” (as such expression means under the GEM Listing Rules) below the relevant prescribed minimum percentage (25%) as is set out in and calculated in accordance with the GEM Listing Rules without having obtained the prior written consent of the Sole Sponsor and the Joint Lead Managers (for themselves behalf of the other Public Offer Underwriters).

Placing

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company, our Controlling Shareholders and our executive Directors will enter into the Placing Underwriting Agreement with the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Placing Underwriters and other parties (if any) on 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 severally, but not jointly, agree to procure subscribers and purchasers to subscribe for or purchase, or failing which they shall subscribe for or purchase, the Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing 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, our Company and Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed “Undertakings given to the Public Offer Underwriters” above in this section.

Under the Placing Underwriting Agreement, we intend to grant to the Placing Underwriters the Offer Size Adjustment Option, exercisable by the Joint Lead Managers (for themselves and on behalf of the Placing Underwriters). Please refer to the paragraph headed “Structure and conditions of the Share Offer – Offer Size Adjustment Option” for more information.

UNDERWRITING

Commission, fees and expenses

In connection with the Share Offer, Kingsway Financial Services Group Limited will receive a praecipium of HK\$800,000 which shall include the underwriting commission that Kingsway Financial Services Group Limited shall receive. The Public Offer Underwriters (other than Kingsway Financial Services Group Limited) will, and the Placing Underwriters (other than Kingsway Financial Services Group Limited) are expected to receive a gross underwriting commission of 8.0% of the aggregate Offer Price of all the Offer Shares, out of which they will pay any sub-underwriting commissions. If the Offer Size Adjustment Option is exercised partially or fully, the underwriting commission will be calculated in the same manner with the Offer Shares initially available for subscription.

Based on the Offer Price of HK\$0.6 per Offer Share (being the mid-point of the indicative range of the Offer Price), the aggregate commission, together with Stock Exchange listing fees, SFC transaction levy, Stock Exchange trading fees, legal and other professional fees and printing and other expenses relating to the Share Offer, are estimated to amount to approximately HK\$25.2 million in total (assuming the Offer Size Adjustment Option is not exercised) which shall be borne by our Company.

SOLE SPONSOR'S AND UNDERWRITERS' INTEREST IN OUR COMPANY

The Sole Sponsor has been engaged by our Company as compliance adviser, and will receive a sponsorship fee to the Share Offer. The Joint Lead Managers and the Underwriters will receive an underwriting commission and/or praecipium and/or management fee. Particulars of these underwriting commission, fees and expenses are set forth under the paragraph headed "Commission, fees and expenses" above.

Save as disclosed above, none of the Sole Sponsor and the Underwriters is interested legally or beneficially in any Shares or other securities of our Company or any members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase any Shares or other securities of our Company or any members of our Group or has any interest in the Share Offer.

Following the completion of the Share Offer, the Public Offer Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Public Offer Underwriting Agreement and/or the Placing Underwriting Agreement.

The Sole Sponsor satisfies the independence criteria applicable to a sponsor set out in Rule 6A.07 of the GEM Listing Rules.

MINIMUM PUBLIC FLOAT

Our Directors, the Joint Bookrunners and the Joint Lead Managers will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 11.23(7) of the GEM Listing Rules after completion of the Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

This prospectus is published in connection with the Public Offer as part of the Share Offer. The Share Offer consists of:

- a. the Public Offer of initially 10,000,000 Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described below under the paragraph headed “The Public Offer” below; and
- b. the Placing of initially 90,000,000 Offer Shares (subject to reallocation and the Offer Size Adjustment Option as mentioned below) which will conditionally be placed with selected professional, institutional, and other investors as described below under the paragraph headed “The Placing”.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Placing Shares under the Placing, but may not do both.

The number of Offer Shares to be offered under the Public Offer and the Placing may be subject to reallocation as described in the paragraph headed “The Public Offer – Reallocation” below.

References in this prospectus to applications, the Application Forms, application monies or the procedure for application relate solely to the Public Offer.

THE PUBLIC OFFER

Number of Offer Shares initially offered

Our Company is initially offering 10,000,000 Public Offer Shares for subscription (subject to reallocation) at the Offer Price by members of the public in Hong Kong under the Public Offer, representing 10% of the total number of Offer Shares initially available under the Share Offer. The Public Offer Shares initially offered under the Public Offer, subject to any reallocation of Offer Shares between the Placing and the Public Offer and assuming that the Offer Size Adjustment Option is not exercised, will represent 2.5% of our Company’s enlarged issued share capital after completion of the Capitalisation Issue and Share Offer.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional, professional and other investors. Professional and institutional 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” of this section.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Allocation

Allocation of the 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 be allotted more Public Offer Shares 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.

Multiple or suspected multiple applications under the Public Offer and any application for more than 10,000,000 Public Offer Shares, being the 100% of the 10,000,000 Public Offer Shares initially available under the Public Offer are liable to be rejected.

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 Lead Managers (for themselves and on behalf of the Underwriters) have the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Joint Lead Managers (for themselves and on behalf of the Underwriters) deem appropriate;
 - (ii) if the Public Offer Shares are not undersubscribed 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 10,000,000 Offer Shares may be reallocated to the Public Offer from the Placing (as the Joint Lead Managers (for themselves and on behalf of the Underwriters) deem appropriate), so that the total number of the Offer Shares available under the Public Offer will be increased to 20,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option);
 - (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 Offer 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 30,000,000 Offer Shares, representing 30% of the number of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option);

STRUCTURE AND CONDITIONS OF 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 Offer 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 40,000,000 Offer Shares, representing 40% of the number of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option); and
 - (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 Offer 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 50,000,000 Offer Shares, representing 50% of the number of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option).
- (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; and
 - (ii) if the Public Offer Shares are oversubscribed irrespective of the number of times the number of Offer Shares initially available for subscription under the Public Offer, then up to 10,000,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 20,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option).

In the event of reallocation of Offer Shares between the Public Offer and the Placing in the circumstances where (a) 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 (b) 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\$0.50 per Offer Share) stated in this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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. 20,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available for subscription under the Share Offer (before any exercise of the Offer Size Adjustment Option).

Applications

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or 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 Placing 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 if he or she has been or will be placed or allocated Placing Shares under the Placing.

THE PLACING

Number of Offer Shares offered

Subject to reallocation as described above, the Placing will consist of 90,000,000 Shares, representing approximately 90% of the total number of Offer Shares initially available under the Share Offer. Subject to the reallocation of the Offer Shares between the Placing and the Public Offer and assuming that the Offer Size Adjustment Option is not exercised, the number of Offer Shares initially offered under the Placing will represent 22.5% of our Company's enlarged issued share capital immediately after completion of the Capitalisation Issue and Share Offer.

Allocation

Pursuant to the Placing, the Placing Shares will be conditionally placed on behalf of our Company by the Placing Underwriters or through selling agents appointed by them. The Placing Shares will be selectively placed to certain professional and institutional and other investors who 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 and who are anticipated to have a sizeable demand for such Placing Shares in Hong Kong. The Placing is subject to the Public Offer being unconditional.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Allocation of Offer Shares pursuant to the Placing will be determined by the Joint Lead Managers and 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 Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the 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 Lead Managers (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Joint Lead Managers so as to allow them to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Offer Shares under the Public Offer.

Reallocation

The total number of Offer Shares to be issued and sold pursuant to the Placing may change as a result of the clawback arrangement described in the paragraph headed "The Public Offer – Reallocation" above, and/or any reallocation of unsubscribed Offer Shares originally included in the Public Offer.

Offer Size Adjustment Option

Pursuant to the Offer Size Adjustment Option, the Joint Lead Managers (for themselves and on behalf of the Placing Underwriters) will have the right, exercisable with the prior consent of our Company at any time during the period from the date of this prospectus to 7 January 2019, being the last business day prior to the Listing Date (otherwise the Offer Size Adjustment Option will lapse), to require our Company to issue, at the Offer Price, up to an aggregate of 15,000,000 additional Shares, representing 15% of the total number of Shares initially available under the Share Offer to cover any excess demand or over-allocations in the Placing, subject to the terms of the Placing Underwriting Agreement. If the Offer Size Adjustment Option is exercised in full, the additional Shares will represent approximately 3.6% of the enlarged issued share capital of our Company immediately following the completion of the Share Offer, the Capitalisation Issue and the exercise of the Offer Size Adjustment Option but without taking into account any Shares which may be issued upon the exercise of any options may be granted under the Share Option Scheme. The additional net proceeds received from the offer of the additional Shares allotted and issued will be allocated in accordance with the allocations as disclosed in the paragraph headed "Future plans and use of proceeds – Reasons for the Share Offer and use of proceeds", on a pro rata basis.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

For the avoidance of doubt, the purpose of the Offer Size Adjustment Option is to provide flexibility for the Joint Lead Managers to meet any excess demand in the Placing. The Offer Size Adjustment Option will not be associated with any price stabilisation activities of the Shares in the secondary market after the Listing and will not be subject to the Securities and Futures (Price Stabilizing) Rules of the SFO (Chapter 571W of the Laws of Hong Kong). No purchase of the Shares in the secondary market will be effected to cover any excess demand in the Placing which will only be satisfied by the exercise of the Offer Size Adjustment Option in full or in part.

Our Company will disclose in its allotment results announcement whether and to what extent the Offer Size Adjustment Option has been exercised, and will confirm in the announcement that, if the Offer Size Adjustment Option is not exercised by then, the Offer Size Adjustment Option will lapse and cannot be exercised on any future date. The allotment results announcement will be published on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.skhl.com.hk**.

Offer Price range

The Offer Price will not be more than HK\$0.7 per Offer Share and is expected to be not less than HK\$0.5 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but not expected to be, lowered than the indicative Offer Price range as stated in this prospectus.

Price payable on application

Applicants for Offer Shares under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$0.7 for each Public Offer Share (plus the brokerage, Stock Exchange trading fee and SFC transaction levy payable on each Offer Share), amounting to a total of HK\$7,070.54 per board lot of 10,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$0.7 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest.

If, for any reason, our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before 4 January 2019, the Share Offer will not proceed and will lapse.

Further details are set out in the section headed "How to apply for Public Offer Shares" in this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Change to Offer Price range

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during a bookbuilding process in respect of the Placing, and with the consent of our Company, reduce the number of the Offer Shares being offered under the Share Offer and/or change the indicative Offer Price range stated in this prospectus at any time prior to 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 change, and in any event not later than the morning of the last day lodging applications under the Public Offer, cause there to be published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.skhl.com.hk** notices of reduction in the number of the Offer Shares and/or the indicative Offer Price range. Upon issue of such a notice, the revised number of the Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon with our Company, will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Share Offer statistics, and any other financial information in this prospectus which may change as a result of any such change.

Before submitting applications for the Public Offer Shares, applicants should have regard to the possibility that any announcement of an extension or reduction in the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer. Applicants who have submitted their applications for Public Offer Shares before such an announcement is made may subsequently withdraw their applications in the event that such an announcement is subsequently made. In the absence of any notice being published in relation to a reduction in the number of the Offer Shares and/or change in the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Public Offer, the Offer Price, if agreed upon by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

Announcement of the Offer Price and the basis of allocations

Announcement of the final Offer Price, together with the level of indication of interests in the Placing, and the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares are expected to be published on Monday, 7 January 2019 on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.skhl.com.hk** website.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

UNDERWRITING

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement. We expect to enter into the Placing Underwriting Agreement relating to the Placing on or around the Price Determination Date. These underwriting arrangements and the Underwriting Agreements are summarised in the section headed “Underwriting” of this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares is conditional upon, amongst other things, the satisfaction of all the following conditions, in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus:

- (i) the Listing Division of the Stock Exchange granting the approval of 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 the Shares which fall to be allotted and issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme);
- (ii) the entering into the Price Determination Agreement between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on the Price Determination Date; and
- (iii) the obligations of the Underwriters under each of the Underwriting Agreements becoming and remaining unconditional 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 the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be published by us on the Stock Exchange’s website at www.hkexnews.hk and our Company’s website at www.skhl.com.hk on the next business day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in “How to apply for Public Offer Shares”. In the meantime, all application monies 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).

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Share certificates for the Offer Shares are expected to be issued on Monday, 7 January 2019 but will only become valid certificates of title at 8:00 a.m. on Tuesday, 8 January 2019 provided that (i) the Share Offer has become unconditional in all respects, and (ii) the right of termination as described in the paragraph headed “Underwriting – Underwriting arrangements and expenses – Public Offer – Grounds for termination” in this prospectus has not been exercised.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made for the Shares to be admitted into CCASS.

If the Stock Exchange grants the listing of, and permission to deal in, the Shares 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 the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on 8 January 2019, it is expected that dealings in Shares on the Stock Exchange will commence at 9:00 a.m. on 8 January 2019.

The Shares will be traded in board lots of 10,000 Shares each. The stock code of the Shares is 8631.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at **www.hkeipo.hk**; 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 Joint Lead Managers, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company, the Sole Sponsor, the Joint Bookrunners and Joint Lead Managers 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.

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- are a Director or chief executive officer of our Company and/or any of its subsidiaries;
- are a connected person or a core connected person (as defined in the GEM Listing Rules) of our Company or will become a connected person or a core connected person of our Company immediately upon completion of the Share Offer;
- are an associate or a close associate (as defined in the GEM Listing Rules) of any of the above; and
- 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, either (i) use a **WHITE** Application Form; or (ii) apply online through the designated website of the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** under the **HK eIPO White Form** service.

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, either (i) complete and sign the **YELLOW** Application Form; or (ii) give **electronic application instructions** to HKSCC via CCASS.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 21 December 2018 to 12:00 noon on Friday, 28 December 2018 from:

- (i) the following offices of the Public Offer Underwriters:

Kingsway Financial Services Group Limited

7/F, Tower One
Lippo Centre
89 Queensway
Hong Kong

Bluemount Securities Limited

Room 2403-05, Jubilee Centre
18 Fenwick Street
Wan Chai
Hong Kong

- (ii) any of the following branches of the receiving bank for the Public Offer:

Bank of China (Hong Kong) Limited

District	Branch Name	Address
Hong Kong Island	North Point (King's Centre) Branch	193-209 King's Road, North Point, Hong Kong
Kowloon	194 Cheung Sha Wan Road Branch	194-196 Cheung Sha Wan Road, Sham Shui Po, Kowloon

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 21 December 2018 until 12:00 noon on Friday, 28 December 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**BANK OF CHINA (HONG KONG) NOMINEES LIMITED – SUN KONG HOLDINGS PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Friday, 21 December 2018 – 9:00 a.m. to 5:00 p.m.
- Saturday, 22 December 2018 – 9:00 a.m. to 1:00 p.m.
- Monday, 24 December 2018 – 9:00 a.m. to 5:00 p.m.
- Thursday, 27 December 2018 – 9:00 a.m. to 5:00 p.m.
- Friday, 28 December 2018 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 28 December 2018, the last application day or such later time as described in "Effect of bad weather on the opening of the applications lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company, the Sole Sponsor and/or the Joint Bookrunners and/or the Joint Lead Managers (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 Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any of the Placing Shares nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (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 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 deposit any share certificate(s) into CCASS and/or 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 specified in the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, our Directors, the Sole Sponsor, the Joint Bookrunners and Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional instructions for **YELLOW** Application Form

You may refer to the **YELLOW** Application Form for details.

HOW TO APPLY FOR PUBLIC OFFER SHARES

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in “Who can apply” section, may apply through the **HK eIPO White Form** service for the Public Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. 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, 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

You may submit your application online to the **HK eIPO White Form** Service Provider through the designated website at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 21 December 2018 until 11:30 a.m. on Friday, 28 December 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 28 December 2018 or such later time under the “Effect of bad weather on the opening of the applications lists” in this section.

No multiple applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

HOW TO APPLY FOR 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 Centre

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, the Joint Lead Managers and our Hong Kong Branch Share Registrar.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers 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;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their 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;
- 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;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association of our Company; 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 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 10,000 Public Offer Shares. Instructions for more than 10,000 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

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Friday, 21 December 2018 – 9:00 a.m. to 8:30 p.m.
- Saturday, 22 December 2018 – 8:00 a.m. to 1:00 p.m.
- Monday, 24 December 2018 – 8:00 a.m. to 8:30 p.m.
- Thursday, 27 December 2018 – 8:00 a.m. to 8:30 p.m.
- Friday, 28 December 2018 – 8:00 a.m. to 12:00 noon

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 PUBLIC OFFER SHARES

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 21 December 2018 until 12:00 noon on Friday, 28 December 2018 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 28 December 2018, the last application day or such later time as described in “Effect of bad weather on the opening of the application lists” in this section.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit.

Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving banker, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 28 December 2018.

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 the **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

HOW TO APPLY FOR PUBLIC OFFER SHARES

- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for 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.

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 10,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 10,000 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**.

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).

HOW TO APPLY FOR PUBLIC OFFER SHARES

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 28 December 2018. 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 Friday, 28 December 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the 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 on Monday, 7 January 2019 on our Company’s website at **www.skhl.com.hk** 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 (where appropriate) 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.skhl.com.hk** and the Stock Exchange’s website at **www.hkexnews.hk** by no later than 9:00 a.m. on Monday, 7 January 2019;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Monday, 7 January 2019 to 12:00 midnight on Sunday, 13 January 2019;
- by telephone enquiry line by calling 852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Monday, 7 January 2019 to Thursday, 10 January 2019 on a Business Day;
- in the special allocation results booklets which will be available for inspection during opening hours from Monday, 7 January 2019 to Wednesday, 9 January 2019 at all the receiving bank designated branches.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure and conditions of the Share Offer” of 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 PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

- (i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **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 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 Joint Lead Managers, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Division of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- 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, or the Joint Lead Managers 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.

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\$0.7 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 paragraph 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 Monday, 7 January 2019.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Public Offer 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 in 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

HOW TO APPLY FOR PUBLIC OFFER SHARES

- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Monday, 7 January 2019. 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). Share certificates will only become valid at 8:00 a.m. on Tuesday, 8 January 2019 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 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 7 January 2019 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 specified in your Application Form on Monday, 7 January 2019, 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. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address specified in your Application Form on Monday, 7 January 2019, 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 Monday, 7 January 2019, 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 a CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS Participant.

- 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 Monday, 7 January 2019 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 7 January 2019, or such other date as notified by our Company in the newspapers 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 Monday, 7 January 2019 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 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 Monday, 7 January 2019, or, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR 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 Monday, 7 January 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 7 January 2019 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 Monday, 7 January 2019. 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 Monday, 7 January 2019.

HOW TO APPLY FOR PUBLIC OFFER SHARES

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their 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 the 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.

**MAZARS CPA LIMITED**

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**INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON HISTORICAL
FINANCIAL INFORMATION OF SUN KONG HOLDINGS LIMITED**

The Directors
Sun Kong Holdings Limited
Kingsway Capital Limited

INTRODUCTION

We report on the historical financial information of Sun Kong Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on pages I-5 to I-57, which comprises the combined statements of financial position of the Group as at 31 March 2016, 2017, 2018 and 31 July 2018, the statements of financial position of the Company as at 31 March 2018 and 31 July 2018 and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the years ended 31 March 2016, 2017 and 2018 and for the four months ended 31 July 2018 (the “Track Record Periods”) and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-5 to I-57 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 21 December 2018 (the “Prospectus”) in connection with the initial listing of shares of the Company on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

REPORT ON THE HISTORICAL FINANCIAL INFORMATION**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 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. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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 Group's financial position as at 31 March 2016, 2017, 2018 and 31 July 2018, of the Company's financial position as at 31 March 2018 and 31 July 2018 and of the Group's financial performance and cash flows for the Track Record Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of Stub Period Comparative Historical Financial Information

We have reviewed the stub period comparative historical financial information of the Group which comprises the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the four months ended 31 July 2017 and other explanatory information (together, the "Stub Period Comparative Historical Financial Information"). The directors of the Company are responsible for the preparation of the Stub Period Comparative Historical Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Historical Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Historical Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 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-5 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which contains information about the dividends paid by entities now comprising the Group in respect of the Track Record Periods.

Preparation or audit of financial statements

No statutory 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 Track Record Periods have been audited and, if applicable, the name of the auditors.

No audited financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards or other applicable financial reporting standards for the Company or any of its subsidiaries in respect of any period subsequent to 31 July 2018 and up to the date of this report.

Mazars CPA Limited

Certified Public Accountants

Hong Kong

21 December 2018

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 financial statements of the Group for the Track Record Periods, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and were audited by us 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 dollar ("HK\$"), which is also the functional currency of the Company and all values are rounded to the nearest thousand (HK\$'000) except where otherwise indicated.

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 March			Four months ended 31 July	
		2016	2017	2018	2017	2018
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Revenue	5	193,935	387,369	443,436	144,079	162,887
Cost of sales		<u>(183,955)</u>	<u>(368,267)</u>	<u>(420,961)</u>	<u>(137,275)</u>	<u>(155,388)</u>
Gross profit		9,980	19,102	22,475	6,804	7,499
Other income	6	350	–	–	–	–
Administrative and other operating expenses		(4,598)	(4,165)	(5,216)	(1,211)	(1,527)
Finance costs	7	(160)	(161)	(145)	(52)	(80)
Expenses for the Initial Listing		<u>–</u>	<u>–</u>	<u>(9,408)</u>	<u>–</u>	<u>(375)</u>
Profit before taxation	7	5,572	14,776	7,706	5,541	5,517
Income tax expense	10	<u>(521)</u>	<u>(2,421)</u>	<u>(2,824)</u>	<u>(914)</u>	<u>(972)</u>
Profit and total comprehensive income for the year/period		<u><u>5,051</u></u>	<u><u>12,355</u></u>	<u><u>4,882</u></u>	<u><u>4,627</u></u>	<u><u>4,545</u></u>

COMBINED STATEMENTS OF FINANCIAL POSITION

		At 31 March		At 31 July	
		2016	2017	2018	2018
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current asset					
Property, plant and equipment	13	<u>5,263</u>	<u>5,846</u>	<u>3,912</u>	<u>3,294</u>
Current assets					
Trade receivables	14	4,432	15,501	15,077	17,986
Other receivables	15	364	194	2,986	3,310
Bank balances and cash		<u>4,049</u>	<u>1,470</u>	<u>3,156</u>	<u>1,242</u>
		<u>8,845</u>	<u>17,165</u>	<u>21,219</u>	<u>22,538</u>
Current liabilities					
Trade payables	16	460	1,089	4,678	1,738
Other payables	17	368	681	1,278	1,206
Amount due to a director	18	4,703	4,383	–	–
Interest-bearing borrowings	19	–	–	3,672	2,355
Obligations under finance leases	20	1,250	1,651	1,293	1,022
Tax payable		<u>103</u>	<u>1,815</u>	<u>531</u>	<u>1,519</u>
		<u>6,884</u>	<u>9,619</u>	<u>11,452</u>	<u>7,840</u>
Net current assets		<u>1,961</u>	<u>7,546</u>	<u>9,767</u>	<u>14,698</u>
Total assets less current liabilities		<u>7,224</u>	<u>13,392</u>	<u>13,679</u>	<u>17,992</u>
Non-current liabilities					
Obligations under finance leases	20	2,512	2,244	915	699
Deferred tax liabilities	21	<u>418</u>	<u>499</u>	<u>433</u>	<u>417</u>
		<u>2,930</u>	<u>2,743</u>	<u>1,348</u>	<u>1,116</u>
NET ASSETS		<u>4,294</u>	<u>10,649</u>	<u>12,331</u>	<u>16,876</u>
Capital and reserves					
Share capital	22	–	–	–	–
Reserves		<u>4,294</u>	<u>10,649</u>	<u>12,331</u>	<u>16,876</u>
TOTAL EQUITY		<u>4,294</u>	<u>10,649</u>	<u>12,331</u>	<u>16,876</u>

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		At 31 March 2018 HK\$'000	At 31 July 2018 HK\$'000
	Note		
Non-current asset			
Investment in a subsidiary	24(a)	—	—
Current asset			
Other receivables		2,737	2,812
Bank balances		—	1
		2,737	2,813
Current liabilities			
Amount due to a subsidiary	24(b)	2,737	2,814
NET CURRENT LIABILITIES		—	(1)
NET LIABILITIES		—	(1)
Capital and reserves			
Share capital	22	—	—
Accumulated losses	24(c)	—	(1)
TOTAL DEFICIT		—	(1)

Note: The Company was incorporated on 31 October 2017.

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital HK\$'000	Capital reserve HK\$'000 (Note 23)	Accumulated (losses)/ profits HK\$'000	Total HK\$'000
At 1 April 2015	–	10	(767)	(757)
Profit and total comprehensive income for the year	<u>–</u>	<u>–</u>	<u>5,051</u>	<u>5,051</u>
At 31 March 2016 and 1 April 2016	–	10	4,284	4,294
Profit and total comprehensive income for the year	<u>–</u>	<u>–</u>	<u>12,355</u>	<u>12,355</u>
Transactions with owners				
Contributions and distributions				
Dividends (Note 12)	<u>–</u>	<u>–</u>	<u>(6,000)</u>	<u>(6,000)</u>
At 31 March 2017 and 1 April 2017	–	10	10,639	10,649
Profit and total comprehensive income for the year	<u>–</u>	<u>–</u>	<u>4,882</u>	<u>4,882</u>
Transactions with owners				
Contributions and distributions				
Dividends (Note 12)	<u>–</u>	<u>–</u>	<u>(3,200)</u>	<u>(3,200)</u>
At 31 March 2018 and 1 April 2018	–	10	12,321	12,331
Profit and total comprehensive income for the period	<u>–</u>	<u>–</u>	<u>4,545</u>	<u>4,545</u>
At 31 July 2018	<u>–</u>	<u>10</u>	<u>16,866</u>	<u>16,876</u>
At 1 April 2017	–	10	10,639	10,649
Profit and total comprehensive income for the period	<u>–</u>	<u>–</u>	<u>4,627</u>	<u>4,627</u>
At 31 July 2017 (unaudited)	<u>–</u>	<u>10</u>	<u>15,266</u>	<u>15,276</u>

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 March			Four months ended 31 July	
	2016	2017	2018	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
OPERATING ACTIVITIES					
Profit before taxation	5,572	14,776	7,706	5,541	5,517
Adjustments for:					
Depreciation	1,485	1,794	1,989	663	622
Gain on disposal of property, plant and equipment	(75)	–	–	–	–
Finance costs	160	161	145	52	80
Operating cash inflows before changes in working capital	7,142	16,731	9,840	6,256	6,219
Changes in working capital:					
Trade receivables	(1,460)	(11,069)	424	(4,440)	(2,909)
Other receivables	(320)	170	(2,792)	(46)	(324)
Trade payables	1	629	3,589	1,199	(2,940)
Other payables	(597)	313	597	(222)	(72)
Cash generated from (used in) operations	4,766	6,774	11,658	2,747	(26)
Interest paid	(160)	(161)	(145)	(52)	(80)
Income taxes paid	–	(628)	(4,174)	(174)	–
Net cash from (used in) operating activities	4,606	5,985	7,339	2,521	(106)
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	(435)	(443)	(330)	–	(4)
Proceeds from disposal of property, plant and equipment	75	–	275	–	–
Net cash used in investing activities	(360)	(443)	(55)	–	(4)
FINANCING ACTIVITIES					
Amount due to a director	105	(6,654)	(4,383)	(2,610)	–
Dividend paid	–	–	(3,200)	–	–
New bank loan raised	–	–	4,000	–	–
Repayment of bank loan	–	–	(328)	–	(1,317)
Repayment of obligations under finance leases	(1,364)	(1,467)	(1,687)	(564)	(487)
Net cash used in financing activities	(1,259)	(8,121)	(5,598)	(3,174)	(1,804)
Net increase (decrease) in cash and cash equivalents	2,987	(2,579)	1,686	(653)	(1,914)
Cash and cash equivalents at beginning of year/period	1,062	4,049	1,470	1,470	3,156
Cash and cash equivalents at end of year/period, represented by bank balances and cash	4,049	1,470	3,156	817	1,242

NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1. General information and reorganisation*****Corporate information***

Sun Kong Holdings Limited (the “Company”, together with its subsidiaries are hereinafter collectively referred to as the “Group”) was incorporated in the Cayman Islands as an exempted company with limited liability on 31 October 2017 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) 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 principal place of business is situated in 20/F., Glassview Commercial Building, No. 65 Castle Peak Road Yuen Long, Yuen Long, New Territories, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in sale of diesel oils and related products in Hong Kong.

At the date of this report, the immediate holding company of the Company is Fully Fort Group Limited, which is incorporated in the British Virgin Islands (the “BVI”). In the opinion of the directors of the Company, the ultimate controlling party is Mr. Law Ming Yik (the “Ultimate Controlling Party”).

Pursuant to a group reorganisation (the “Reorganisation”), which was completed on 29 November 2018, as detailed in the paragraph headed “Reorganisation” of the section headed “History and development, Reorganisation and Group Structure” of the prospectus of the Company dated 21 December 2018 (the “Prospectus”) issued in connection with the initial listing of shares of the Company on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the holding company of the entities now comprising the Group.

Upon the completion of the Reorganisation and as of the date of this report, the particulars of the Company's subsidiaries, which are private limited liability companies are as follows:

Name	Place of incorporation/ operation	Date of incorporation	Issued and paid-up share capital	Effective interest attributable to the Company	Principal activities
Directly held					
Forever Treasure Holdings Limited ("Forever Treasure") (Note (i))	The BVI	14 November 2017	50,000 shares of United States dollar ("US\$") 1 each	100%	Investment holding
Indirectly held					
Wing Ko Petroleum Chemistry (China-Hong Kong) Limited ("Wing Ko Petroleum") (Note (ii))	Hong Kong	18 December 2002	10,000 shares of HK\$1 each	100%	Sale of diesel oils and related products in Hong Kong

Notes:

- (i) No audited financial statements of Forever Treasure were issued as there is no statutory audit requirement in the BVI.
- (ii) The statutory financial statements of Wing Ko Petroleum for the years ended 31 March 2017 and 2018 were audited by Mazars CPA Limited, *Certified Public Accountants*, and were prepared in accordance with HKFRSs issued by the HKICPA.

The statutory financial statements of Wing Ko Petroleum for the year ended 31 March 2016 were audited by F. L. Chim & Co., *Certified Public Accountants*, and were prepared in accordance with the Small and Medium-sized Entity Financial Reporting Standard issued by the HKICPA.

2. Basis of preparation and presentation of 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 Wing Ko Petroleum. The Company is an investment holding company and has not 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, it is considered as a business combination under common control. The Group's Historical Financial Information for the Track Record Periods 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" issued by the HKICPA.

As further explained in the paragraph headed “Basis of combination” in Note 3, the Historical Financial Information presents the combined financial information of the entities now comprising the Group as if the current group structure had always been in existence and the Group is regarded as a continuing entity.

3. Significant accounting policies

Statement of compliance

The Historical Financial Information has been prepared in accordance with the basis set out below which conforms to 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 “GEM Listing Rules”).

The HKICPA has issued a number of new/revised HKFRSs during the Track Record Periods. For the purpose of the Historical Financial Information, the Group has consistently adopted all these new/revised HKFRSs that are relevant to its operations and are effective during the Track Record Periods.

HKFRS 9, *Financial Instruments* and HKFRS 15, *Revenue from Contracts with Customers* are effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group has applied HKFRS 9 and HKFRS 15 consistently throughout the Track Record Period.

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.

Basis of combination

The Historical Financial Information comprises the financial statements of the Company and all of its subsidiaries for the Track Record 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 balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

The results of subsidiaries are combined from the date on which the Group or the Ultimate Controlling Party obtains control and continue to be combined until the date that the control by the Group ceases.

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. The combined statements of 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.

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.

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 year 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 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 or valuation of the item is allocated on a reasonable basis and depreciated separately:

Leasehold improvements	5 years/over the unexpired term of lease, whichever is shorter
Furniture and fixtures	5 years
Office equipment	5 years
Motor vehicles	5 years

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 year 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 instruments. 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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

*Classification and measurement***(i) Financial assets**

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through profit or loss or fair value through other comprehensive income.

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Group changes its business model for managing financial assets.

The Group's financial assets, including trade and other receivables, 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 designated as fair value through other comprehensive income are measured at fair value through profit or loss.

(ii) Financial liabilities

Financial liabilities include trade and other payables, amount due to a director, interest-bearing borrowings and obligations under finance leases. All financial liabilities are subsequently measured 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. 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. Lifetime expected credit losses represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument while 12-month expected credit losses represents the portion of lifetime expected credit losses that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. 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 assessed through the internal credit risk ratings at the reporting date. For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires lifetime expected losses to be recognised from initial recognition of the receivables. Expected credit losses on trade receivables are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

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 since initial recognition on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risks since initial recognition, 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 and changes in the operating results of the debtors.

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.

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.

Sale of goods:

Revenue from the sale of goods is recognised at point in time when the goods are delivered and titles have passed.

Interest income

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

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 financial statements are presented in the currency of Hong Kong Dollars ("HK\$"), which is also the Company's functional currency.

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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in 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 other receivables 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 years. Reversal of impairment loss is recognised as an income in profit or loss immediately.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grants will be received and all attaching conditions will be complied with. When a grant relates to an expense item, it is recognised as income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where a grant relates to an asset, the Group recognised in full as other income to profit or loss in the year of grant if the amount is immaterial instead of recognised as a deduction from the carrying amount of the relevant asset and released to profit or loss over the expected useful life of the relevant asset by equal annual instalments. The directors of the Group considered that the effect of the recognised amount to profit or loss over the expected useful life is immaterial.

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

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.

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.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Employee benefits*Short term employee benefits*

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

Defined contribution plans

The obligations for contributions to defined contribution retirement scheme are recognised as expenses in profit or loss as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior the contributions are vested fully in those employees. The assets of the scheme are held separately from those of the Company in an independently administered fund.

Long service payments

The Group's net obligation in respect of long service payments under the Employment Ordinance is the amounts of future benefit that employees have earned in return for their services in the current and prior periods. The obligation is calculated using the projected unit credit method and discounted to its present value and after deducting the fair value of any related assets, including those retirement scheme benefits.

Taxation

The charge for current income tax is based on the results for the year 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, 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 parent 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 parent, 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 themselves 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 parent 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 parent 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:

Impairment of trade and other receivables

The provision for expected credit loss is determined by grouping together debtors with similar risk characteristics and collectively, or individually assessing them for likelihood of recovery. The provision reflects 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. Judgement has been applied in determining the level of provision for expected credit losses, taking into account the credit risk characteristics of debtors and the likelihood of recovery assessed on a combination of collective and individual bases as relevant. While provisions are considered to be appropriate, changes in estimation basis or in economic conditions could lead to a change in the level of provisions recorded and consequently on the charge or credit to profit or loss.

Depreciation

The Group depreciates property, plant and equipment on the straight-line basis over the respective estimated useful lives as set out above, with the depreciation charge commencing from the date an item of the property, plant and equipment is available for use. The estimated useful life reflects the management's estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

Income taxes

The Group is subject to income taxes in Hong Kong. Significant judgement is required in determining provision for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amount that we initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

Future changes in HKFRSs

As at the date of this report, the HKICPA has issued the following new and revised HKFRSs which are relevant to the Group and not yet effective for the Track Record Periods:

HKFRS 16	Leases ⁽¹⁾
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ⁽¹⁾
Amendments to HKAS 19	Employee benefits ⁽¹⁾
Amendments to HKAS 28	Investments in Associates and Joint Ventures ⁽¹⁾
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ⁽¹⁾
Annual Improvements to HKFRSs	2015-2017 Cycle ⁽¹⁾
HKFRS 17	Insurance Contracts ⁽²⁾
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽³⁾

⁽¹⁾ Effective for annual periods beginning on or after 1 January 2019

⁽²⁾ Effective for annual periods beginning on or after 1 January 2021

⁽³⁾ The effective date to be determined

Save for HKFRS 16 as set out below, 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 financial information.

HKFRS 16

HKFRS 16 significantly changes the lessee accounting by replacing the dual model under HKAS 17 with a single model which requires a lessee to recognise assets and liabilities for the rights and obligations created by leases unless the exemptions apply. Besides, among other changes, it requires enhanced disclosures to be provided by lessees and lessors. Based on the preliminary assessment, the management is of the opinion that the leases of certain properties by the Group which are currently classified as operating leases under HKAS 17 will trigger the recognition of right-of-use assets and lease liabilities in accordance with HKFRS 16. In subsequent measurement, depreciation (and, if applicable, impairment loss) and interest will be recognised on the right-of-use assets and the lease liabilities respectively, of which the amount in total for each reporting period is not expected to be significantly different from the periodic operating lease expenses recognised under HKAS 17. Apart from the effects as outlined above, it is not expected that HKFRS 16 will have a material impact on the future financial position, financial performance and cash flows of the Group upon adoption.

As set out in Note 30, as at 31 July 2018, the total future minimum lease payments under non-cancellable operating leases of the Group in respect of premises amounted to approximately HK\$120,000. The management of the Group does not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's financial performance but it is expected that the Group has to separately recognise the interest expenses on the lease liabilities and the depreciation expense on the right-of-use assets, and that certain portion of the future minimum lease payments under the Group's operating leases will be required to be recognised in the Group's combined statements of financial position as right-of-use assets and lease liabilities. The Group will also be required to remeasure the lease liabilities upon the occurrence of certain events such as a change in the lease term and recognise the amount of the remeasurement of the lease liabilities as an adjustment to the right-of-use assets. In addition, payments for the principal portion of the lease liabilities will be presented within financing activities in the Group's combined statements of cash flows.

4. Segment information

The directors of the Company have determined that the Group has only one operating and reportable segment throughout the Track Record Periods, as the Group manages its business as a whole which is the sale of diesel oils and related products in Hong Kong. The sale include sourcing diesel oil and diesel exhaust fluid through oil trading companies, dispatching the fleet of diesel tank wagons of the Group to collect diesel oil from oil depots designated by the suppliers of the Group, and eventually delivering diesel oil to destinations designated by the customers of the Group. The executive directors of the Company, being the chief operating decision-makers of the Group, regularly review the internal financial reports on the same basis for the purposes of allocating resources and assessing performance of the Group.

The Company is an investment holding company and the principal place of the Group's operation is in Hong Kong. All of the Group's revenue from external customers during the Track Record Periods is derived from Hong Kong and all of the Group's assets and liabilities are located in Hong Kong.

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 March			Four months ended	
	2016	2017	2018	31 July	2018
	HK\$'000	HK\$'000	HK\$'000	2017	2018
				HK\$'000	HK\$'000
				(unaudited)	
Customer A	144,957	167,637	151,156	53,503	47,049
Customer B	Note	76,429	85,899	31,120	23,996
Customer C	Note	61,869	56,820	Note	39,582
Customer D	Note	46,553	110,377	45,880	35,829

Note: These customers contributed less than 10% of the total revenue of the Group for the relevant year/period.

5. Revenue

	Year ended 31 March			Four months ended 31 July	
	2016	2017	2018	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Sales of diesel oil	193,625	386,824	442,797	143,848	162,693
Sales of diesel exhaust fluid	<u>310</u>	<u>545</u>	<u>639</u>	<u>231</u>	<u>194</u>
Total revenue	<u>193,935</u>	<u>387,369</u>	<u>443,436</u>	<u>144,079</u>	<u>162,887</u>

6. Other income

	Year ended 31 March			Four months ended 31 July	
	2016	2017	2018	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Gain on disposal of property, plant and equipment	75	–	–	–	–
Government grant (<i>Note</i>)	<u>275</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>350</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

Note: Government grant represents the government's incentive subsidies in relation to replacement of motor vehicles with lower environmental engines under the ex-gratia payment scheme in Hong Kong during the Track Record Periods.

7. Profit before taxation

This is stated after charging (crediting):

	Year ended 31 March			Four months ended 31 July	
	2016	2017	2018	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Finance costs					
Finance charges on obligations under finance leases	160	161	132	52	29
Finance charges on interest-bearing borrowings	—	—	13	—	51
	<u>160</u>	<u>161</u>	<u>145</u>	<u>52</u>	<u>80</u>
Staff costs (including directors' emoluments)					
Salaries and other benefits	3,493	4,083	5,203	1,497	1,759
Contribution to defined contribution plans	159	179	227	69	78
	<u>3,652</u>	<u>4,262</u>	<u>5,430</u>	<u>1,566</u>	<u>1,837</u>
Other items					
Auditor's remuneration	12	53	100	—	—
Cost of inventories (<i>Note</i>)	183,955	368,267	420,961	137,275	155,388
Depreciation					
Cost of sales	796	1,087	1,224	408	349
Other operating expenses	689	707	765	255	273
Gain on disposal of property, plant and equipment	(75)	—	—	—	—
Operating lease charges for premises	<u>319</u>	<u>324</u>	<u>375</u>	<u>117</u>	<u>134</u>

Note: Cost of inventories included approximately HK\$3,034,000, HK\$4,481,000 and HK\$5,015,000, HK\$1,507,000 and HK\$1,590,000 for the years ended 31 March 2016, 2017 and 2018 and for the four months ended 31 July 2017 and 2018 respectively, relating to the aggregate amount of certain staff costs, depreciation, license fee, repair and maintenance and transportation expenses.

8. Directors' emoluments

The Company was incorporated in the Cayman Islands on 31 October 2017 and Mr. Law Ming Yik and Mr. Li Isaiah were appointed as executive directors of the Company on 24 November 2017. Mr. Fenn David, Mr. Ho Cheung Kong and Mr. Wong Ka Chun Matthew were appointed as independent non-executive directors of the Company on 11 December 2018.

Certain directors of the Company received remuneration from the entities now comprising the Group during the Track Record 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 Track Record Periods are set out below.

Year ended 31 March 2016

	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonus HK\$'000	Contributions to defined contribution plans HK\$'000	Total HK\$'000
<i>Executive directors</i>					
Mr. Law Ming Yik	–	428	–	18	446
Mr. Li Isaiah	–	110	–	6	116
<i>Independent non-executive directors</i>					
Mr. Fenn David	–	–	–	–	–
Mr. Ho Cheung Kong	–	–	–	–	–
Mr. Wong Ka Chun Matthew	–	–	–	–	–
	<u>–</u>	<u>538</u>	<u>–</u>	<u>24</u>	<u>562</u>

Year ended 31 March 2017

	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonus HK\$'000	Contributions to defined contribution plans HK\$'000	Total HK\$'000
<i>Executive directors</i>					
Mr. Law Ming Yik	–	450	–	18	468
Mr. Li Isaiah	–	116	–	6	122
<i>Independent non-executive directors</i>					
Mr. Fenn David	–	–	–	–	–
Mr. Ho Cheung Kong	–	–	–	–	–
Mr. Wong Ka Chun Matthew	–	–	–	–	–
	<u>–</u>	<u>566</u>	<u>–</u>	<u>24</u>	<u>590</u>

Year ended 31 March 2018

	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonus HK\$'000	Contributions to defined contribution plans HK\$'000	Total HK\$'000
<i>Executive directors</i>					
Mr. Law Ming Yik	–	450	–	18	468
Mr. Li Isaiah	–	309	–	14	323
<i>Independent non-executive directors</i>					
Mr. Fenn David	–	–	–	–	–
Mr. Ho Cheung Kong	–	–	–	–	–
Mr. Wong Ka Chun Matthew	–	–	–	–	–
	<u>–</u>	<u>759</u>	<u>–</u>	<u>32</u>	<u>791</u>

Four months ended 31 July 2017 (unaudited)

	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonus HK\$'000	Contributions to defined contribution plans HK\$'000	Total HK\$'000
<i>Executive directors</i>					
Mr. Law Ming Yik	–	139	–	6	145
Mr. Li Isaiah	–	69	–	4	73
<i>Independent non-executive directors</i>					
Mr. Fenn David	–	–	–	–	–
Mr. Ho Cheung Kong	–	–	–	–	–
Mr. Wong Ka Chun Matthew	–	–	–	–	–
	<u>–</u>	<u>208</u>	<u>–</u>	<u>10</u>	<u>218</u>

Four months ended 31 July 2018

	Directors' fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Discretionary bonus <i>HK\$'000</i>	Contributions to defined contribution plans <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>Executive directors</i>					
Mr. Law Ming Yik	–	139	–	6	145
Mr. Li Isaiah	–	107	–	5	112
<i>Independent non-executive directors</i>					
Mr. Fenn David	–	–	–	–	–
Mr. Ho Cheung Kong	–	–	–	–	–
Mr. Wong Ka Chun Matthew	–	–	–	–	–
	<u>–</u>	<u>246</u>	<u>–</u>	<u>11</u>	<u>257</u>

During the Track Record 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 Track Record Periods.

9. Five highest paid individuals

An analysis of the five highest paid individuals during the Track Record Periods is as follows:

	Number of individuals				
	Year ended 31 March			Four months ended 31 July	
	2016	2017	2018	2017	2018
				(unaudited)	
Director	1	1	2	1	1
Non-director	<u>4</u>	<u>4</u>	<u>3</u>	<u>4</u>	<u>4</u>
	<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 March			Four months ended 31 July	
	2016	2017	2018	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Salaries, allowances and benefits in kind	1,288	1,476	1,441	538	615
Contributions to defined contribution plans	55	61	50	21	24
	<u>1,343</u>	<u>1,537</u>	<u>1,491</u>	<u>559</u>	<u>639</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 March			Four months ended 31 July	
	2016	2017	2018	2017	2018
	(unaudited)				
Nil to HK\$1,000,000	<u>4</u>	<u>4</u>	<u>3</u>	<u>4</u>	<u>4</u>

During the Track Record 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 Track Record Periods.

10. Taxation

The group entities established in the Cayman Islands and the BVI are exempted from income tax.

Hong Kong Profits Tax has been provided at the rate of 16.5% on the Group's estimated assessable profits arising from Hong Kong during the Track Record Periods.

	Year ended 31 March			Four months ended	
	2016	2017	2018	31 July	2018
	HK\$'000	HK\$'000	HK\$'000	2017	2018
				HK\$'000	HK\$'000
				(unaudited)	
Current tax					
Hong Kong Profits Tax					
Current year	103	2,340	2,890	848	988
Deferred tax					
Origination and reversal of temporary difference	418	81	(66)	66	(16)
	<u>521</u>	<u>2,421</u>	<u>2,824</u>	<u>914</u>	<u>972</u>

Reconciliation of income tax expense

	Year ended 31 March			Four months ended	
	2016	2017	2018	31 July	2018
	HK\$'000	HK\$'000	HK\$'000	2017	2018
				HK\$'000	HK\$'000
				(unaudited)	
Profit before taxation	<u>5,572</u>	<u>14,776</u>	<u>7,706</u>	<u>5,541</u>	<u>5,517</u>
Income tax at applicable					
income tax rate	919	2,438	1,271	914	910
Non-deductible expenses	2	3	1,553	–	62
Utilisation of previously unrecognised tax losses	(576)	–	–	–	–
Recognition of previously unrecognised deferred tax	289	–	–	–	–
Others	<u>(113)</u>	<u>(20)</u>	<u>–</u>	<u>–</u>	<u>–</u>
Income tax expense	<u>521</u>	<u>2,421</u>	<u>2,824</u>	<u>914</u>	<u>972</u>

11. Earnings per share

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation, and the presentation of the financial performance of the Group for the Track Record Periods on a combined basis as disclosed in Notes 1 and 2 above.

12. Dividends

	Year ended 31 March			Four months ended 31 July	
	2016	2017	2018	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Interim dividends	<u>–</u>	<u>6,000</u>	<u>3,200</u>	<u>–</u>	<u>–</u>

The dividends represent the dividends declared and paid to the owner of the entities, now comprising the Group.

Other than disclosed above, no dividend has been paid or declared by any group entities during the Track Record Periods.

Dividend per share is not presented as such information is not meaningful having regard to the purpose of this report.

13. Property, plant and equipment

	Leasehold improvements	Furniture and fixtures	Office equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reconciliation of carrying amount					
– year ended 31 March 2016					
At 1 April 2015	7	31	12	4,578	4,628
Additions	61	3	31	2,025	2,120
Depreciation	<u>(5)</u>	<u>(8)</u>	<u>(10)</u>	<u>(1,462)</u>	<u>(1,485)</u>
At 31 March 2016	<u>63</u>	<u>26</u>	<u>33</u>	<u>5,141</u>	<u>5,263</u>
Reconciliation of carrying amount					
– year ended 31 March 2017					
At 1 April 2016	63	26	33	5,141	5,263
Additions	–	–	26	2,351	2,377
Depreciation	<u>(15)</u>	<u>(7)</u>	<u>(15)</u>	<u>(1,757)</u>	<u>(1,794)</u>
At 31 March 2017	<u>48</u>	<u>19</u>	<u>44</u>	<u>5,735</u>	<u>5,846</u>

	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Reconciliation of carrying amount					
– year ended 31 March 2018					
At 1 April 2017	48	19	44	5,735	5,846
Additions	203	85	42	–	330
Disposal	–	–	–	(275)	(275)
Depreciation	(20)	(11)	(17)	(1,941)	(1,989)
At 31 March 2018	<u>231</u>	<u>93</u>	<u>69</u>	<u>3,519</u>	<u>3,912</u>
Reconciliation of carrying amount					
– four months ended					
31 July 2018					
At 1 April 2018	231	93	69	3,519	3,912
Additions	–	–	4	–	4
Depreciation	(18)	(9)	(7)	(588)	(622)
At 31 July 2018	<u>213</u>	<u>84</u>	<u>66</u>	<u>2,931</u>	<u>3,294</u>
At 31 March 2016					
Cost	69	108	250	9,171	9,598
Accumulated depreciation	(6)	(82)	(217)	(4,030)	(4,335)
Net carrying amount	<u>63</u>	<u>26</u>	<u>33</u>	<u>5,141</u>	<u>5,263</u>
At 31 March 2017					
Cost	69	108	276	11,522	11,975
Accumulated depreciation	(21)	(89)	(232)	(5,787)	(6,129)
Net carrying amount	<u>48</u>	<u>19</u>	<u>44</u>	<u>5,735</u>	<u>5,846</u>
At 31 March 2018					
Cost	272	193	318	10,842	11,625
Accumulated depreciation	(41)	(100)	(249)	(7,323)	(7,713)
Net carrying amount	<u>231</u>	<u>93</u>	<u>69</u>	<u>3,519</u>	<u>3,912</u>
At 31 July 2018					
Cost	272	193	322	10,842	11,629
Accumulated depreciation	(59)	(109)	(256)	(7,911)	(8,335)
Net carrying amount	<u>213</u>	<u>84</u>	<u>66</u>	<u>2,931</u>	<u>3,294</u>

The carrying amount of motor vehicles includes an amount of approximately HK\$4,430,000, HK\$4,936,000, HK\$3,222,000 and HK\$2,680,000 in respect of assets held under finance leases as at 31 March 2016, 2017, 2018 and as at 31 July 2018 respectively.

14. Trade receivables

	At 31 March		At 31 July	
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables from third parties	4,432	15,501	15,077	17,986

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 ranging from 0 to 30 days.

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 or 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 risk of non-payment and the 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. 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.

Impairment based on expected credit loss model on these financial assets has no significant financial impact. No provision was made at each end of the reporting periods based on a collective group basis assessment by ageing for the trade receivables by the management due to insignificant past due balances.

At the end of the reporting period, the ageing analysis of trade receivables based on invoice date is as follows:

	At 31 March		At 31 July	
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Up to 30 days	4,366	15,440	14,306	14,146
31 to 60 days	14	36	565	3,487
61 to 90 days	44	11	198	266
Over 90 days	<u>8</u>	<u>14</u>	<u>8</u>	<u>87</u>
	<u>4,432</u>	<u>15,501</u>	<u>15,077</u>	<u>17,986</u>

At the end of the reporting period, the ageing analysis of trade receivables based on past due date is as follows:

	At 31 March		At 31 July	
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Neither past due nor impaired	<u>3,261</u>	<u>13,757</u>	<u>12,079</u>	<u>14,068</u>
Past due but not impaired:				
Up to 30 days	1,107	1,684	2,749	3,510
31 to 60 days	16	42	209	279
61 to 90 days	40	10	32	77
Over 90 days	<u>8</u>	<u>8</u>	<u>8</u>	<u>52</u>
	<u>4,432</u>	<u>15,501</u>	<u>15,077</u>	<u>17,986</u>

The trade receivables that are past due but not impaired related to a number of independent customers that have a good track record with the Group. The Group has not recognised impairment on these balances as there has not been a significant change in credit quality and the directors believe that the amounts are recoverable. The Group does not hold any collateral over these balances.

Receivables that are neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

15. Other receivables

	At 31 March		At 31 July	
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deposits	354	154	170	170
Other receivables	10	40	–	1
Prepayments (Note)	–	–	2,816	3,139
	<u>364</u>	<u>194</u>	<u>2,986</u>	<u>3,310</u>

Note: The amount included prepaid listing expenses of approximately HK\$2,737,000 and HK\$2,812,000 as at 31 March 2018 and 31 July 2018 respectively.

16. Trade payables

		At 31 March		At 31 July	
Note		2016	2017	2018	2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables					
To third parties		460	607	4,678	1,738
To a related party	(a)	–	482	–	–
	(b)	<u>460</u>	<u>1,089</u>	<u>4,678</u>	<u>1,738</u>

Note:

- (a) The amount represented trade payables to a related company, Wing Shing Worldwide Petroleum Limited, which was jointly controlled by the Ultimate Controlling Party and an independent third party until the disposal of the entire equity interest held by the Ultimate Controlling Party to another independent third party effected on 21 November 2017.
- (b) The trade payables are non-interest bearing and the Group is normally granted with credit terms ranging from 1 to 30 days.

The ageing analysis of trade payables, at the end of the reporting period based on the invoice date, is as follows:

	At 31 March		At 31 July	
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Up to 30 days	460	1,089	4,671	1,738
31 to 60 days	–	–	7	–
	<u>460</u>	<u>1,089</u>	<u>4,678</u>	<u>1,738</u>

17. Other payables

	At 31 March		At 31 July	
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accruals	347	660	1,257	1,091
Deposits received	21	21	21	21
Receipts in advance	—	—	—	94
	<u>368</u>	<u>681</u>	<u>1,278</u>	<u>1,206</u>

18. Amount due to a director

The balance was non-trade related, unsecured, interest-free, and repayable on demand. The outstanding amount was settled in full in February 2018.

19. Interest-bearing borrowings

	At 31 March		At 31 July	
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Secured bank loan	<u>—</u>	<u>—</u>	<u>3,672</u>	<u>2,355</u>

The bank loan is matured within one year based on repayment schedule.

The bank loan is secured by personal guarantee of the Ultimate Controlling Party of the Group amounting to HK\$4,000,000. The bank loan is denominated in HK\$.

The range of interest rate on the Group's interest-bearing borrowings is as follows:

	At 31 March		At 31 July	
	2016	2017	2018	2018
Interest rates				
Hong Kong Interbank Offer Rate	<u>—</u>	<u>—</u>	<u>Plus 3.5% p.a.</u>	<u>Plus 3.5% p.a.</u>

20. Obligations under finance leases

At the end of the reporting period, the Group had obligations under finance leases repayable as follows:

	Minimum lease payments				Present value of minimum lease payments			
	At 31 March		At 31 July		At 31 March		At 31 July	
	2016	2017	2018	2018	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amount payable:								
Within one year	1,370	1,783	1,359	1,072	1,250	1,651	1,293	1,022
In the second to fifth years inclusive	2,624	2,342	946	718	2,512	2,244	915	699
	3,994	4,125	2,305	1,790	3,762	3,895	2,208	1,721
Future finance charges	(232)	(230)	(97)	(69)	–	–	–	–
Present value of lease obligations	3,762	3,895	2,208	1,721	3,762	3,895	2,208	1,721
Less: Amount due for settlement within 12 months					(1,250)	(1,651)	(1,293)	(1,022)
Amount due for settlement after 12 months					2,512	2,244	915	699

The Group leased certain motor vehicles under finance leases and the lease terms are in the range of 3 to 5 years. As at 31 March 2016, 2017, 2018 and 31 July 2018, the annual effective interest rates of the obligations under finance leases ranged from 3.35% to 6.80%, 3.35% to 6.32%, 3.35% to 6.32% and 3.35% to 6.32% per annum respectively. The obligations under finance leases are denominated in HK\$ and its carrying amount approximates its fair value.

As at 31 March 2016, 2017, 2018 and 31 July 2018, the Group's obligations under finance leases were secured by personal guarantee of the Ultimate Controlling Party and the lessors had titles to the leased assets with carrying amount of approximately HK\$4,430,000, HK\$4,936,000, HK\$3,222,000 and HK\$2,680,000 respectively (Note 13).

21. Deferred taxation

The following is the deferred tax liabilities recognised and movements thereon during the Track Record Periods.

	At 31 March		At 31 July	
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At the beginning of the year	–	418	499	433
Charge (Credit) to profit or loss (Note 10)	418	81	(66)	(16)
At the end of the year	418	499	433	417

Recognised deferred tax liabilities at the end of the reporting period represent the following:

	At 31 March		At 31 July	
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation allowances	418	499	433	417

22. Share capital

The Company was incorporated on 31 October 2017. The authorised share capital of the Company is HK\$380,000 comprising 38,000,000 shares of HK\$0.01 each and one share was issued to and paid up by the shareholder upon incorporation.

23. Reserves***Capital reserve***

It represents the amount of the issued and paid-up share capital of the entities now comprising the Group before completion of the Reorganisation less consideration paid to acquire the relevant interests (if any) upon completion of the Reorganisation.

24. Financial information of the company

The Company was incorporated on 31 October 2017.

(a) Investment in a subsidiary

Investment in a subsidiary represents 100% of the issued share capital of Forever Treasure.

(b) Amounts due to a subsidiary

The amount due is unsecured, interest-free and repayable on demand.

(c) Accumulated losses of the Company

	Accumulated losses HK\$'000
At 31 October 2017 (date of incorporation)	–
Loss for the period and total comprehensive loss for the period	–
At 31 March 2018	–
Loss for the period and total comprehensive loss for the period	(1)
At 31 July 2018	(1)

Certain corporate administrative expenses of the Company and listing expenses were borne by the subsidiaries of the Company without recharge.

25. Retirement benefits scheme***Defined contribution plans***

The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years.

The retirement benefits scheme contributions arising from the MPF Scheme charged to the combined statement of comprehensive income represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

The contributions paid and payable to the schemes by the Group are disclosed in Note 7.

26. Additional information on cash flows***(a) Major non-cash transactions***

During the year ended 31 March 2017, dividends of HK\$6,000,000 were settled through current account maintained with a director.

During the years ended 31 March 2016 and 2017, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of approximately HK\$1,435,000 and HK\$1,600,000 respectively.

During the years ended 31 March 2016 and 2017, the purchase of property, plant and equipment amounting HK\$250,000 and HK\$334,000 respectively were settled through current account maintained with a director.

(b) Reconciliation of liabilities arising from financing activities

The movement during the Track Record Periods in the Group's liabilities arising from financing activities are as follows:

Year ended 31 March 2016

	At 1 April 2015 HK\$'000	Cash flows HK\$'000	Declaration of dividends HK\$'000	Non-cash changes		At 31 March 2016 HK\$'000
				Purchase of property, plant and equipment HK\$'000	Inception of obligations under finance leases HK\$'000	
Amount due to a director	4,348	105	–	250	–	4,703
Obligations under finance leases	3,691	(1,364)	–	–	1,435	3,762
Total liabilities from financing activities	8,039	(1,259)	–	250	1,435	8,465

Year ended 31 March 2017

	At 1 April 2016 HK\$'000	Cash flows HK\$'000	Declaration of dividends HK\$'000	Non-cash changes		At 31 March 2017 HK\$'000
				Purchase of property, plant and equipment HK\$'000	Inception of obligations under finance leases HK\$'000	
Amount due to a director	4,703	(6,654)	6,000	334	–	4,383
Obligations under finance leases	3,762	(1,467)	–	–	1,600	3,895
Total liabilities from financing activities	8,465	(8,121)	6,000	334	1,600	8,278

Year ended 31 March 2018

	At 1 April 2017 HK\$'000	Cash flows HK\$'000	Declaration of dividends HK\$'000	Non-cash changes		At 31 March 2018 HK\$'000
				Purchase of property, plant and equipment HK\$'000	Inception of obligations under finance leases HK\$'000	
Amount due to a director	4,383	(4,383)	–	–	–	–
Dividend payable	–	(3,200)	3,200	–	–	–
Interest-bearing borrowings	–	3,672	–	–	–	3,672
Obligations under finance leases	3,895	(1,687)	–	–	–	2,208
Total liabilities from financing activities	8,278	(5,598)	3,200	–	–	5,880

Four months ended 31 July 2017 (unaudited)

	At 1 April 2017 HK\$'000	Cash flows HK\$'000	Declaration of dividends HK\$'000	Non-cash changes		At 31 July 2017 HK\$'000
				Purchase of property, plant and equipment HK\$'000	Inception of obligations under finance leases HK\$'000	
Amount due to a director	4,383	(2,610)	–	–	–	1,773
Obligations under finance leases	3,895	(564)	–	–	–	3,331
Total liabilities from financing activities	8,278	(3,174)	–	–	–	5,104

Four months ended 31 July 2018

	At 1 April 2018 HK\$'000	Cash flows HK\$'000	Declaration of dividends HK\$'000	Non-cash changes		At 31 July 2018 HK\$'000
				Purchase of property, plant and equipment HK\$'000	Inception of obligations under finance leases HK\$'000	
Interest-bearing borrowings	3,672	(1,317)	-	-	-	2,355
Obligations under finance leases	2,208	(487)	-	-	-	1,721
Total liabilities from financing activities	5,880	(1,804)	-	-	-	4,076

Interest-bearing borrowings and obligations under finance leases are disclosed in Notes 19 and 20 respectively.

27. Related party transactions

(a) *Personnel guarantee provided by key management personnel*

The obligations under finance leases and interest-bearing borrowings of the Group were secured by personal guarantee executed by the Ultimate Controlling Party of the Group as disclosed in Notes 19 and 20 respectively. As represented by the Ultimate Controlling Party of the Group, all personal guarantees will be released and replaced by corporate guarantees to be issued by the Company upon Listing. For the amounts due under the relevant finance leases, if there is no replacement of corporate guarantee, the amount will be paid in full before Listing.

(b) Related party transactions

Name of related company	Nature of transaction	Year ended 31 March			Four months ended 31 July	
		2016	2017	2018	2017	2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(unaudited)	
Wing Shing Worldwide Petroleum Limited (Note)	Purchase of diesel oils	–	99,559	127,665	74,900	–

Note: Wing Shing Worldwide Petroleum Limited was jointly controlled by the Ultimate Controlling Party and an independent third party until the disposal of the entire equity interest held by the Ultimate Controlling Party to another independent third party effected on 21 November 2017.

(c) Compensation of key management personnel

The remuneration of directors and other members of key management during the Track Record Periods were as follows:

	Year ended 31 March			Four months ended 31 July	
	2016	2017	2018	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Salaries, allowances and benefits in kind	696	730	1,266	267	509
Contributions to defined contribution retirement scheme	31	32	55	12	23
	<u>727</u>	<u>762</u>	<u>1,321</u>	<u>279</u>	<u>532</u>

Further details of the directors' emoluments are set out in Note 8.

28. Financial risk management objectives and policies

The Group's principal financial instruments comprise of bank balances and cash, other payables, amount due to a director, interest-bearing borrowings and obligations under finance leases. The main purpose of these financial instruments is to raise and maintain finance for the Group's operations. The Group has various other financial instruments such as trade receivables and trade payables, which arise directly from its business activities.

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 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 the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks throughout the Track Record Periods.

Foreign currency risk

During the Track Record Periods, the Group had a minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities were principally denominated in the functional currency of the operating subsidiary of the Group, i.e. HK\$.

As at 31 March 2016, 2017, 2018 and 31 July 2018, the Group did not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will closely monitor its foreign currency exposure and will consider using hedging instruments in respect of significant foreign currency exposure as and when appropriate.

Credit risk

Credit risk refers to the risk that debtors will default on their obligations to repay the amounts due to the Group, resulting in a loss to the Group. The Group's credit risk is mainly attributable to trade receivables 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 carrying amount of financial assets on the combined statements of financial position represents the Group's maximum exposure to the credit risk.

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The management considers the credit risk in respect of bank balances and cash is minimal because the counter-parties are authorised financial institutions with high credit ratings.

In order to minimise the credit risk, the management of the Group continuously monitors the level of exposure to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

At 31 March 2016, 2017, 2018 and 31 July 2018, the Group had a concentration of credit risk as approximately 65%, 59%, 64% and 69% of the total trade receivables was due from the Group's largest customer, respectively, and approximately 90%, 94%, 84% and 88% of the total trade receivables was due from the Group's five largest customers, respectively. The Group manages the concentration of credit risk by continuously broadening the customer base of the Group.

None of the Group's financial assets is pledged.

Management does not expect any significant losses to be incurred from non-performance by these counterparties because of their good repayment history and the relatively short settlement period. The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. The indicator to assess whether there is a significant increase in credit risk is set out in Note 3 to the Historical Financial Information.

Trade receivables

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped on shared credit risk characteristics and the days past due. The loss allowance provision as at 31 March 2016, 2017 and 2018 and 31 July 2018 is determined as follows, the expected credit losses below also incorporated forward looking information. The Group assesses on a forward looking basis the expected credit losses associated with the receivables from customers in accordance with HKFRS 9. When the Group determines the expected credit loss rate, the Group considers the probability of default based on the historical default rate, and is adjusted for forward-looking estimates, such as expected significant changes in general economic environment and the business operation of the Group. Based on the available information, the Group determines that there is no significant deterioration on financial abilities of the debtors. The debtors maintain good repayment history and short settlement period throughout the Track Record Period. Also, there was no material adverse change in the general economic environment and the business operation of the Group. Accordingly, the Directors concluded that the provision matrix remains the same for trade receivables and same expected loss rate as below have applied throughout the Track Record Period. However, the Group has assessed that the expected credit loss for trade receivables was immaterial and no provision was made.

	Expected loss rate
Up to 30 days	1%
31 to 60 days	2.5%
61 to 90 days	5%
Over 90 days	10%

As at 31 March 2016, 2017 and 2018 and 31 July 2018, the gross carrying amount of trade receivables, reflecting the maximum exposure to credit risk, were approximately HK\$4,432,000, HK\$15,501,000, HK\$15,077,000 and HK\$17,986,000 respectively.

Other receivables

Other financial assets at amortised cost include other receivables. As at 31 March 2016, 2017 and 2018 and 31 July 2018, the Group has assessed that the expected loss rate for other receivables was immaterial. Thus no loss allowance provision for other receivables was recognised during the Track Record Period.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's interest-bearing borrowings with floating interest rates. The interest rates and terms of repayment of the interest-bearing borrowings of the Group are disclosed in Note 19.

The Group's policy is to minimise the interest rate risk for interest-bearing borrowings with an original tenor of more than one year by fixing the interest rate at the commencement of the tenor. The Group may make use of interest rate swaps transactions in order to effect fixed interest rates for such borrowings if required.

At 31 July 2018 and 31 March 2018, if interest rates had been 200 basis points higher/lower and all other variables were held constant, the Group's profit before tax would decrease/increase by HK\$47,091 and HK\$73,441 respectively but there would be no impact on the other equity reserves.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk in existence at that date. The 200 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period. No analysis was performed for 2017 and 2016 as there were no interest-bearing borrowings.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of advance from a director/bank borrowings and finance leases.

The Group's policy is to regularly monitor its current and expected liquidity requirements to ensure that it maintains sufficient reserves of bank balances and cash 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 the reporting period based on contractual undiscounted payments is summarised below:

	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>	Total <i>HK\$'000</i>
As at 31 March 2016				
Trade payables	460	–	–	460
Other payables	368	–	–	368
Amount due to a director	4,703	–	–	4,703
Obligations under finance leases	1,370	1,307	1,317	3,994
	<u>6,901</u>	<u>1,307</u>	<u>1,317</u>	<u>9,525</u>
	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>	Total <i>HK\$'000</i>
As at 31 March 2017				
Trade payables	1,089	–	–	1,089
Other payables	681	–	–	681
Amount due to a director	4,383	–	–	4,383
Obligations under finance leases	1,783	1,450	892	4,125
	<u>7,936</u>	<u>1,450</u>	<u>892</u>	<u>10,278</u>
	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>	Total <i>HK\$'000</i>
As at 31 March 2018				
Trade payables	4,678	–	–	4,678
Other payables	1,278	–	–	1,278
Interest-bearing borrowings	3,751	–	–	3,751
Obligations under finance leases	1,359	659	287	2,305
	<u>11,066</u>	<u>659</u>	<u>287</u>	<u>12,012</u>

	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>	Total <i>HK\$'000</i>
As at 31 July 2018				
Trade payables	1,738	–	–	1,738
Other payables	1,206	–	–	1,206
Interest-bearing borrowings	2,388	–	–	2,388
Obligations under finance leases	<u>1,072</u>	<u>622</u>	<u>96</u>	<u>1,790</u>
	<u>6,404</u>	<u>622</u>	<u>96</u>	<u>7,122</u>

29. Fair value measurements

All financial assets and financial liabilities are carried at amounts not materially different from their fair values as at 31 March 2016, 2017, 2018 and 31 July 2018.

30. Commitments

At the end of each reporting period, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	As at 31 March			As at 31 July
	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within one year	324	27	240	120
In the second to fifth years	<u>27</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>351</u>	<u>27</u>	<u>240</u>	<u>120</u>

Operating lease payments represent rentals payable by the Group for its office premise. Lease is negotiated for terms from 1 to 2 years. The Group does not have an option to purchase the leased premise at the expiry of the lease period.

31. 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 Track Record Periods.

32. Events after the reporting period

Subsequent to 31 July 2018, the Group has the following subsequent events:

- (i) On 29 November 2018, the Reorganisation was completed.
- (ii) Pursuant to the resolution of the sole shareholder passed on 11 December 2018, inter-alia, the authorised share capital of the Company was increased from HK\$380,000 to HK\$30,000,000 by the creation of additional 2,962,000,000 shares of HK\$0.01 each and the Capitalisation Issue (as defined below) was conditionally approved.
- (iii) Pursuant to the resolutions in writing of the Company's sole shareholder passed on 11 December 2018, 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 299,999,900 shares of HK\$0.01 each to the existing shareholder, credited as fully paid at par by way of capitalisation of the sum of HK\$2,999,999 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).

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 the owners of the Company at 31 July 2018 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 the owners of the Company at 31 July 2018 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 July 2018 or at any future dates following the Share Offer.

	Audited combined net tangible assets attributable to the owners of the Company at 31 July 2018 (Note 1) HK\$'000	Estimated net proceeds from the Share Offer (Note 2) HK\$'000	Unaudited pro forma adjusted combined net tangible assets attributable to the owners of the Company per Share (Note 3) HK\$'000	Unaudited pro forma adjusted combined net tangible assets attributable to the owners of the Company per Share (Note 3) HK\$
Based on the Offer Price of HK\$0.5 per Offer Share	16,876	35,135	52,011	0.13
Based on the Offer Price of HK\$0.7 per Offer Share	16,876	54,135	71,011	0.18

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 the owners of the Company at 31 July 2018 is based on the audited combined net assets attributable to the owners of the Company at 31 July 2018 of HK\$16,876,000, extracted from the 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 100,000,000 new Shares and the indicative Offer Price of HK\$0.5 and HK\$0.7 per Offer Share respectively, being the low-end and high-end of the Offer Price, after deduction of relevant estimated underwriting commissions and fees and other related expenses payable by the Company excluding HK\$9,783,000 listing-related expenses which has been accounted for prior to 31 July 2018.
3. The calculation of the unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company per Share is based on 400,000,000 Shares expected to be in issue after the completion of the Capitalisation Issue and the Share Offer.
4. No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 July 2018.

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**



MAZARS CPA LIMITED

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21 December 2018

The Directors
Sun Kong Holdings Limited
Kingsway Capital Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Sun Kong Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) prepared by the directors of the Company (the “Directors”) for illustrative purpose only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted combined net tangible assets attributable to the owners of the Company at 31 July 2018 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 21 December 2018 (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 financial position at 31 July 2018 as if the event had taken place at 31 July 2018. As part of this process, information about the Group's financial position at 31 July 2018 has been extracted by the Directors from the Group's financial information for the four months ended 31 July 2018, 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 Financial Statements, 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 report were addressed by us at the date of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 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 July 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled, in all material aspects, 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.

We have no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's Shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

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

42nd Floor, Central Plaza,
18 Harbour Road, Wanchai
Hong Kong

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 31 October 2017 under the Companies Law. The Company's constitutional documents consist of its Memorandum of Association and its Articles of Association.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 11 December 2018 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors**(i) *Appointment, retirement and removal***

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/ themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

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.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers; and

(ee) the fixing of the remuneration of the directors and of the auditors.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “**Court**”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company themselves and, in the case of a purchase by the company themselves, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 8 December 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company themselves.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR COMPANY AND ITS SUBSIDIARIES**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 31 October 2017. Our Company has established a place of business in Hong Kong at 20/F., Glassview Commercial Building, No. 65 Castle Peak Road Yuen Long, Yuen Long, New Territories, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 28 December 2017. In connection with such registration, Mr. Yik Law and Mr. Isaiah Li, our executive Directors, have been appointed as the authorised representatives of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, its operations are subject to the relevant laws and regulations of the Cayman Islands and its constitution, which comprises of a memorandum of association and the articles of association. A summary of certain provisions of its constitution and relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

2. Changes in authorised and issued share capital of our Company

The authorised share capital of our Company as at the date of its incorporation was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. On 31 October 2017, one Share was issued to the initial subscriber, nil-paid, and subsequently the initial subscriber transferred the one subscriber Share to Fully Fort on the same date.

On 29 November 2018, the initial nil-paid Share was credited as fully paid at par and a further 99 Shares were allotted and issued, credited as fully paid, to Fully Fort as consideration pursuant to a sale and purchase agreement entered into between Fully Fort (as vendor) and our Company (as purchaser), in respect of the transfer of all the issued shares in Forever Treasure from Fully Fort to our Company.

On 11 December 2018, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$30,000,000 divided into 3,000,000,000 Shares of HK\$0.01 each by the creation of an additional 2,962,000,000 Shares of HK\$0.01 each which rank *pari passu* in all respect with the existing Shares.

On 11 December 2018, the sole Shareholder resolved that, conditional on the share premium account of our Company being credited as a result of the issue of the Offer Shares of the Share Offer, our Directors were authorised to capitalise approximately HK\$2,999,999 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 299,999,900 Shares for allotment and issue to the Shareholders whose names appear on the register of members of our Company at the close of business on the business day immediately preceding the Listing Date (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their then existing shareholdings in our Company.

Save for the aforesaid and mentioned in the paragraph headed “History and development, Reorganisation and Group structure – Reorganisation” of this prospectus, there has been no alteration in the share capital of our Company within two years immediately preceding the date of this prospectus and up to the Latest Practicable Date.

3. Resolutions in writing of the sole Shareholder passed on 11 December 2018

Pursuant to the resolutions in writing passed by the sole Shareholder on 11 December 2018:

- (a) our Company adopted its new memorandum of association with immediate effect and conditionally adopted the new articles of association with effect from the Listing Date;
- (b) our Company increased its authorised share capital from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$30,000,000 divided into 3,000,000,000 Shares of HK\$0.01 each;
- (c) our Company adopted and approved the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Share Option Scheme” below, and our Directors were authorised to (1) grant options to subscribe for the Share thereunder and, conditional on the Listing Division of the Stock Exchange granting of the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of the options granted under the Share Option Scheme on or before the date falling 30 days after the date of this prospectus, to allot, issue and deal with the Shares pursuant to the exercise of options granted under the Share Option Scheme, (2) approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and (3) take all such steps as may be necessary, desirable or expedient to implement the Share Option Scheme;

- (d) conditional upon (i) the Listing Division of the Stock Exchange granting the listing of, and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus; (ii) the Offer Price having been determined; (iii) the execution and delivery of the Underwriting Agreements; and (iv) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
 - (i) the Share Offer was approved and our Directors were authorised to (1) approve to allot and issue the Offer Shares subject to the terms and conditions stated in this prospectus; (2) implement the Share Offer and the Listing; and (3) do all things and execute all documents in connection with or incidental to the Share Offer and the Listing with such amendments or modifications (if any) as our Directors may consider necessary or appropriate;
 - (ii) conditional on the share premium account of our Company being credited as a result of the issue of the Offer Shares of the Share Offer, our Directors were authorised to capitalise approximately HK\$2,999,999 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 299,999,900 Shares for allotment and issue to the Shareholders whose names appear on the register of members of our Company at the close of business on the business day immediately preceding the Listing Date (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their then existing shareholdings in our Company so that the Shares allotted and issued shall rank *pari passu* in all respects with the then existing issued Shares and our Directors were authorised to give effect to such capitalisation;

- (iii) a general unconditional mandate (the “**Issue 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, scrip dividend schemes or similar arrangements in accordance with the Articles of Association, or pursuant to the exercise of any options which have been or may be granted under the Share Option Scheme, or under the Share Offer or the Capitalisation Issue, our Shares with an aggregate number of Shares not exceeding (aa) 20% of the aggregate number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the Offer Size Adjustment Option and the exercise of the options which may be granted under the Share Option Scheme); and (bb) the aggregate number of shares which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in paragraph (iv) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors as set out in this paragraph (iii), whichever occurs first;
- (iv) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to purchase our Shares on the Stock Exchange, 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, in accordance with all applicable laws and the requirements of the GEM Listing Rules or equivalent rules or regulations of such other stock exchange, such number of Shares as will represent up to 10% of the aggregate number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the Offer Size Adjustment Option and the exercise of the options which may be granted under the Share Option Scheme) until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the articles of association of our Company or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to our Directors as set out in this paragraph (iv), whichever occurs first;
- (v) an undertaking to be given to the Stock Exchange relating to the exercise of the Repurchase Mandate; and

- (vi) the Issue Mandate was extended by an amount representing the aggregate nominal value of the Shares repurchased by our Company pursuant to the Repurchase Mandate 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. Reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the Listing. For details, please see the section headed “History and development, reorganisation and group structure” in this prospectus.

5. Changes in share capital of subsidiaries

Our Company’s subsidiaries are referred to in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the section headed “History and development, Reorganisation and Group structure” in this prospectus, there are no changes in the share capital of our subsidiaries during the two years preceding the date of this prospectus.

6. Repurchase by our Company of its own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the GEM subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders’ approval

All proposed repurchase of securities (which must be fully paid up in the case of shares) by a company listed on the 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 a resolution in writing passed by the sole Shareholder on 11 December 2018, the Repurchase Mandate was given to our Directors to exercise all powers of our Company to purchase Shares on the Stock Exchange or 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, of 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 (excluding Shares which may be allotted and issued pursuant to the Offer Size Adjustment Option and the exercise of the options which may be granted under the Share Option Scheme). The Repurchase Mandate will expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the articles of association of our Company or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first.

(ii) Source of funds

Repurchase by our Company must be paid out of funds legally available for the purpose in accordance with our Company's Memorandum and Articles of Association, the applicable laws of the Companies Law and the GEM Listing Rules. A listed company may not repurchase its own securities on the 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. Under Cayman Islands law, any repurchase by our Company may only be made out of profits of our Company, or from some standing to the credit of our Company's share premium account, or out of the proceeds of a fresh issue of share made for the purpose of the repurchase, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of profits of our Company or from sums standing to the credit of our Company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital.

(iii) Core connected parties

A company is prohibited from knowingly repurchasing securities from a "core connected person", that is, a director, chief executive or substantial shareholder of our Company or any of their respective close associates and a core connected person shall not knowingly sell his securities to our Company, on the Stock Exchange.

(iv) Status of repurchased Shares

The listing of all repurchased Shares (whether offered on the Stock Exchange or otherwise) on GEM will automatically be cancelled and the certificates for those Shares shall be cancelled and destroyed.

(v) Trading restrictions

A listed company may repurchase up to 10% of the total nominal amount of the share capital in issue of that company. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or higher than the average closing market price for the five preceding trading days on which its shares were traded on GEM. The GEM Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant minimum prescribed percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(vi) Suspension of repurchase

A listed company may not make any repurchase of securities on the Stock Exchange at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of a listed company's results for any year, half-year, quarter-year or any other interim period (whether or not required under the GEM Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year, half-year or quarter-year under the GEM Listing Rules, or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on GEM if a listed company has breached the GEM Listing Rules.

(vii) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(b) Reasons for Repurchase

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchase may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such repurchase will benefit our Company and the Shareholders.

(c) Funding of repurchase

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association, the GEM Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

The exercise in full of the Repurchase Mandate, on the basis of 400,000,000 Shares in issue immediately after the Listing, would result in up to 40,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) General

None of our Directors, to the best of their knowledge having made all reasonable enquiries, nor any of their close associates currently intends to sell any Shares to our Company or its subsidiaries 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 and the applicable laws of the Cayman Islands.

No core connected person (as defined in the GEM Listing Rules) has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

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 falls below 25% of the total number of Shares in issue.

Our Company had not repurchased any Shares (whether on the Stock Exchange or otherwise) in the six months prior to the Latest Practicable Date.

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP**7. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) the sale and purchase agreement dated 16 November 2018 and entered into between Mr. Yik Law and Forever Treasure in relation to the transfer of the entire issued share capital in Wing Ko from Mr. Yik Law to Forever Treasure in consideration of Forever Treasure allotting and issuing one share in Forever Treasure to Fully Fort credited as fully-paid as the nominee of Mr. Yik Law;
- (b) the sale and purchase agreement dated 29 November 2018 and entered into between Fully Fort and our Company, pursuant to which Fully Fort transferred all the issued shares in Forever Treasure to our Company, in consideration of our Company (i) allotting and issuing 99 Shares to Fully Fort credited as fully paid; and (ii) crediting the initial nil-paid Share held by Fully Fort as fully paid at par;
- (c) the Deed of Indemnity;
- (d) the Deed of Non-Competition; and
- (e) the Public Offer Underwriting Agreement.

8. Intellectual Property Rights of our Group**(a) Domain name**

As at the Latest Practicable Date, our Group had registered the following domain name:

Domain name	Date of registration	Expiry date
www.skhl.com.hk	20 November 2017	20 November 2019

Information contained in the above website does not form part of this prospectus.

Save as disclosed above, there are no other trade or service marks, patents, other intellectual or industrial property rights which are material to the business of our Group.

FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF

9. Directors

(a) Particulars of service contracts and letters of appointment

Each of Mr. Yik Law and Mr. Li Isaiah, being all the executive Directors, has entered into a service contract with our Company on 11 December 2018. Particulars of these contracts, except as indicated, are in all material respects identical and are set out below:

- (i) the term of each service contract is three years commencing from the Listing Date and will continue thereafter until terminated in accordance with the terms of the service agreement;
- (ii) the initial annual salary for each of Mr. Yik Law and Mr. Li Isaiah is set out below, such salary to be reviewed annually by our Board and the remuneration committee of our Company; and
- (iii) each of these executive Directors is entitled to such management bonus by reference to the consolidated net profits of our Group after taxation and minority interests but before extraordinary items as our Board and the remuneration committee of our Company may approve, provided that the relevant executive Director shall abstain from voting and not be counted in the quorum in respect of any resolution of our Board approving the amount of annual salary, management bonus and other benefits payable to him.

The current basic annual salaries of the executive Directors are as follows:

Name	Amount
Mr. Yik Law	HK\$511,850
Mr. Li Isaiah	HK\$417,000

Each of Mr. Fenn David, Mr. Wong Ka Chun Matthew and Mr. Ho Cheung Kong, being all the independent non-executive Directors, has entered into a letter of appointment with our Company on 11 December 2018. Each letter of appointment is for an initial term of one year commencing on the Listing Date unless terminated by either party giving at least one month's notice in writing. Each independent non-executive Director is entitled to an annual director's fee of HK\$72,000.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of its subsidiaries (other than contracts expiring or determinable by our Group within one year without the payment of compensation (other than statutory compensation)).

(b) Directors' remuneration

The remuneration (including salaries, retirement-based contribution and allowance, if any) paid and benefits in kind granted by our Group to our Directors for the three years ended 31 March 2018 and for the four months ended 31 July 2018 were approximately HK\$562,000, HK\$590,000, HK\$791,000 and HK\$257,000, respectively.

Under the arrangements currently in force, the aggregate emoluments (excluding any discretionary bonus, if any, payable to our Director) payable by our Group to and benefits in kind receivable by our Directors for the year ending 31 March 2019 is estimated to be approximately HK\$983,000.

None of our Directors or any past directors of any member of our Group has been paid any sum of money for each of the three years ended 31 March 2018 and for the four months ended 31 July 2018 (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended 31 March 2018 and for the four months ended 31 July 2018.

(c) *Interests and short positions of Directors in the share, underlying shares or debentures of our Company and its associated corporations*

Immediately following completion of the Share Offer and the Capitalisation Issue (but not taking into account of any Shares that may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or any option(s) which may be granted under the Share Option Scheme), the interests or short positions of our Directors and the chief executives of our Company in the Shares, underlying Shares and debentures of our Company and 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 pursuant to 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 which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, in each case once the Shares are listed on the Stock Exchange, will be as follows:

Name	Capacity/ Nature of interest	Number of Shares held upon Listing	Percentage of shareholding upon Listing
		<i>Note 1</i>	
Law Ming Yik	Interest in controlled corporation	300,000,000 Shares (L)	75%

Note:

- (1) The Letter “L” denotes the person’s long position in the relevant Shares.

10. Interest discloseable under the SFO and Substantial Shareholders

So far as our Directors are aware, immediately following the completion of the Share Offer and the Capitalisation Issue and taking no account of any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme, based on the information available on the Latest Practicable Date, the following persons/entities not being a Director or chief executive of our Company will have an interest or a short position in the Shares or the 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 which would be recorded in the register of our Company required to be kept under section 336 of the SFO, or who will be, directly or indirectly, to be 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 other members of our Group:

Name	Capacity/Nature of interest	Number of Shares held upon Listing <i>Note 1</i>	Percentage of shareholding upon Listing
Fully Fort	Beneficial owner <i>(Note 2)</i>	300,000,000 Shares (L) <i>(Note 1)</i>	75%

Notes:

- (1) The Letter "L" denotes the person's long position in the relevant Shares.
- (2) The entire issued share capital of Fully Fort is legally and beneficially owned as to 100% by Mr. Yik Law.

11. Related party transactions

During the two years immediately preceding the date of this prospectus, our Group engaged in the related party transactions as mentioned in Note 27 of the Accountants' Report set out in Appendix I to this prospectus.

12. Disclaimers

Save as disclosed in this prospectus:

- (a) and taking no account of any Shares which may be taken up or acquired under the Share Offer or any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme, our Directors are not aware of any person who immediately following completion of the Share Offer and the Capitalisation Issue will have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either 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 the general meetings of our Company or any other members of our Group;
- (b) none of our Directors or chief executive of our Company has any interests and short positions in the Shares, underlying Shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to there in, or will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange;
- (c) none of our Directors nor the experts named in the paragraph headed “20. Qualifications and consents of experts” below has been interested in the promotion of, or has any direct or indirect interest in any assets acquired or disposed of by or leased to, any member of our Group within the two years immediately preceding the date of this prospectus, or which are proposed to be acquired or disposed of by or leased to any member of our Group nor will any Director apply for Offer Shares either in his/her own name or in the name of a nominee;
- (d) none of our Directors nor the experts named in the paragraph headed “20. Qualifications and consents of experts” below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

- (e) none of the experts named in the paragraph headed “20. Qualifications and consents of experts” below has any shareholding in any member in our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member in our Group; and
- (f) none of our Directors has entered or has proposed to enter in to any service agreements with our Company or any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

SHARE OPTION SCHEME

13. Share Option Scheme

Our Company has conditionally adopted the Share Option Scheme, which was approved by written resolutions passed by the sole Shareholder on 11 December 2018. 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:

(a) Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of the sole Shareholder passed on 11 December 2018:

(i) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

(ii) Who may join and basis of eligibility

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, including, where required under the GEM Listing Rules, the independent non-executive Directors) from time to time on the basis of the participant’s contribution or potential contribution to the development and growth of our Group.

(iii) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by our Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option, provided that in the event of fractional prices, the subscription price per Share shall be rounded upwards to the nearest whole cent; and for the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than five business days, the new issue price shall be used as the closing price for any business day falling within the period before Listing.

(iv) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.00.

(v) Maximum number of Shares

- (aa) Subject to sub-paragraphs (bb) and (cc) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the period commencing on the date on which the Share Option Scheme was conditionally adopted by the sole Shareholder by way of written resolution and expiring at the close of business on the Business Day immediately preceding the tenth anniversary thereof (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all the Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 40,000,000 Shares (or such numbers of Shares as shall result from a subdivision or a consolidation of such 40,000,000 Shares from time to time) to the participants under the Share Option Scheme.

- (bb) The 10% limit as mentioned in sub-paragraph (aa) above may be refreshed at any time by obtaining approval of our Shareholders in general meeting 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 schemes of our Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to our Shareholders containing the information as required under the GEM Listing Rules in this regard.
- (cc) Our Company may seek separate approval by our Shareholders in general meeting for granting options beyond the 10% limit as mentioned in sub-paragraphs (aa) and (bb) above provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose and all other information required under the GEM Listing Rules.
- (dd) The maximum aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not, in aggregate, exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company, if this will result in the limit being exceeded.

(vi) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme of our Company in any 12-month period up to the date of grant must not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his close associates abstaining from voting and the number and terms (including the subscription price) of options to be granted to such grantee must be fixed before Shareholders' approval. In such event, our Company must send a circular to our Shareholders containing the identity of the participants and his close associates, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the GEM Listing Rules. The date of the meeting of our Board proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(vii) Grant of options to certain connected persons

- (aa) Any grant of options to a Director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved by independent non-executive Directors of our Company (excluding any independent non-executive Director who is the grantee of the option).
- (bb) Where any grant of options to a substantial Shareholder or an independent non-executive Director of our Company or any of their respective associates would result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) under the Share Option Scheme and any other share option schemes of our Company to such person in any 12-month period up to and including the date of grant:
 - (i) representing in aggregate over 0.1% of the Shares in issue; and

- (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million, such further grant of options is required to be approved by Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to our Shareholders containing all information as required under the GEM Listing Rules in this regard. The grantee, his associate and all core connected persons of our Company shall abstain from voting (except where any of such person intends to vote against the proposed grant and his/her intention to do so has been stated in the aforesaid circular). Any change in the terms of an option granted to a substantial shareholder of our Company or an independent non-executive Director or any of their respective associates is also required to be approved by Shareholders in the aforesaid manner.

(viii) Restrictions on the times of grant of options

- (aa) No offer for the grant of options may be made after any inside information has come to the knowledge of our Company until such inside information has been announced pursuant to the requirements of the GEM Listing Rules and the SFO. No option may be granted during the period commencing one month immediately preceding the earlier of:-
 - (i) the date of the meeting of our Board (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) 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
 - (ii) the deadline for our Company to publish an announcement of our results for any year, half-year, quarterly period or any other interim period (whether or not required under the GEM Listing Rules).
- (bb) Further to the restrictions in paragraph (aa) above, no option may be granted to a Director on any day on which financial results of our Company are published and:
 - (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

- (ii) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(ix) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as our Board may determine which shall not exceed 10 years from the date of grant subject to the provisions of early termination thereof.

(x) Ranking of Shares

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles 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 of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(xi) Rights are personal to grantee

An option shall not be transferable or assignable and shall be personal to the grantee of the option. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option (where the grantee is a company, any change of its major shareholder or any substantial change in its management as determined by our Board at its sole discretion will be deemed to be a sale or transfer of interest as aforesaid, if so determined by our Board at its sole discretion). Any breach of these restrictions will automatically render the options lapsed.

(xii) Rights on cessation of employment by death

In the event that the grantee (being an individual) dies before exercising the option in full, his legal personal representative(s) may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within the period of 12 months following his death provided that where any of the events set out in (xvi), (xvii) and (xviii) below occurs prior to his death or within such period of 6 months following his death, then his personal representative(s) may so exercise the option within such of the various periods respectively set out in such clauses and provided further that if within a period of 3 years prior to the grantee's death, the grantee had committed any of the acts as specified in (xviii) below which would have entitled our Company to terminate his employment prior to his death, our Board may at any time forthwith terminate the option of the grantee (to the extent not already exercised) by written notice to his legal personal representatives.

(xiii) Rights on cessation of employment by dismissal

In the event that the grantee is an employee of our Group when an offer is made to him and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by our Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option will lapse on the date of cessation of his employment with our Group. A resolution of our Board or the board of directors of the relevant member of our Group to the effect that employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive and binding on the grantee.

(xiv) Rights on cessation of employment for other reasons

In the event that the grantee is an employee of our Group when an offer is made to him/her and he/she subsequently ceases to be an employee of our Group for any reason other than his/her death or the termination of his/her employment on one or more of the grounds specified in (xiii) above, the option (to the extent not already exercised) shall lapse on the expiry of three months after the date of cessation of such employment (which date will be the last actual working day with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not).

(xv) Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which our Company is a party), such corresponding adjustments (if any) shall be made in: (a) the number of Shares subject to the option so far as unexercised; and/or (b) the subscription prices for the shares subject to the option so far as unexercised, as the auditors shall certify in writing or the financial adviser to our Company shall certify or confirm in writing (as the case may be) to our Board to be in their opinion fair and reasonable and in compliance with the relevant provisions of the GEM Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time (no such certification is required in case of adjustment made on a capitalisation issue), provided that any alteration shall give a grantee, as near as possible, the same proportion of the issued share capital of our Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(xvi) Rights on a general offer

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, where permitted under (xii) above, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already lapsed or exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(xvii) Rights on winding-up

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or, where permitted under (xii) above, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(xviii) Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and our Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to our Shareholders or the creditors of our Company to consider such a compromise or arrangement and the options (to the extent not already exercised) shall become exercisable in whole or in part on such date not later than two business days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (the “**Suspension Date**”), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price of the Shares in respect of which the notice is given together with reasonable administration fee specified by our Company from time to time and whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the business day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. Our

Board shall endeavour to procure that the Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or wilful default on the part of our Company or any of its officers.

(xix) Lapse of options

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (aa) the expiry of the period referred to in paragraph (ix) above;
- (bb) the date on which the grantee commits a breach of paragraph (xi);
- (cc) the expiry of any of the periods or the occurrence of the relevant events referred to in paragraphs (xii), (xiv), (xvi), (xvii) or (xviii) above;
- (dd) subject to paragraph (xvii) above, the date of the commencement of the winding-up of our Company;
- (ee) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;
- (ff) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or
- (gg) the occurrence of the relevant events referred to in paragraph (xiii) above.

(xx) Cancellation of options granted but not yet exercised

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as our Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(xxi) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the date on which the Share Option Scheme was adopted and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by our Shareholders in general meeting.

(xxii) Alteration to the Share Option Scheme

- (aa) The Share Option Scheme may be altered in any respect by resolution of our Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options and the prospective grantees of the options relating to matters governed by Rule 23.03 of the GEM Listing Rules shall not be made except with the prior sanction of our Shareholders by a resolution in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the grantees as would be required of the Shareholders under the Articles of our Company for a variation of the rights attached to the Shares.
- (bb) Any alternations 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, or any change to the authority of our Board in respect of alteration of the Share Option Scheme must be approved by our Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (cc) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of the GEM Listing Rules.

(xxiii) Termination of the Share Option Scheme

If any of the below (xxiv) conditions are not satisfied on or before the expiry of three (3) months after the date on which the Share Option Scheme was conditionally adopted by the shareholders by way of written resolution (or such later date as the Shareholders may agree), the Share Option Scheme shall forthwith terminate and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme.

Our Company by resolution in general meeting or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(xxiv) Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon the passing of the necessary resolution to adopt the Share Option Scheme by the sole Shareholder in general meeting and upon the Listing Division granting the listing of and permission to deal in the Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme and commencement of dealings in the Shares on the Stock Exchange.

(b) Present status of the Share Option Scheme

Application has been made to the Listing Division for the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

OTHER INFORMATION

14. Tax and other indemnities

Each of Fully Fort and Mr. Yik Law (the “**Indemnifiers**”) has, pursuant to the deed of indemnity (“**Deed of Indemnity**”) dated 11 December 2018 referred to in the paragraph headed “7. Summary of material contracts” in this appendix, given indemnity in favour of our Group from and against, among other things, any tax liabilities which might be paid or payable by our Company or any member of our Group (“**Group Member**”) in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received before the Listing Date, save:

- (a) to the extent that full provision or allowance has been made for such taxation in the audited combined accounts of our Group as set out in Appendix I to this prospectus or the audited accounts of the relevant Group Member for the three financial years and four months ended 31 July 2018 (the “**Accounts**”);
- (b) to the extent that the liability for such taxation is caused by the act or omission of, or transaction voluntarily effected by, any Group Member which is carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after the date on which the Deed of Indemnity becomes effective (the “**Effective Date**”);

- (c) to the extent that such taxation or liability would not have arisen but for any act or omission by any Group Member (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) voluntarily effected without the prior written consent or agreement of the Indemnifiers, otherwise than in the ordinary course of business after the Effective Date or carried out, made or entered into pursuant to a legally binding commitment created before the Effective Date;
- (d) to the extent that such taxation claim arises or is incurred as a consequence of any retrospective change in laws or regulations or practice by the Hong Kong Inland Revenue Department or any other tax or government authorities in any part of the world coming into force after the Effective Date or to the extent such taxation claim arises or is increased by an increase in rates of taxation after the Effective Date with retrospective effect; and
- (e) to the extent of any provisions or reserve made for taxation in the audited accounts of our Group as set out in the Accounts which is finally established to be an over-provision or an excessive reserve.

Further, pursuant to the Deed of Indemnity, the Indemnifiers have jointly and severally given indemnity in respect of, among other matters, any liability for Hong Kong estate duty, if any, which might be incurred by any of Group Member by reason of transfer of any property to any of the members of our Group on or before the Listing Date. Our Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in the Cayman Islands, the British Virgin Islands and Hong Kong, being the jurisdictions in which the companies comprising our Group are incorporated.

In addition, pursuant to the Deed of Indemnity, the Indemnifiers have agreed and undertaken to jointly and severally indemnify the members of our Group and each of them and at all times keep the same indemnified on demand from and against, save to the extent that full provision has been made as set out in Appendix I to this prospectus, all claims, damages, losses, costs, expenses, fines, actions and proceedings whatsoever and howsoever arising at any time whether present or in the future as a result of or in connection with:

- (a) any and all expenses, payments, sums, outgoing fees, demands, claims, actions, proceedings, judgments, damages, losses, costs (including but not limited to, legal and other professional costs), charges, contributions, liabilities, fines, penalties which any Group Members may incur, suffer or accrue, directly or indirectly from or on the basis of or in connection with any failure, delay or defects of corporate or regulatory compliance under, or any breach of any provision of the Inland Revenue Ordinance or any other applicable laws, rules and regulations by any Group Members on or before the Effective Date;

- (b) any actual litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings whether of criminal, administrative, contractual, tortuous nature or otherwise instituted by or against our Company and/or any of the Group Members arising from any act, non-performance, omission or otherwise of our Company or any of our Group Members on or before the Effective Date;
- (c) any irregularities in relation to any corporate documents of any of our Group Members on or before the Effective Date; and
- (d) any alleged or actual violation or non-compliance by any of our Group Members with any laws and regulations in Hong Kong on or before the Effective Date.

15. Litigation

Save as disclosed herein, neither our Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against our Company or any of its subsidiaries.

16. Sole Sponsor

The Sole Sponsor has made an application for and on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including the Offer Shares and any Shares which may fall to be allotted and issued pursuant to (a) the Capitalisation Issue; and (b) the exercise of options which may be granted under the Share Option Scheme, representing 10% of the Shares in issue on the Listing Date.

The Sole Sponsor has declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules. The Sole Sponsor's fees in connection with the Share Offer are approximately HK\$4.5 million.

17. Compliance adviser

In accordance with the requirements of the GEM Listing Rules, our Company has appointed Kingsway Capital Limited as its compliance adviser upon Listing in compliance with the Rule 6A.19 of the GEM Listing Rules.

18. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK\$44,000 and are payable by our Company.

19. Promoters

Our Company does not have any promoter (as defined in the GEM Listing Rules).

20. Qualifications and consents of experts

The qualifications of the experts who have given reports, letter or opinions (as the case may be) in this prospectus are as follows:

Name	Qualification
Kingsway Capital Limited	A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activity under the SFO
Mazars CPA Limited	Certified Public Accountants
Mr. Jon K.H. Wong	Barrister-at-law of Hong Kong, legal counsel to our Company as to Hong Kong laws
Conyers Dill & Pearman	Legal adviser to our Company as to Cayman Islands laws
China Insights Consultancy Limited	Industry consultant to our Company

Each of the experts named above has given and has not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they respectively appear.

None of the experts named above has any shareholding interest in any members of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of our Group.

21. 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 penalty provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

22. Taxation of holders of Shares**(a) Hong Kong****(i) Profits**

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the Shares. Trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax. Gains from sales of the Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of the Shares realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

(ii) Stamp duty

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale of the Shares. The duty is charged at the current rate of 0.2% of the consideration or, if higher, the fair value of the Shares being sold or transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of shares.

(iii) Estate duty

Estate duty has been abolished in Hong Kong by The Revenue (Abolition of Estate Duty) Ordinance 2005 which came into effect on 11 February 2006.

(b) The 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

Intended holders of the 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 the Shares or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of the Shares resulting from their subscription for, purchase, holding or disposal of or dealing in the Shares or exercising any rights attaching to them.

23. Miscellaneous

- (a) Save as disclosed in this prospectus, within two years preceding the date of this prospectus:
- (i) no share or loan capital of our Company or of any of its 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;
 - (ii) no commissions, discounts, brokerages (other than under the Underwriting Agreements) or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries;
 - (iii) no commission has been paid or payable subscribing, agreeing to subscribe or procuring subscription or agreeing to procure subscription for any shares in our Company or any of its subsidiaries; and
 - (iv) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (b) Saved as disclosed in this prospectus, no founders, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
- (c) Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 July 2018 (being the date to which the latest audited combined financial statements of our Group were made up);
- (d) There has not been any interruption in the business of our Group which has had a material adverse effect on the financial position of our Group in the 12 months preceding the date of this prospectus;

- (e) None of the equity and debt securities of our Company is listed or dealt with on any other stock exchange nor is any listing or submission to deal being or proposed to be sought;
- (f) None of our Directors nor any of the persons whose names are listed in paragraph headed “20. Qualifications and consents of experts” in this Appendix has received any commissions, discounts, agency fees, brokerages or other special terms in connection with the issue or sale of any share or loan capital of any member of our Group;
- (g) There has not been any interruption in the business of our Company which may have or has had a significant effect on the financial position of our Company in the 24 months preceding the date of this prospectus;
- (h) Subject to the provisions of the Companies Law, the principal register of members of our Company will be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless the Directors otherwise agree, all transfers and other documents of title of the 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;
- (i) All necessary arrangements have been made to enable the Shares to be admitted into CCASS;
- (j) There is no arrangement under which future dividends have been waived;
- (k) No company within our Group is presently listed on any stock exchange or traded on any trading system; and
- (l) In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

24. BILINGUAL PROSPECTUS

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and Chinese language version of this prospectus, the English language version shall prevail.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) the written consents of the experts referred to in the paragraph headed “Other information – 20. Qualifications and consents of experts” in Appendix IV to this prospectus; and
- (c) copies of the material contracts referred to in the paragraph headed “Further information about the business of our Group – 7. Summary of material contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Robertsons at 57th Floor, The Center, 99 Queen’s Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- 1. the Memorandum of Association and Articles of Association;
- 2. the Accountants’ Report of our Group prepared by Mazars CPA Limited, the text of which is set out in Appendix I to this prospectus;
- 3. the audited financial statements of the companies now comprising our Group for the three financial years ended 31 March 2018 and for the four months ended 31 July 2018;
- 4. the report on the unaudited pro forma financial information of our Group prepared by Mazars CPA Limited, the text of which is set out in Appendix II to this prospectus;
- 5. the rules of the Share Option Scheme;
- 6. the letter prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Islands company law referred to in Appendix III to this prospectus;
- 7. the opinion issued by Mr. Jon K.H. Wong, barrister-at-law of Hong Kong, in respect of certain statements regarding Hong Kong laws referred to in this prospectus;

8. the CIC Report;
9. the Companies Law;
10. the material contracts referred to in the paragraph headed “Further information about the business of our Group – 7. Summary of material contracts” in Appendix IV to this prospectus;
11. the written consents referred to in the paragraph headed “Other information – 20. Qualifications and consents of experts” in Appendix IV to this prospectus; and
12. the service contracts referred to in the paragraph headed “Further Information about Directors, management and staff – 9. Directors – (a) Particulars of service contracts and letters of appointment” in Appendix IV to this prospectus.

